Table of Contents

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

# FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from _____ to _____.

COMMISSION FILE NUMBER: 000-26489

# ENCORE CAPITAL GROUP, INC.

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

| **Delaware** | **48-1090909** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |
| **3111 Camino Del Rio North, Suite 1300 San Diego, California** | **92108** |
| **(Address of principal executive offices)** | **(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 x No ☐

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

Indicate by check mark 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 x 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 x

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 July 29, 2014** |
|---|---|
| Common Stock, $0.01 par value | 25,631,325 shares |

**ENCORE CAPITAL GROUP, INC.**
**INDEX TO FORM 10-Q**

**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)

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 123,407 | $ 126,213 |
| Investment in receivable portfolios, net | 1,987,985 | 1,590,249 |
| Deferred court costs, net | 45,577 | 41,219 |
| Receivables secured by property tax liens, net | 279,608 | 212,814 |
| Property and equipment, net | 58,839 | 55,783 |
| Other assets | 217,471 | 154,783 |
| Goodwill | 879,910 | 504,213 |
| Total assets | $ 3,592,797 | $ 2,685,274 |
| **Liabilities and equity** | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ 163,958 | $ 137,272 |
| Debt | 2,715,866 | 1,850,431 |
| Other liabilities | 99,209 | 95,100 |
| Total liabilities | 2,979,033 | 2,082,803 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 31,730 | 26,564 |
| Redeemable equity component of convertible senior notes | 10,488 | — |
| 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, 25,631 shares and 25,457 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively | 256 | 255 |
| Additional paid-in capital | 116,037 | 171,819 |
| Accumulated earnings | 441,369 | 394,628 |
| Accumulated other comprehensive gain | 10,936 | 5,195 |
| Total Encore Capital Group, Inc. stockholders' equity | 568,598 | 571,897 |
| Noncontrolling interest | 2,948 | 4,010 |
| Total equity | 571,546 | 575,907 |
| Total liabilities, redeemable equity and equity | $ 3,592,797 | $ 2,685,274 |

The following table includes assets that can only be used to settle the liabilities of the Company's consolidated variable interest entities ("VIEs"). 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.

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 52,827 | $ 62,403 |
| Investment in receivable portfolios, net | 1,002,980 | 620,312 |
| Deferred court costs, net | 4,317 | — |
| Receivables secured by property tax liens, net | 127,273 | — |
| Property and equipment, net | 14,816 | 13,755 |
| Other assets | 91,366 | 33,772 |
| Goodwill | 728,045 | 376,296 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 80,791 | $ 47,219 |
| Debt | 1,699,343 | 846,676 |
| Other liabilities | 7,261 | 1,897 |

*See accompanying notes to condensed consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**

**Condensed Consolidated Statements of Income**

(In Thousands, Except Per Share Amounts)

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | |
| Revenue from receivable portfolios, net | $ 248,231 | $ 152,024 | $ 485,799 | $ 292,707 |
| Other revenues | 14,149 | 380 | 25,498 | 681 |
| Net interest income | 6,815 | 3,717 | 11,639 | 7,319 |
| Total revenues | 269,195 | 156,121 | 522,936 | 300,707 |
| Operating expenses | | | | |
| Salaries and employee benefits | 64,355 | 32,969 | 122,492 | 61,801 |
| Cost of legal collections | 50,029 | 44,483 | 99,854 | 86,741 |
| Other operating expenses | 22,041 | 13,797 | 48,464 | 27,062 |
| Collection agency commissions | 9,153 | 5,230 | 17,429 | 8,559 |
| General and administrative expenses | 38,282 | 27,601 | 74,976 | 43,943 |
| Depreciation and amortization | 6,829 | 2,158 | 12,946 | 4,004 |
| Total operating expenses | 190,689 | 126,238 | 376,161 | 232,110 |
| Income from operations | 78,506 | 29,883 | 146,775 | 68,597 |
| Other (expense) income | | | | |
| Interest expense | (43,218) | (7,482) | (81,180) | (14,336) |
| Other income (expense) | 75 | (4,122) | 340 | (3,963) |
| Total other expense | (43,143) | (11,604) | (80,840) | (18,299) |
| Income before income taxes | 35,363 | 18,279 | 65,935 | 50,298 |
| Provision for income taxes | (14,010) | (7,267) | (25,752) | (19,838) |
| Net income | 21,353 | 11,012 | 40,183 | 30,460 |
| Net loss attributable to noncontrolling interest | 2,208 | — | 6,558 | — |
| Net income attributable to Encore Capital Group, Inc. stockholders | $ 23,561 | $ 11,012 | $ 46,741 | $ 30,460 |
| | | | | |
| **Earnings per share attributable to Encore Capital Group, Inc.:** | | | | |
| | | | | |
| Basic | $ 0.91 | $ 0.46 | $ 1.81 | $ 1.28 |
| Diluted | $ 0.86 | $ 0.44 | $ 1.68 | $ 1.24 |
| | | | | |
| Weighted average shares outstanding: | | | | |
| Basic | 25,798 | 23,966 | 25,774 | 23,707 |
| Diluted | 27,492 | 24,855 | 27,790 | 24,652 |

*See accompanying notes to condensed consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**

**Condensed Consolidated Statements of Comprehensive Income**

(Unaudited, In Thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income | $ 21,353 | $ 11,012 | $ 40,183 | $ 30,460 |
| Other comprehensive gain (loss), net of tax: | | | | |
| Unrealized gain (loss) on derivative instruments | 480 | (1,574) | 2,068 | (954) |
| Unrealized gain (loss) on foreign currency translation | 3,525 | (583) | 3,674 | (697) |
| Other comprehensive gain (loss), net of tax | 4,005 | (2,157) | 5,742 | (1,651) |
| Comprehensive income | 25,358 | 8,855 | 45,925 | 28,809 |
| Comprehensive loss attributable to noncontrolling interest: | | | | |
| Net loss | 2,208 | — | 6,558 | — |
| Unrealized gain on foreign currency translation | (618) | — | (470) | — |
| Comprehensive loss attributable to noncontrolling interests | 1,590 | — | 6,088 | — |
| Comprehensive income attributable to Encore Capital Group, Inc. stockholders | $ 26,948 | $ 8,855 | $ 52,013 | $ 28,809 |

*See accompanying notes to condensed consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**

**Condensed Consolidated Statements of Cash Flows**

(Unaudited, In Thousands)

| | Six Months Ended June 30, | |
|---|---|---|
| | **2014** | **2013** |
| **Operating activities:** | | |
| Net income | $ 40,183 | $ 30,460 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,946 | 4,004 |
| Other non-cash interest expense | 13,974 | 3,550 |
| Stock-based compensation expense | 9,551 | 5,180 |
| Recognized loss on termination of derivative contract | — | 3,630 |
| Deferred income taxes | 9,616 | (3,297) |
| Excess tax benefit from stock-based payment arrangements | (10,756) | (3,848) |
| Reversal of allowances on receivable portfolios, net | (6,652) | (4,680) |
| Changes in operating assets and liabilities | | |
| Deferred court costs and other assets | (23,801) | (7,010) |
| Prepaid income tax and income taxes payable | (9,038) | (19,559) |
| Accounts payable, accrued liabilities and other liabilities | 1,574 | 2,821 |
| Net cash provided by operating activities | 37,597 | 11,251 |
| **Investing activities:** | | |
| Cash paid for acquisitions, net of cash acquired | (303,532) | (293,329) |
| Purchases of receivable portfolios, net of put-backs | (475,121) | (98,196) |
| Collections applied to investment in receivable portfolios, net | 325,451 | 260,531 |
| Originations and purchases of receivables secured by tax liens | (85,014) | (87,961) |
| Collections applied to receivables secured by tax liens | 53,216 | 27,097 |
| Purchases of property and equipment | (8,943) | (5,335) |
| Other | — | (5,530) |
| Net cash used in investing activities | (493,943) | (202,723) |
| **Financing activities:** | | |
| Payment of loan costs | (14,673) | (11,846) |
| Proceeds from credit facilities | 679,872 | 514,065 |
| Repayment of credit facilities | (732,857) | (228,175) |
| Proceeds from senior secured notes | 288,645 | — |
| Repayment of senior secured notes | (7,500) | (6,250) |
| Proceeds from issuance of convertible senior notes | 161,000 | 150,000 |
| Proceeds from issuance of securitized notes | 134,000 | — |
| Repayment of securitized notes | (8,793) | — |
| Proceeds from issuance of preferred equity certificates | 20,596 | — |
| Repayment of preferred equity certificates | (6,297) | — |
| Purchases of convertible hedge instruments | (33,576) | (15,750) |
| Repurchase of common stock | (16,815) | (729) |
| Taxes paid related to net share settlement of equity awards | (18,375) | (8,420) |
| Excess tax benefit from stock-based payment arrangements | 10,756 | 3,848 |
| Other, net | 1,859 | (610) |
| Net cash provided by financing activities | 457,842 | 396,133 |
| Net increase in cash and cash equivalents | 1,496 | 204,661 |
| Effect of exchange rate changes on cash | (4,302) | — |
| Cash and cash equivalents, beginning of period | 126,213 | 17,510 |
| Cash and cash equivalents, end of period | $ 123,407 | $ 222,171 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 54,672 | $ 12,537 |
| Cash paid for income taxes | 37,805 | 40,513 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Fixed assets acquired through capital lease | $ 3,766 | $ 1,189 |

*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, 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 partnering 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. Encore, through certain subsidiaries, is a market leader in portfolio purchasing and recovery in the United States. Encore's subsidiary, Janus Holdings Luxembourg S.a.r.l. ("Janus Holdings"), through its indirectly held United Kingdom-based subsidiary Cabot Credit Management Limited ("Cabot"), is a market leader in debt management in the United Kingdom, historically specializing in higher balance, semi-performing accounts. Cabot's February 2014 acquisition of Marlin Financial Group Limited ("Marlin") provides Cabot with substantial litigation-enhanced collections capabilities for non-performing accounts. Encore's majority-owned subsidiary, Grove Holdings ("Grove"), through its subsidiaries, is a 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. Encore's majority-owned subsidiary, Refinancia S.A. ("Refinancia"), through its subsidiaries, is one of the market leaders in debt collection and management in Colombia and Peru. In addition, through Encore's subsidiary, Propel Financial Services, LLC ("Propel"), the Company assists property owners who are delinquent on their property taxes by structuring affordable monthly payment plans and purchases delinquent tax liens directly from selected taxing authorities.

**Portfolio Purchasing and Recovery**

***United States.*** The Company purchases receivable portfolios based on robust, account-level valuation methods and employs a suite of proprietary statistical and behavioral models across the full extent of its operations. These investments allow the Company to value portfolios accurately (and limit the risk of overpaying), avoid buying portfolios that are incompatible with its methods or goals and precisely align the accounts it purchases with its operational channels to maximize future collections. As a result, the Company has been able to realize significant returns from the receivables it acquires. The Company maintains strong relationships with many of the largest credit and telecommunication providers, and possesses one of the industry's best collection staff retention rates.

The Company uses insights discovered during its purchasing process to build account collection strategies. The Company's proprietary consumer-level collectability analysis is the primary determinant of whether an account will be actively serviced post-purchase. The Company continuously refines this analysis to determine the most effective collection strategy to pursue for each account it owns. After the Company's preliminary analysis, it seeks to collect on only a fraction of the accounts it purchases, through one or more of its collection channels. The channel identification process is analogous to a funneling system, where the Company first differentiates those consumers who it believes are not able to pay from those who are able to pay. Consumers who the Company believes are financially incapable of making any payments, facing extenuating circumstances or hardships (such as medical issues), serving in the military, or currently receiving social security as their only source of income are excluded from the next step of its collection process and are designated as inactive. The remaining pool of accounts in the funnel then receives further evaluation. At that point, the Company analyzes and determines a consumer's perceived willingness to pay. Based on that analysis, the Company will pursue collections through letters and/or phone calls to its consumers. Despite its efforts to reach consumers and work out a settlement option, only a small number of consumers who are contacted choose to engage with the Company. Those who do are often offered deep discounts on their obligations, or are presented with payment plans that are better suited to meet their daily cash flow needs. The majority of contacted consumers, however, ignore both the Company's calls and letters, and therefore the Company must then make the difficult decision whether or not to pursue collections through legal means.

The Company continually monitors applicable changes to laws governing statutes of limitations and disclosures to consumers. The Company maintains policies, system controls, and processes designed to ensure that accounts past the applicable statute of limitations do not get placed into legal collections. Additionally, in written and verbal communications with consumers, the Company provides disclosures to the consumer that the account is past its applicable statute of limitations and, therefore, the Company will not pursue collections through legal means.

***United Kingdom.*** Through Cabot, portfolio receivables are purchased using a proprietary pricing model. 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 service providers in the United Kingdom.

Cabot also uses insights discovered during its purchasing process to build account collection strategies. Cabot's proprietary consumer-level collectability analysis is the primary determinant of how an account will be serviced post-purchase. Cabot continuously refines this analysis to determine the most effective collection strategy to pursue for each account it owns. In recent years, Cabot has concentrated on buying portfolios that are defined as semi-performing, in which over 50% of the accounts in a portfolio have made a payment in three of the last four months immediately prior to the portfolio purchase. Cabot will try to establish contact with these consumers, in order to transfer payment arrangements and gauge the willingness of these consumers to pay. Consumers who Cabot believes are financially incapable of making any payments, those having negative disposable income, or those experiencing hardships (such as medical issues or mental incapacity), are managed outside of normal collection routines.

The remaining pool of accounts then receives further evaluation. Cabot analyzes and estimates a consumer's perceived willingness to pay. Based on that analysis, Cabot pursues collections through letters and/or phone calls to its consumers. Where contact is made and consumers indicate a willingness to pay, a patient approach of forbearance is applied using regulatory protocols within the United Kingdom to assess affordability and ensure that plans are fair and balanced and therefore, sustainable.

Where consumers are not locatable or refuse to engage in a constructive dialogue, Cabot will pass these accounts through a litigation scorecard and rule set in order to assess suitability for legal action. Through Cabot's newly acquired subsidiary, Marlin, a leading acquirer of non-performing consumer debt in the United Kingdom, Cabot has a competitive advantage in the use of litigation-enhanced collections for non-paying financial services receivables.

On April 1, 2014, the Company completed the acquisition of a controlling equity ownership interest in Grove. Grove, through its subsidiaries, is a 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.

***Colombia and Peru.*** Refinancia is one of the market leaders in the management of non-performing loans 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 with defaulted credit records, payment plan guarantee services through merchants and loan guarantee services to financial institutions.

**Tax Lien Business**

Propel's principal activities are the acquisition and servicing of residential and commercial tax liens on real property. These liens take priority over most other liens. By funding tax liens, Propel provides state and local taxing authorities and governments with much needed tax revenue. To the extent permitted by local law, Propel works with property owners to structure affordable payment plans designed to allow them to keep their property while paying their property tax obligation over time. Propel maintains a foreclosure rate of less than one-half of one percent.

Propel's receivables secured by property tax liens include Texas tax liens, Nevada tax liens, and tax lien certificates in various other states (collectively, "Tax Liens"). With Texas and Nevada Tax Liens, Texas or Nevada property owners choose to have the taxing authority transfer their tax lien to Propel. Propel pays their tax lien obligation to the taxing authority and the property owner pays Propel over time at a lower interest rate than would be assessed by the taxing authority. Propel's arrangements with Texas and Nevada property owners provide them with repayment plans that are both affordable and flexible when compared with other payment options. Propel also purchases Tax Liens in various other states directly from taxing authorities, securing rights to outstanding property tax payments, interest and penalties. In most cases, such Tax Liens continue to be serviced by the taxing authority. When the taxing authority is paid, it repays Propel the outstanding balance of the lien plus interest, which is established by statute or negotiated at the time of the purchase.

***Financial Statement Preparation and Presentation***

The accompanying interim condensed consolidated financial statements have been prepared by Encore, 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, 2013. 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 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) 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.

On June 13, 2013, the Company completed its merger with Asset Acceptance Capital Corp. ("AACC"), on July 1, 2013, the Company completed its acquisition of Cabot (the "Cabot Acquisition"), and on February 7, 2014, Cabot acquired Marlin. The condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2013 only include the results of operations of AACC since the closing date of the merger with AACC and do not include the results of operations of Cabot, as the acquisition was not completed until after June 30, 2013. The condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2014 includes the results of the operations of Marlin since the date of the acquisition.

***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 are translated as of the balance sheet date and revenue and expenses are translated at an average rate over the period. Currency translation adjustments are recorded as a component of other comprehensive income. Transaction gains and losses are included in other income or expense.

***Reclassifications***

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

***Recent Accounting Pronouncements***

In May 2014, the FASB issued a comprehensive new revenue recognition standard "Revenue from Contracts with Customers." This new standard supersedes the existing revenue recognition guidance under GAAP, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new standard, which does not apply to financial instruments, is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is in the process of evaluating the impact of the adoption of the standard on its financial statements.

**Note 2: Business Combinations**

***Marlin Acquisition***

On February 7, 2014, Cabot, through its subsidiary Cabot Financial Holdings Group Limited ("Cabot Financial Holdings"), entered into a Share Sale and Purchase Agreement (the "Marlin Purchase Agreement"), pursuant to which Cabot acquired (a) the entire issued share capital of Marlin, and (b) certain subordinated fixed rate loan notes of Marlin Financial Intermediate Limited, which is a direct wholly-owned subsidiary of Marlin (the "Marlin Acquisition"), from funds managed by Duke Street LLP and certain individuals, including certain executive management of Marlin (collectively, the "Sellers").

Pursuant to the terms and conditions of the Marlin Purchase Agreement and certain ancillary agreements, Cabot Financial Holdings purchased from the Sellers all of the issued and outstanding equity securities of Marlin and certain subordinated fixed rate loan notes of Marlin Financial Intermediate Limited and assumed substantially all of the outstanding debt of Marlin

Intermediate Holdings plc, a subsidiary of Marlin. The purchase price consisted of £166.8 million (approximately $274.1 million) in cash consideration, of which £44.8 million (approximately $73.7 million) was used to pay off Marlin's fixed rate loan notes. In addition, Cabot assumed £150.0 million (approximately $246.5 million) of Marlin's outstanding senior secured notes. The Marlin Acquisition was financed with borrowings under Cabot's existing revolving credit facility and under Cabot's new senior secured bridge facilities. Refer to Note 10, "Debt" for further details of Cabot's revolving credit facility and senior secured bridge facilities.

The Marlin 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. As of the date of this Quarterly Report on Form 10-Q, the Company is still finalizing the allocation of the purchase price. The initial purchase price allocation presented below was based on the preliminary assessment of assets acquired and liabilities assumed, which is subject to change based on the final valuation study that is expected to be completed by the fourth quarter of 2014.

The components of the preliminary purchase price allocation for the Marlin Acquisition are as follows (*in thousands*):

| | | |
|---|---|---|
| **Purchase price:** | | |
| Cash paid at acquisition | $ | 274,068 |
| **Allocation of purchase price:** | | |
| Cash | $ | 16,342 |
| Investment in receivable portfolios | | 208,450 |
| Deferred court costs | | 914 |
| Property and equipment | | 1,508 |
| Other assets | | 18,091 |
| Liabilities assumed | | (301,180) |
| Identifiable intangible assets | | 1,819 |
| Goodwill | | 328,124 |
| Total net assets acquired | $ | 274,068 |

The goodwill recognized is primarily attributable to (i) the ability to utilize Marlin's proven competitive advantage in the use of litigation-enhanced collections for non-paying financial services receivables and (ii) synergies that are expected to be achieved by applying Cabot's scoring model to Marlin's portfolio. The Company is still finalizing its analysis of the effects of these synergies which, when finalized, will be incorporated into Marlin and Cabot's estimated remaining collections. The entire goodwill of $328.1 million related to the Marlin Acquisition is not deductible for income tax purposes.

Total acquisition and integration costs related to the Marlin Acquisition were approximately $9.8 million for the six months ended June 30, 2014, and have been expensed in the accompanying condensed consolidated statements of income within general and administrative expenses.

Pro forma financial information for the Marlin Acquisition has not been included as the computation of such information is impracticable.

***Other Acquisitions***

In addition to the business combination transaction discussed above, the Company completed certain other acquisitions in 2013, including the acquisition of Refinancia in December 2013. On April 1, 2014, the Company completed the acquisition of approximately 68.2% of the equity ownership interest in Grove. On May 2, 2014, Propel completed the acquisition of a portfolio of tax liens and other assets in a transaction valued at approximately $43.0 million. These acquisitions were immaterial to the Company's financial statements individually and in the aggregate.

**Note 3: Earnings Per Share**

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

On April 24, 2014, the Company's Board of Directors approved a $50.0 million share repurchase program. Repurchases under this program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through solicited or unsolicited privately negotiated transactions or otherwise. During the three months ended June 30, 2014, the Company has repurchased 400,000 shares of its common stock for approximately $16.8 million. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Weighted average common shares outstanding—basic | 25,798 | 23,966 | 25,774 | 23,707 |
| Dilutive effect of stock-based awards | 651 | 849 | 800 | 945 |
| Dilutive effect of convertible senior notes | 1,043 | 40 | 1,195 | — |
| Dilutive effect of warrants | — | — | 21 | — |
| Weighted average common shares outstanding—diluted | 27,492 | 24,855 | 27,790 | 24,652 |

No anti-dilutive employee stock options were outstanding during the three and six months ended June 30, 2014 or 2013.

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

In the event of conversion, the 2017 Convertible Notes are convertible into cash up to the aggregate principal amount and permit the excess conversion premium to be settled in cash or shares of Company's common stock. For the 2020 Convertible Notes and 2021 Convertible Notes, the Company has the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due upon conversion. The Company's intent is to settle the principal amount of the 2020 and 2021 Convertible Notes in cash upon conversion. As a result, upon conversion of all the convertible senior notes, only the amounts payable in excess of the principal amounts are considered in diluted earnings per share under the treasury stock method. For the three months ended June 30, 2014 and 2013, diluted earnings per share includes the effect of the common shares issuable upon conversion of the 2017 Convertible Notes because the average stock price exceeded the conversion price of these notes. For the six months ended June 30, 2014, diluted earnings per share includes the effect of the common shares issuable upon conversion of the 2017 Convertible Notes and the 2020 Convertible Notes because the average stock price exceeded the conversion price of these notes. However, as described in Note 10, "Debt—Encore Convertible Senior Notes," the Company entered into certain hedge transactions that have the effect of increasing the effective conversion price of the 2017 Convertible Notes to $60.00 and the 2020 Convertible Notes to $61.55. On January 2, 2014, the 2017 Convertible Notes became convertible as certain conditions for conversion were met in the immediately preceding calendar quarter as defined in the applicable indenture. However, none of the 2017 Convertible Notes were converted during the three and six months ended June 30, 2014.

In conjunction with the issuance of the 2017 Convertible Notes, the Company entered into privately negotiated transactions with certain counterparties and sold warrants to purchase approximately 3.6 million shares of its common stock. The warrants had an exercise price of $44.19. On December 16, 2013, the Company entered into amendments with the same counterparties to exchange the original warrants with new warrants with an exercise price of $60.00. All other terms and settlement provisions remain unchanged. The warrant restrike transaction was completed on February 6, 2014. Diluted earnings per share includes the effect of these warrants for the six months ended June 30, 2014. The effect of the warrants was anti-

dilutive for the three months ended June 30, 2014 and 2013, and six months ended June 30, 2013. Refer to Note 10, “Debt—Encore Convertible Senior Notes —2017 Convertible Senior Notes” for further details of the warrant restrike transaction.

**Note 4: 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 June 30, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Foreign currency exchange contracts | $ — | $ 978 | $ — | $ 978 |
| Interest rate cap contracts | — | 22 | — | 22 |
| **Liabilities** | | | | |
| Foreign currency exchange contracts | — | (1,418) | — | (1,418) |
| **Temporary Equity** | | | | |
| Redeemable noncontrolling interests | — | — | (31,730) | (31,730) |

| | Fair Value Measurements as of December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Foreign currency exchange contracts | $ — | $ 46 | $ — | $ 46 |
| Interest rate cap contracts | — | 202 | — | 202 |
| **Liabilities** | | | | |
| Foreign currency exchange contracts | — | (4,123) | — | (4,123) |
| **Temporary Equity** | | | | |
| Redeemable noncontrolling interests | — | — | (26,564) | (26,564) |

***Derivative Contracts:***

The Company uses derivative instruments to minimize its exposure to fluctuations in interest rates and foreign currency exchange rates. The Company’s derivative instruments primarily include interest rate swap agreements, interest rate cap contracts, and foreign currency exchange contracts. 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, while others have the right 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 period ended June 30, 2014 are presented in the following table:

| | Amount |
|---|---|
| Balance at December 31, 2013 | $ 26,564 |
| Initial redeemable noncontrolling interest related to business combinations | 4,753 |
| Net loss attributable to redeemable noncontrolling interests | (5,001) |
| Adjustment of the redeemable noncontrolling interests to fair value | 4,957 |
| Effect of foreign currency translation attributable to redeemable noncontrolling interests | 457 |
| Balance at June 30, 2014 | $ 31,730 |

***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 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 buyer'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 12.0%, respectively, for United States portfolios, and approximately 30.2% and 19.5%, respectively, for United Kingdom portfolios. Using this method, the fair value of investment in receivable portfolios approximates the carrying value as of June 30, 2014 and December 31, 2013. 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 United Kingdom portfolios by approximately $38.0 million and $34.3 million, respectively, as of June 30, 2014. 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 $2.0 billion and $1.6 billion as of June 30, 2014 and December 31, 2013, 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.

***Receivables Secured By Property Tax Liens:***

The fair value of receivables secured by property tax liens is estimated by discounting the future cash flows of the portfolio using a discount rate equivalent to the current rate at which similar portfolios would be originated. For tax liens purchased directly from taxing authorities, the fair value is estimated by discounting the expected future cash flows of the portfolio using a discount rate equivalent to the interest rate expected when acquiring these tax liens. The carrying value of receivables secured by property tax liens approximates fair value. Additionally, the carrying value of the related interest receivable also approximates fair value.

***Debt:***

Encore's senior secured notes and borrowings under its revolving credit and term loan facilities are carried at historical amounts, adjusted for additional borrowings less principal repayments, which approximate fair value.

Encore's convertible senior notes are carried at historical cost, adjusted for the debt discount. The carrying value of the convertible senior notes was $448.5 million, net of debt discount of $55.7 million as of June 30, 2014, and $287.5 million, net of debt discount of $42.2 million as of December 31, 2013, respectively. The fair value estimate for these convertible senior notes, which incorporates quoted market prices, was approximately $552.9 million and $412.4 million as of June 30, 2014 and December 31, 2013, respectively.

Propel's borrowings under its revolving credit facilities, term loan facility, and securitized notes are carried at historical amounts, adjusted for additional borrowings less principal repayments, which approximate fair value.

Cabot's senior secured notes due 2019 are carried at the fair value determined at the time of the Cabot Acquisition, adjusted by the accretion of debt premium. Cabot's senior secured notes due 2020 and 2021 are carried at historical cost. Marlin's senior secured notes due 2020 are carried at the fair value determined at the time of the Marlin Acquisition, adjusted by the accretion of debt premium. The carrying value of all the above senior secured notes then outstanding for the Company was $1.3 billion, including debt premium of $79.4 million, as of June 30, 2014, and $646.9 million, including debt premium of $43.6 million, as of December 31, 2013. The fair value estimate for these senior notes, which incorporates quoted market prices, was approximately $1.3 billion and $680.7 million as of June 30, 2014 and December 31, 2013, respectively.

The Company's preferred equity certificates are legal obligations to the noncontrolling shareholders at its Janus Holdings and Cabot Holdings subsidiaries. They are carried at the face amount, plus any accrued interest. The Company determined, at the time of the Cabot Acquisition and at June 30, 2014, that the carrying value of these preferred equity certificates approximates fair value.

**Note 5: Derivatives and Hedging Instruments**

The Company may periodically enter into derivative financial instruments to manage risks related to interest rates and foreign currency. Most of the Company's derivative financial instruments qualify for hedge accounting treatment under the authoritative guidance for derivatives and hedging. The Company's Cabot subsidiary also holds interest rate cap contracts with an aggregated notional amount of £125.0 million (approximately $213.7 million) that are used to manage its risk related to interest rate fluctuations. The Company does not apply hedge accounting on the interest rate cap contracts. The impact of the interest rate cap contracts to the Company's consolidated financial statements for the three and six months ended June 30, 2014, was immaterial.

***Interest Rate Swaps***

As of June 30, 2014, the Company had no outstanding interest rate swap agreements. During the three and six months ended June 30, 2013, the Company utilized interest rate swap contracts to manage risks related to interest rate fluctuation. These derivatives were designated as cash flow hedges in accordance with authoritative accounting guidance. The hedging instruments had been highly effective since the inception of the hedge program, therefore no gains or losses were reclassified from other comprehensive income ("OCI") into earnings as a result of hedge ineffectiveness.

***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, including Indian rupees. To mitigate this risk, the Company enters into derivative financial instruments, principally forward contracts, which are designated as cash flow hedges, to mitigate fluctuations in the cash payments of future forecasted transactions in Indian rupees for up to 36 months. 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.

Gains and losses on cash flow hedges are recorded in OCI until the hedged transaction is recorded in the consolidated financial statements. Once the underlying transaction is recorded in the consolidated financial statements, the Company reclassifies the OCI on the derivative into 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 June 30, 2014, the total notional amount of the forward contracts to buy Indian rupees in exchange for United States dollars was $48.2 million. As of June 30, 2014, all outstanding contracts qualified for hedge accounting treatment. The Company estimates that approximately $1.0 million of net derivative loss 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 six months ended June 30, 2014, and 2013.

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):*

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments: | | | | |
| Foreign currency exchange contracts | Other liabilities | $ (1,418) | Other liabilities | $ (4,123) |
| Foreign currency exchange contracts | Other assets | 978 | Other assets | 46 |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate cap | Other assets | 22 | Other assets | 202 |

The following table summarizes the effects of derivatives in cash flow hedging relationships on the Company's condensed consolidated statements of income for the three and six months ended June 30, 2014 and 2013 *(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 | | | Three Months Ended | | | Three Months Ended | |
| | 2014 | 2013 | | 2014 | 2013 | | 2014 | 2013 |
| Interest rate swaps | $ — | $ 151 | Interest expense | $ — | $ — | Other (expense) income | $ — | $ — |
| Foreign currency exchange contracts | 760 | (2,540) | Salaries and employee benefits | (219) | (219) | Other (expense) income | — | — |
| Foreign currency exchange contracts | 134 | (531) | General and administrative expenses | (40) | (44) | Other (expense) income | — | — |

| | 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 | |
|---|---|---|---|---|---|---|---|---|
| | Six Months Ended | | | Six Months Ended | | | Six Months Ended | |
| | 2014 | 2013 | | 2014 | 2013 | | 2014 | 2013 |
| Interest rate swaps | $ — | $ 374 | Interest expense | $ — | $ — | Other (expense) income | $ — | $ — |
| Foreign currency exchange contracts | 2,645 | (1,938) | Salaries and employee benefits | (575) | (268) | Other (expense) income | — | — |
| Foreign currency exchange contracts | 321 | (428) | General and administrative expenses | (97) | (52) | Other (expense) income | — | — |

**Note 6: 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 a quarter are aggregated into pools based on common risk characteristics. Once a static pool is established, the portfolios are permanently assigned to the pool. The discount (*i.e.*, the difference between the cost of each static pool and the related aggregate contractual receivable balance) is not recorded because 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 generally recognized prospectively through an upward adjustment of the pool's IRR over its remaining life. Subsequent decreases in expected cash flows do not change the IRR, but are recognized as an allowance to the cost basis of the pool, and are reflected in the consolidated statements of comprehensive income 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. The collection forecast of each pool is generally estimated to be between 84 to 96 months based on the expected collection period of each pool (up to 120 months for Cabot's semi-performing pools). The Company often experiences collections beyond the 84 to 96 month collection forecast. As of June 30, 2014, the total estimated remaining collections beyond the 84 to 96 month collection forecast, which are not included in the calculation of the Company's IRRs, were $145.5 million. The collection forecast estimates for Cabot include a 120 month collection period which is included in its estimated remaining collections and is used for calculating its IRRs.

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 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 |
|---|---|---|---|
| Balance at December 31, 2013 | $ 2,391,471 | $ 8,465 | $ 2,399,936 |
| Revenue recognized, net | (231,057) | (6,511) | (237,568) |
| Net additions on existing portfolios[1] | 92,325 | 8,555 | 100,880 |
| Additions for current purchases[1][2] | 591,205 | — | 591,205 |
| Balance at March 31, 2014 | 2,843,944 | 10,509 | 2,854,453 |
| Revenue recognized, net | (241,523) | (6,708) | (248,231) |
| Net additions on existing portfolios[1] | 80,582 | 6,135 | 86,717 |
| Additions for current purchases[1] | 218,047 | — | 218,047 |
| Balance at June 30, 2014 | $ 2,901,050 | $ 9,936 | $ 2,910,986 |

| | Accretable Yield | Estimate of Zero Basis Cash Flows | Total |
|---|---|---|---|
| Balance at December 31, 2012 | $ 984,944 | $ 17,366 | $ 1,002,310 |
| Revenue recognized, net | (135,072) | (5,611) | (140,683) |
| Net additions on existing portfolios[1] | 173,634 | 7,061 | 180,695 |
| Additions for current purchases[1] | 66,808 | — | 66,808 |
| Balance at March 31, 2013 | 1,090,314 | 18,816 | 1,109,130 |
| Revenue recognized, net | (144,186) | (7,838) | (152,024) |
| Net additions on existing portfolios[1] | 30,458 | 10,784 | 41,242 |
| Additions for current purchases[1][3] | 645,865 | — | 645,865 |
| Balance at June 30, 2013 | $ 1,622,451 | $ 21,762 | $ 1,644,213 |

(1) Estimated remaining collections and accretable yield include anticipated collections beyond the 84 to 96 month collection forecast for United States portfolios.

(2) Includes $208.5 million of portfolios acquired in connection with the Marlin Acquisition discussed in Note 2, "Business Combinations."

(3) Includes $383.4 million of portfolios acquired in connection with the merger with AACC.

During the three months ended June 30, 2014, the Company purchased receivable portfolios with a face value of $3.1 billion for $225.8 million, or a purchase cost of 7.3% of face value. The estimated future collections at acquisition for all portfolios purchased during the quarter amounted to $0.4 billion. During the three months ended June 30, 2013, the Company purchased receivable portfolios with a face value of $68.9 billion for $423.1 million, or a purchase cost of 0.6% of face value. Included in this amount is the purchase of receivables related to AACC of $383.4 million with a face value of $68.2 billion or a purchase cost of 0.6% of face value. The lower purchase rate for the AACC portfolio is due to the Company's purchase of AACC which included all portfolios owned, including accounts that have no value. No value accounts would typically not be included in a portfolio purchase transaction, as the sellers would remove them from the accounts being sold to the Company prior to sale.

During the six months ended June 30, 2014, the Company purchased receivable portfolios with a face value of $7.4 billion for $693.3 million, or a purchase cost of 9.4% of face value. Purchases of charged-off credit card portfolios include $208.5 million of receivables acquired in conjunction with the Marlin Acquisition. The estimated future collections at acquisition for all portfolios purchased during the period amounted to $1.4 billion. During the six months ended June 30, 2013, the Company purchased receivable portfolios with a face value of $70.5 billion for $481.9 million, or a purchase cost of 0.7% of face value. As discussed above, included in this amount is the purchase of receivables related to our merger with AACC.

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 June 30, 2014 and 2013, Zero Basis Revenue was approximately $3.4 million and $4.7 million, respectively. During the six months ended June 30, 2014 and 2013, Zero Basis Revenue was approximately $7 million and $9.4 million, respectively.

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

| | Three Months Ended June 30, 2014 | | | |
|---|---|---|---|---|
| | Accrual Basis Portfolios | Cost Recovery Portfolios | Zero Basis Portfolios | Total |
| Balance, beginning of period | $ 1,900,177 | $ 3,853 | $ — | $ 1,904,030 |
| Purchases of receivable portfolios | 225,762 | — | — | 225,762 |
| Transfer of portfolios | (7,163) | 7,163 | — | — |
| Gross collections[1] | (400,983) | (1,589) | (6,708) | (409,280) |
| Put-backs and recalls | (5,588) | (254) | — | (5,842) |
| Foreign currency adjustments | 24,765 | 319 | — | 25,084 |
| Revenue recognized | 241,407 | — | 3,402 | 244,809 |
| Portfolio allowance reversals, net | 116 | — | 3,306 | 3,422 |
| Balance, end of period | $ 1,978,493 | $ 9,492 | $ — | $ 1,987,985 |
| Revenue as a percentage of collections[2] | 60.2% | —% | 50.7% | 59.8% |

| | Three Months Ended June 30, 2013 | | | |
|---|---|---|---|---|
| | Accrual Basis Portfolios | Cost Recovery Portfolios | Zero Basis Portfolios | Total |
| Balance, beginning of period | $ 801,525 | $ — | $ — | $ 801,525 |
| Purchases of receivable portfolios | 423,113 | — | — | 423,113 |
| Transfer of portfolios | (6,649) | 6,649 | — | — |
| Gross collections[1] | (269,710) | (842) | (7,836) | (278,388) |
| Put-backs and recalls | (1,543) | (31) | (2) | (1,576) |
| Revenue recognized | 143,607 | — | 4,743 | 148,350 |
| Portfolio allowance reversals, net | 579 | — | 3,095 | 3,674 |
| Balance, end of period | $ 1,090,922 | $ 5,776 | $ — | $ 1,096,698 |
| Revenue as a percentage of collections[2] | 53.2% | —% | 60.5% | 53.3% |

| | Six Months Ended June 30, 2014 | | | |
|---|---|---|---|---|
| | Accrual Basis Portfolios | Cost Recovery Portfolios | Zero Basis Portfolios | Total |
| Balance, beginning of period | $ 1,585,587 | $ 4,662 | $ — | $ 1,590,249 |
| Purchases of receivable portfolios[3] | 693,327 | — | — | 693,327 |
| Transfer of portfolios | (7,163) | 7,163 | — | — |
| Gross collections[1] | (790,486) | (2,249) | (13,219) | (805,954) |
| Put-backs and recalls | (8,823) | (403) | — | (9,226) |
| Foreign currency adjustments | 33,471 | 319 | — | 33,790 |
| Revenue recognized | 472,154 | — | 6,993 | 479,147 |
| Portfolio allowance reversals, net | 426 | — | 6,226 | 6,652 |
| Balance, end of period | $ 1,978,493 | $ 9,492 | $ — | $ 1,987,985 |
| Revenue as a percentage of collections[2] | 59.7% | —% | 52.9% | 59.5% |

| | Six Months Ended June 30, 2013 | | | |
|---|---|---|---|---|
| | Accrual Basis Portfolios | Cost Recovery Portfolios | Zero Basis Portfolios | Total |
| Balance, beginning of period | $ 873,119 | $ — | $ — | $ 873,119 |
| Purchases of receivable portfolios [4] | 481,884 | — | — | 481,884 |
| Transfer of portfolios | (6,649) | 6,649 | — | — |
| Gross collections[1] | (534,269) | (842) | (13,447) | (548,558) |
| Put-backs and recalls | (2,421) | (31) | (2) | (2,454) |
| Revenue recognized | 278,622 | — | 9,405 | 288,027 |
| Portfolio allowance reversals, net | 636 | — | 4,044 | 4,680 |
| Balance, end of period | $ 1,090,922 | $ 5,776 | $ — | $ 1,096,698 |
| Revenue as a percentage of collections[2] | 52.2% | —% | 69.9% | 52.5% |

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

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

(3) Purchases of portfolio receivables include $208.5 million acquired in connection with the Marlin Acquisition in February 2014 discussed in Note 2, “Business Combinations.”

(4) Includes $383.4 million of portfolios acquired in connection with the merger with AACC.

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 June 30, | | Six Months Ended June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Balance at beginning of period | $ 89,850 | $ 104,267 | $ 93,080 | $ 105,273 |
| Provision for portfolio allowances | — | — | — | 479 |
| Reversal of prior allowances | (3,422) | (3,674) | (6,652) | (5,159) |
| Balance at end of period | $ 86,428 | $ 100,593 | $ 86,428 | $ 100,593 |

**Note 7: Deferred Court Costs, Net**

Within the United States, the Company contracts with a nationwide network of attorneys that specialize in collection matters. The Company generally refers charged-off accounts to its contracted attorneys when it believes the related consumer has sufficient assets to repay the indebtedness and has, to date, been unwilling to pay. In connection with the Company’s agreement with the contracted attorneys, it advances certain out-of-pocket court costs (“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. Historically, the Company wrote off Deferred Court Costs not recovered within three years of placement. However, as a result of a history of court cost recoveries beyond three years, the Company has determined that court costs are recovered over a longer period of time. As a result, in January 2013, on a prospective basis, the Company began increasing its deferral period from three years to five years. Collections received from debtors are first applied against related court costs with the balance applied to the debtors' account balance.

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

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Court costs advanced | $ 465,258 | $ 399,274 |
| Court costs recovered | (175,849) | (147,166) |
| Court costs reserve | (243,832) | (210,889) |
| | $ 45,577 | $ 41,219 |

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

| | Court Cost Reserve | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Balance at beginning of period | $ (227,275) | $ (162,500) | $ (210,889) | $ (149,080) |
| Provision for court costs | (16,557) | (13,594) | (32,943) | (27,014) |
| Balance at end of period | $ (243,832) | $ (176,094) | $ (243,832) | $ (176,094) |

**Note 8: Receivables Secured by Property Tax Liens, Net**

Propel's receivables are secured by property tax liens. Repayment of the property tax liens is generally dependent on the property owner but can also come through payments from other lien holders or foreclosure on the properties. Propel records these receivables secured by property tax liens at their outstanding principal balances, adjusted for, if any, charge-offs, allowance for losses, deferred fees or costs, and unamortized premiums or discounts. Interest income is reported on the interest method and includes amortization of net deferred fees and costs over the term of the agreements. Propel accrues interest on all past due receivables secured by tax liens as the receivables are collateralized by tax liens that are in a priority position over most other liens on the properties. If there is doubt about the ultimate collection of the accrued interest on a specific portfolio, it would be placed on non-accrual basis and, at that time, all accrued interest would be reversed. No receivables secured by property tax liens have been placed on a non-accrual basis. The typical redemption period for receivables secured by property tax liens is within 84 months.

On May 6, 2014, Propel, through its subsidiaries, completed the securitization of a pool of approximately $141.5 million in receivables secured by property tax liens on real property located in the State of Texas. In connection with the securitization, investors purchased approximately $134.0 million in aggregate principal amount of 1.44% notes collateralized by these property tax liens. The special purpose entity that is used for the securitization is consolidated by the Company as a VIE. The receivables recognized as a result of consolidating this VIE do not represent assets that can be used to satisfy claims against the Company's general assets.

At June 30, 2014, the Company had approximately $279.6 million in receivables secured by property tax liens, of which $127.3 million was carried at the VIE.

**Note 9: Other Assets**

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

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Debt issuance costs, net of amortization | $ 43,164 | $ 28,066 |
| Prepaid income taxes | 34,565 | 5,009 |
| Deferred tax assets | 21,475 | 13,974 |
| Prepaid expenses | 20,119 | 23,487 |
| Funds held in escrow | 18,965 | — |
| Identifiable intangible assets, net | 18,224 | 23,549 |
| Security deposits | 10,831 | 2,500 |
| Service fee receivables | 9,329 | 8,954 |
| Interest receivable | 9,043 | 7,956 |
| Other financial receivables | 7,374 | 7,962 |
| Recoverable legal fees | 2,883 | 3,049 |
| Other | 21,499 | 30,277 |
| | $ 217,471 | $ 154,783 |

**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 are as follows *(in thousands)*:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Encore revolving credit facility | $ 274,000 | $ 356,000 |
| Encore term loan facility | 149,906 | 140,625 |
| Encore senior secured notes | 51,250 | 58,750 |
| Encore convertible notes | 448,500 | 287,500 |
| Less: Debt discount | (55,689) | (42,240) |
| Propel facilities | 112,288 | 170,630 |
| Propel securitized notes | 125,207 | — |
| Cabot senior secured notes | 1,179,693 | 603,272 |
| Add: Debt premium | 79,384 | 43,583 |
| Cabot senior revolving credit facility | 82,066 | — |
| Preferred equity certificates | 217,858 | 199,821 |
| Capital lease obligations | 13,551 | 12,219 |
| Other | 37,852 | 20,271 |
| | $ 2,715,866 | $ 1,850,431 |

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

On February 25, 2014, Encore amended its revolving credit facility and term loan facility (the "Credit Facility") pursuant to a Second Amended and Restated Credit Agreement. On August 1, 2014, Encore further amended the Credit Facility pursuant to Amendment No. 1 to the Second Amended and Restated Credit Agreement (as amended, the "Restated Credit Agreement"). The Restated Credit Agreement includes a revolving credit facility tranche of $692.6 million, a term loan facility tranche of $153.8 million, and an accordion feature that would allow the Company to increase the revolving credit facility by an additional $250.0 million. Including the accordion feature, the maximum amount that can be borrowed under the Credit Facility is $1.1 billion. The Restated Credit Agreement has 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, maturing in February 2017 and November 2017, respectively.

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

- A revolving loan of $692.6 million, 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 Company's cash flow leverage ratio; or (2) Alternate Base Rate, plus a spread that ranges from 150 to 200 basis points depending on the Company's cash flow leverage ratio. "Alternate Base Rate," as defined in the 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 and (iii) reserved adjusted LIBOR determined on a daily basis for a one month interest period, plus 1.0% per annum;

- An $87.5 million five-year term loan, 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 Company's cash flow leverage ratio; or (2) Alternate Base Rate, plus a spread that ranges from 150 to 200 basis points, depending on the Company's cash flow leverage ratio. Principal amortizes $4.4 million in 2014, $4.4 million in 2015, $6.6 million in 2016, $8.8 million in 2017, and $8.8 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 Company's cash flow leverage ratio; or (2) Alternate Base Rate, plus a spread that ranges from 100 to 150 basis points, depending on the Company's cash flow leverage ratio. Principal amortizes $3.0 million in 2014, $3.0 million in 2015, and $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 Company's cash flow leverage ratio; or (2) Alternate Base Rate, plus a spread that ranges from 150 to 200 basis points, depending on the Company's cash flow leverage ratio. Principal amortizes $0.4 million in 2014, $0.5 million in 2015, $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 Company's trailing 12-month cost per dollar collected) of all eligible non-bankruptcy estimated remaining collections, initially set at 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;

- The allowance of additional unsecured or subordinated indebtedness not to exceed $750.0 million;

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

- Repurchases of up to $50.0 million of Encore's common stock after February 25, 2014, subject to compliance with certain covenants and available borrowing capacity;

- A change of control definition, which excludes acquisitions of stock by Red Mountain Capital Partners LLC, JCF FPK LLP 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 in the aggregate, for acquisitions after August 1, 2014;

- A basket to allow for investments in unrestricted subsidiaries of $250.0 million;

- A basket to allow for investments in certain subsidiaries of Propel of $200.0 million;

- An annual foreign portfolio investment basket of $150.0 million; and

- Collateralization by all assets of the Company, other than the assets of unrestricted subsidiaries as defined in the Restated Credit Agreement.

At June 30, 2014, the outstanding balance under the Restated Credit Agreement was $423.9 million. The weighted average interest rate was 2.89% and 3.20% for the three months ended June 30, 2014 and 2013, respectively, and 2.90% and 3.17% for the six months ended June 30, 2014 and 2013, respectively.

***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 June 30, 2014, $51.3 million is outstanding under these obligations.

The Senior Secured Notes are guaranteed in full by certain of Encore's subsidiaries. Similar to, and *pari passu* with, Encore's credit facility, the Senior Secured Notes are also collateralized by all of the assets of the Company other than the assets of unrestricted subsidiaries as defined in the Restated Credit Agreement. 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 Senior Notes***

*2017 Convertible Senior Notes*

On November 27, 2012, Encore sold $100.0 million in aggregate principal amount of 3.0% convertible senior notes due November 27, 2017 in a private placement transaction. On December 6, 2012, the initial purchasers exercised, in full, their option to purchase an additional $15.0 million of the convertible senior notes, which resulted in an aggregate principal amount of $115.0 million of the convertible senior notes outstanding (collectively, the "2017 Convertible Notes"). Interest on the 2017 Convertible Notes is payable semi-annually, in arrears, on May 27 and November 27 of each year, beginning on May 27, 2013. The 2017 Convertible Notes are the Company's general unsecured obligations. In the event of conversion, the 2017 Convertible Notes are convertible into cash up to the aggregate principal amount and permits the excess conversion premium to be settled in cash or shares of the Company's common stock. The 2017 Convertible Notes are convertible at an initial conversion rate of 31.6832 shares of the Company's common stock per $1,000 principal amount of the 2017 Convertible Notes, subject to adjustment upon certain events, which is equivalent to an initial conversion price of approximately $31.56 per share of the Company's common stock.

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 Company determined that the fair value of the 2017 Convertible Notes was approximately $100.3 million, and designated the residual value of approximately $14.7 million as the equity component. Additionally, the Company allocated approximately $3.3 million of the $3.8 million original Convertible Notes issuance cost as debt issuance cost and the remaining $0.5 million as equity issuance cost.

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 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 $185.0 million as of June 30, 2014. 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 and issued shares or a combination of cash and shares for the remaining value of the 2017 Convertible Notes. As a result, the Company reclassified $10.5 million of the equity component to temporary equity as of June 30, 2014. 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 were converted during the three and six months ended June 30, 2014.

In accordance with authoritative guidance related to derivatives and hedging and earnings per share calculation, only the conversion spread of the 2017 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 $31.56. The average share price of the Company's common stock for the three and six months ended June 30, 2014 and three months ended June 30, 2013 exceeded $31.56. The dilutive effect from the 2017 Convertible Notes was approximately 1.0 million, 1.2 million, and less than 0.1 million shares for the three and six months ended June 30, 2014, and three months ended June 30, 2013, respectively. The effect of the 2017 Convertible Notes was anti-dilutive during the six months ended June 30, 2013. See Note 3, "Earnings Per Share" for additional information.

Concurrent with the pricing of the 2017 Convertible Notes, the Company entered into privately negotiated convertible note hedge transactions (together, the "Convertible Note Hedge Transactions") with certain counterparties. The Convertible Note Hedge Transactions collectively cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock underlying the 2017 Convertible Notes, as described below. Concurrently with entering into the Convertible Note Hedge Transactions, the Company also entered into separate, privately negotiated warrant transactions (together, the "Warrant Transactions") with the same counterparties, whereby the Company sold to the counterparties warrants to purchase, collectively, subject to customary anti-dilution adjustments, up to the same number of shares of the Company's common stock as in the Convertible Note Hedge Transactions. Subject to certain conditions, the Company may settle the warrants in cash or on a net-share basis.

The Convertible Note Hedge Transactions are expected generally to reduce the potential dilution and/or offset the potential cash payments the Company is required to make in excess of the principal amount upon conversion of the 2017 Convertible Notes in the event that the market price per share of the Company's common stock, is greater than the strike price of the Convertible Note Hedge Transactions, which initially corresponds to the conversion price of the 2017 Convertible Notes and is subject to anti-dilution adjustments. However, if the market price per share of the Company's common stock, as measured under the terms of the Warrant Transactions, exceeds the strike price of the warrants, there would nevertheless be dilution to the extent that such market price exceeds the strike price of the warrants, unless the Company elects, subject to certain conditions, to settle the Warrant Transactions in cash. The strike price of the Warrant Transactions was initially $44.19 per share of the Company's common stock and was subject to certain adjustments under the terms of the Warrant Transactions. Taken together, the Convertible Note Hedge Transactions and the Warrant Transactions had the effect of increasing the effective conversion price of the 2017 Convertible Notes to $44.19 per share.

On December 16, 2013, the Company entered into amendments to the warrants to increase the strike price from $44.19 to $60.00. All other terms and settlement provisions of the warrants remained unchanged. Warrants representing approximately 358,000 shares of common stock were modified as of December 31, 2013. The remaining 3.3 million shares represented by the warrants were modified between January 1, 2014 and February 6, 2014. The Company paid the holders of the warrants approximately $7.66 per warrant, or approximately $27.9 million in total in consideration for amending the warrants. The Company recorded the payment as a reduction of shareholders' equity in the condensed consolidated statements of financial condition because, prior to being amended, the warrants were classified in permanent equity. The amended warrants meet the definition of derivatives; however, because these instruments have been determined to be indexed to the Company's own stock and meet the criteria for equity classification, the amended warrants have also been recorded in shareholders' equity in the

condensed consolidated statements of financial condition. The costs for the warrant restrike completed in 2013 and 2014 were approximately $2.7 million and $25.2 million, respectively.

*2020 Convertible Senior Notes*

On June 24, 2013, Encore sold $150.0 million in aggregate principal amount of 3.0% convertible senior notes due July 1, 2020 in a private placement transaction. On July 18, 2013, the initial purchasers exercised, in full, their option to purchase an additional $22.5 million of the convertible senior notes, which resulted in an aggregate principal amount of $172.5 million of the convertible senior notes outstanding (collectively, the "2020 Convertible Notes"). The 2020 Convertible Notes are general unsecured obligations of the Company. Interest on the 2020 Convertible Notes is payable semi-annually, in arrears, on January 1 and July 1 of each year, beginning on January 1, 2014. Prior to January 1, 2020, the 2020 Convertible Notes will be convertible only during specified periods, if certain conditions are met. On or after January 1, 2020, the 2020 Convertible Notes will be convertible regardless of these conditions. Upon conversion, holders 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 conversion rate for the 2020 Convertible Notes is 21.8718 shares per $1,000 principal amount, which is equivalent to an initial conversion price of approximately $45.72 per share of common stock. As of June 30, 2014, none of the conditions allowing holders of the 2020 Convertible Notes to convert their notes had occurred.

As noted above, upon conversion, holders of the Company's 2020 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. However, 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 the average share price of the Company's common stock during any quarter exceeds $45.72. The average share price of the Company's common stock for the six months ended June 30, 2014 exceeded $45.72. The dilutive effect from the 2020 Convertible Notes was less than 0.1 million shares for the six months ended June 30, 2014. The effect of the 2020 Convertible notes was anti-dilutive for the three months ended June 30, 2014, and the three and six months ended June 30, 2013. See Note 3, "Earnings Per Share" for additional information.

In connection with the pricing of the 2020 Convertible Notes, the Company entered into privately negotiated capped call transactions (the "Capped Call Transactions") with one or more of the initial purchasers (or their affiliates) and one or more other financial institutions (the "Option Counterparties"). The Capped Call Transactions cover, collectively, the number of shares of the Company's common stock underlying the 2020 Convertible Notes, subject to anti-dilution adjustments substantially similar to those applicable to the 2020 Convertible Notes. The cost of the Capped Call Transactions was approximately $18.1 million. In accordance with authoritative guidance, the Company recorded the net cost of the Capped Call Transactions 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 Capped Call Transactions are expected generally to reduce the potential dilution and/or offset the cash payments the Company is required to make in excess of the principal amount upon conversion of the 2020 Convertible Notes in the event that the market price of the Company's common stock is greater than the strike price of the Capped Call Transactions (which initially corresponds to the initial conversion price of the 2020 Convertible Notes and is subject to certain adjustments under the terms of the Capped Call Transactions), with such reduction and/or offset subject to a cap based on the cap price of the Capped Call Transactions. The cap price of the Capped Call Transactions is $61.5475 per share, and is subject to certain adjustments under the terms of the Capped Call Transactions.

The Capped Call Transactions are separate transactions, in each case, entered into by the Company with the Option Counterparties, and are not part of the terms of the 2020 Convertible Notes and will not affect any holder's rights under the 2020 Convertible Notes. Holders of the 2020 Convertible Notes do not have any rights with respect to the Capped Call Transactions.

The net proceeds from the issuance of the 2020 Convertible Notes were approximately $167.4 million, after deducting the initial purchasers' discounts and commissions and the estimated offering expenses paid by the Company. The Company used approximately $18.1 million of the net proceeds from this offering to pay the cost of the Capped Call Transactions and used the remainder of the net proceeds from this offering to pay a portion of the purchase price for the Cabot Acquisition and for general corporate purposes.

The Company determined that the fair value of the 2020 Convertible Notes at the date of issuance was approximately $140.2 million, and designated the residual value of approximately $32.3 million as the equity component. Additionally, the

Company allocated approximately $4.9 million of the $6.0 million original 2020 Convertible Notes issuance cost as debt issuance costs and the remaining $1.1 million as equity issuance costs.

*2021 Convertible Senior Notes*

On March 5, 2014, Encore sold $140.0 million in aggregate principal amount of 2.875% convertible senior notes due March 15, 2021 in a private placement transaction. On March 6, 2014, the initial purchasers exercised, in full, their option to purchase an additional $21.0 million of the convertible senior notes, which resulted in an aggregate principal amount of $161.0 million of the convertible senior notes outstanding (collectively, the "2021 Convertible Notes"). The 2021 Convertible Notes are general unsecured obligations of the Company. Interest on the 2021 Convertible Notes is payable semi-annually, in arrears, on March 15 and September 15 of each year, beginning on September 15, 2014. Prior to September 15, 2020, the 2021 Convertible Notes will be convertible only during specified periods, if certain conditions are met. On or after September 15, 2020, the 2021 Convertible Notes will be convertible regardless of these conditions. Upon conversion, holders 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 conversion rate for the 2021 Convertible Notes is 16.8386 shares per $1,000 principal amount, which is equivalent to an initial conversion price of approximately $59.39 per share of common stock. As of June 30, 2014, none of the conditions allowing holders of the 2021 Convertible Notes to convert their notes had occurred.

As noted above, upon conversion, holders of the Company's 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. However, 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 the average share price of the Company's common stock during any quarter exceeds $59.39.

In connection with the pricing of the 2021 Convertible Notes, the Company entered into privately negotiated capped call transactions (the "2014 Capped Call Transactions") with one or more of the initial purchasers (or their affiliates) and one or more other financial institutions (the "2014 Option Counterparties"). The Capped Call Transactions cover, collectively, the number of shares of the Company's common stock underlying the 2021 Convertible Notes, subject to anti-dilution adjustments substantially similar to those applicable to the 2021 Convertible Notes. The cost of the 2014 Capped Call Transactions was approximately $19.5 million. In accordance with authoritative guidance, the Company recorded the cost of the 2014 Capped Call Transactions 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 2014 Capped Call Transactions are expected generally to reduce the potential dilution and/or offset the cash payments the Company is required to make in excess of the principal amount upon conversion of the 2021 Convertible Notes in the event that the market price of the Company's common stock is greater than the strike price of the 2014 Capped Call Transactions (which initially corresponds to the initial conversion price of the 2021 Convertible Notes and is subject to certain adjustments under the terms of the 2014 Capped Call Transactions), with such reduction and/or offset subject to a cap based on the cap price of the 2014 Capped Call Transactions. The cap price of the Capped Call Transactions is $83.1425 per share, and is subject to certain adjustments under the terms of the 2014 Capped Call Transactions.

The 2014 Capped Call Transactions are separate transactions, in each case, entered into by the Company with the 2014 Option Counterparties, and are not part of the terms of the 2021 Convertible Notes and will not affect any holder's rights under the 2021 Convertible Notes. Holders of the 2021 Convertible Notes do not have any rights with respect to the 2014 Capped Call Transactions.

The net proceeds from the sale of the 2021 Convertible Notes were approximately $155.7 million, after deducting the initial purchasers' discounts and commissions and the estimated offering expenses paid by the Company. The Company used approximately $19.5 million of the net proceeds from this offering to pay the cost of the 2014 Capped Call Transactions and used the remainder of the net proceeds from this offering to pay for general corporate purposes, including working capital.

The Company determined that the fair value of the 2021 Convertible Notes at the date of issuance was approximately $143.6 million, and designated the residual value of approximately $17.4 million as the equity component. Additionally, the Company allocated approximately $4.7 million of the $5.3 million original 2021 Convertible Notes issuance cost as debt issuance costs and the remaining $0.6 million as equity issuance costs.

The balances of the liability and equity components of all of the convertible senior notes outstanding were as follows *(in thousands)*:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Liability component—principal amount | $ 448,500 | $ 287,500 |
| Unamortized debt discount | (55,689) | (42,240) |
| Liability component—net carrying amount | $ 392,811 | $ 245,260 |
| Equity component | $ 53,821 | $ 46,954 |

The debt discount is being amortized into interest expense over the remaining life of the convertible notes using the effective interest rates, which are 6.00%, 6.35%, and 4.70% for the 2017, 2020, and 2021 Convertible Notes, respectively.

Interest expense related to the convertible notes was as follows *(in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Interest expense—stated coupon rate | $ 3,308 | $ 948 | $ 5,764 | $ 1,806 |
| Interest expense—amortization of debt discount | 2,181 | 710 | 3,936 | 1,317 |
| Total interest expense—convertible notes | $ 5,489 | $ 1,658 | $ 9,700 | $ 3,123 |

***Propel Facilities***

*Propel Facility I*

Propel has a $200.0 million syndicated loan facility (the "Propel Facility I"). The Propel Facility I is used to originate or purchase tax lien assets related to properties in Texas and Arizona.

The Propel Facility I expires in May 2015 and includes the following key provisions:

- Interest at Propel's option, at either: (1) LIBOR, plus a spread that ranges from 300 to 375 basis points, depending on Propel's cash flow leverage ratio; or (2) Prime Rate, which is defined in the agreement as the rate of interest per annum equal to the sum of (a) the interest rate quoted in the "Money Rates" section of *The Wall Street Journal* from time to time and designated as the "Prime Rate" *plus* (b) the Prime Rate Margin, which is a spread that ranges from 0 to 75 basis points, depending on Propel's cash flow leverage ratio;
- A borrowing base of 90% of the face value of the tax lien collateralized payment arrangements;
- Interest payable monthly; principal and interest due at maturity;
- 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 lender to terminate the Propel Facility I and declare all amounts outstanding to be immediately due and payable.

The Propel Facility I is primarily collateralized by the Tax Liens in Texas and requires Propel to maintain various financial covenants, including a minimum interest coverage ratio and a maximum cash flow leverage ratio.

At June 30, 2014, the outstanding balance on the Propel Facility I was $32.3 million. The weighted average interest rate was 4.37% and 3.51% for the three months ended June 30, 2014 and 2013, respectively, and 3.90% and 3.53% for the six months ended June 30, 2014 and 2013, respectively.

*Propel Facility II*

On May 9, 2013, the Company, through affiliates of Propel, entered into a $100.0 million revolving credit facility (the "Propel Facility II"). The Propel Facility II is used to purchase tax liens from taxing authorities in various states.

The Propel Facility II expires in May 2017 and includes the following key provisions:

- During the first two years of the four-year term, the committed amount can be drawn on a revolving basis. During the following two years, no additional draws are permitted, and all proceeds from the tax liens are used to repay any amounts outstanding under the facility. After the four-year period ends, if any amounts are still outstanding, an alternate interest rate applies until all amounts owed are repaid;
- Prior to the expiration of the four-year term, interest at a per annum floating rate equal to LIBOR plus a spread of 325 basis points;
- Following the expiration of the four-year term or upon the occurrence of an event of default, interest at 400 basis points plus the greater of (i) a per annum floating rate equal to LIBOR plus a spread of 325 basis points, or (ii) Prime Rate, which is defined in the agreement as the rate most recently announced by the lender at its branch in San Francisco, California, from time to time as its prime commercial rate for United States dollar-denominated loans made in the United States;
- Proceeds from the tax liens are applied to pay interest, principal and other obligations incurred in connection with the Propel Facility II on a monthly basis as defined in the agreement;
- Special purpose entity covenants designed to protect the bankruptcy-remoteness of the borrowers and additional restrictions and covenants, which limit, among other things, the payment of certain dividends, the occurrence of additional indebtedness and liens and use of the collections proceeds from the certain Tax Liens; and
- Events of default which, upon occurrence, may permit the lender to terminate the Propel Facility II and declare all amounts outstanding to be immediately due and payable.

The Propel Facility II is collateralized by the Tax Liens acquired under the Propel Facility II. At June 30, 2014, the outstanding balance on the Propel Facility II was $49.3 million. The weighted average interest rate was 5.60% and 5.17% for the three months ended June 30, 2014 and 2013, respectively, and 6.36% and 5.17% the six months ended June 30, 2014 and 2013.

On May 6, 2014, the Propel Facility II was amended by the parties to provide for the following changes:

- The commitment amount was increased from $100.0 million to the following: (a) during the period from July 1, 2014 to and including September 30, 2014, $190.0 million or (b) at any other time, $150.0 million;
- Termination of the revolving period for purchasing tax liens from taxing authorities was extended for a period of two years to May 15, 2017 (unless terminated earlier in accordance with the terms of the facility);
- The maturity date was extended two years to May 10, 2019;
- The amended facility allows for (a) the funding of tax liens in both Texas and Nevada in an aggregate amount up to $80.0 million (in addition to allowing for the purchase of tax liens in states other than Texas and Nevada) and (b) the right to finance vacant land in an amount equal to 5% of eligible assets (collectively the “Additional Assets”);
- The applicable interest rate for advances related to tax liens in Texas is LIBOR plus 2.50%;
- In connection with the Additional Assets, the amended facility provides for certain technical changes throughout the governing tax lien loan and security agreement (*e.g.*, definitions, waterfall mechanics, representations and warranties) which were required to facilitate the addition of the Additional Assets; and
- The amended Propel Facility II increases the advance rate for certain states.

*Propel Term Loan Facility*

On May 2, 2014, the Company, through affiliates of Propel, entered into a $31.9 million term loan facility (the “Propel Term Loan Facility”). The Propel Term Loan Facility was entered into to fund the acquisition of a portfolio of tax liens and other assets in a transaction valued at approximately $43.0 million and matures in October 2016.

At June 30, 2014, the outstanding balance on the Propel Term Loan Facility was $30.7 million, and the weighted average interest rate was 5.55% for the three months ended June 30, 2014.

***Propel Securitized Notes***

On May 6, 2014, Propel, through its affiliates, completed the securitization of a pool of approximately $141.5 million in payment agreements and contracts relating to unpaid real property taxes, assessments, and other charges secured by liens on real property located in the State of Texas (the "Texas Tax Liens"). In connection with the securitization, investors purchased in a private placement approximately $134.0 million in aggregate principal amount of 1.44% notes collateralized by the Texas Tax Liens (the "Propel Securitized Notes"), due May 15, 2029. The payment agreements and contracts will continue to be serviced by Propel.

The Propel Securitized Notes are payable solely from the collateral and represent non-recourse obligations of the consolidated securitization entity PFS Tax Lien Trust 2014-1, a Delaware statutory trust and an affiliate of Propel. Interest accrues monthly at the rate of 1.44% per annum. Principal and interest on the Propel Securitized Notes are payable on the 15$^{th}$ day of each calendar month, commencing on June 16, 2014. Propel used the net proceeds to pay down borrowings under the Propel Facility I.

At June 30, 2014, the outstanding balance on the Propel Securitized Notes was $125.2 million.

***Cabot Senior Secured Notes***

On September 20, 2012, Cabot Financial (Luxembourg) S.A. ("Cabot Financial"), an indirect subsidiary of Janus Holdings, 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, beginning on February 1, 2014.

Of the proceeds from the issuance of the Cabot 2020 Notes, approximately £75.0 million (approximately $113.8 million) was used to repay all amounts outstanding under the senior credit facilities of Cabot Financial (UK) Limited ("Cabot Financial UK"), an indirect subsidiary of Janus Holdings, and £25.0 million (approximately $37.9 million) was used to partially repay a portion of the J Bridge PECs to an affiliate of J.C. Flowers & Co. LLC ("J.C. Flowers") in connection to the Cabot Acquisition.

On March 27, 2014, Cabot Financial issued £175.0 million (approximately $291.8 million) in aggregate principal amount of 6.5% Senior Secured Notes due 2021 (the "Cabot 2021 Notes" and, together with the Cabot 2019 Notes and 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 total debt issuance cost associated with the Cabot 2021 Notes was approximately $4.4 million.

Of the proceeds from the issuance of the Cabot 2021 Notes, approximately £105.0 million (approximately $174.8 million) was used to repay all amounts outstanding under the Senior Secured Bridge Facilities described below.

The Cabot Notes are fully and unconditionally guaranteed on a senior secured basis by the following indirect subsidiaries of the Company: Cabot, 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 Cabot) and substantially all the assets of Cabot Financial and the guarantors (other than Cabot).

On July 25, 2013, Marlin Intermediate Holdings plc, a subsidiary of Marlin, 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 Marlin Acquisition. 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.

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

| | Three Months Ended June 30, 2014 | Six Months Ended June 30, 2014 |
|---|---|---|
| Interest expense—stated coupon rate | $ 26,605 | $ 45,860 |
| Interest income—accretion of debt premium | (2,573) | (4,805) |
| Total interest expense—Cabot Notes and Marlin Bonds | $ 24,032 | $ 41,055 |

***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"). This agreement was amended and restated on June 28, 2013 to increase the size of the revolving credit facility to £85.0 million (approximately $140.6 million) (the "Cabot Credit Facility").

The Cabot Credit Facility has a five-year term expiring in September 2017, and includes the following key provisions:

- Interest at LIBOR plus a maximum of 4.0% depending on the loan to value ("LTV") ratio determined quarterly, calculated as being the ratio of the net financial indebtedness of Cabot (as defined in the Cabot Credit Agreement) to Cabot's estimated remaining collections capped at 84-months;
- A restrictive covenant that limits the LTV ratio to 0.75;
- 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: Cabot, Cabot Financial Limited, and all material subsidiaries of Cabot Financial Limited. The Cabot Credit Facility is secured by a first ranking security interest in all the outstanding shares of Cabot Financial UK and the guarantors (other than Cabot) and substantially all the assets of Cabot Financial UK and the guarantors (other than Cabot).

On February 7, 2014, Cabot Financial UK acquired all of the equity interest of Marlin, a leading acquirer of non-performing consumer debt in the United Kingdom, for an aggregate purchase price of approximately £166.8 million (approximately $274.1 million). The Marlin Acquisition was financed with £75.0 million (approximately $122.3 million) in borrowings under the Cabot Credit Facility and under the Senior Secured Bridge Facilities described below.

At June 30, 2014, the outstanding borrowings under the Cabot Credit Facility were approximately $82.1 million. The weighted average interest rate was 3.09% and 3.41% for the three and six months ended June 30, 2014, respectively.

***Senior Secured Bridge Facilities***

The Marlin Acquisition was financed with borrowings under the existing Cabot Credit Facility and under new senior secured bridge facilities (the "Senior Secured Bridge Facilities") that Cabot Financial Limited entered into on February 7, 2014 pursuant to a Senior Secured Bridge Facilities Agreement. The Senior Secured Bridge Facilities were paid off in full by using proceeds from borrowings under the £175.0 million (approximately $291.8 million) Cabot 2021 Notes issued on March 21, 2014.

The Senior Secured Bridge Facilities Agreement provided for (a) a senior secured bridge facility in an aggregate principal amount of up to £105.0 million ("Bridge Facility A") and (b) a senior secured bridge facility in an aggregate principal amount of up to £151.5 million ("Bridge Facility B," and together with Bridge Facility A, the "Bridge Facilities"). The purpose of Bridge Facility A was to provide funding for the financing, in full or in part, of the purchase price for the Marlin Acquisition and the payment of costs, fees and expenses in connection with the Marlin Acquisition, and was fully drawn on as of the closing of the Marlin Acquisition. The purpose of Bridge Facility B was to finance, in full or in part, the repurchase of any bonds tendered in any change of control offer required to be made to the holders of the Marlin Bonds and the premium payable thereon. Bridge Facility B was intended to be utilized only to the extent that any holders of the Marlin Bonds elected to tender their Marlin Bonds within a defined period. No Marlin Bonds were tendered during the defined period and Bridge Facility B expired without drawdown. The Senior Secured Bridge Facilities Agreement also provided for uncommitted incremental facilities in an amount of up to £80.0 million for the purposes of financing future debt portfolio acquisitions. The Senior

Secured Bridge Facilities had an initial term of one year and an extended term of 6.5 years if they were not repaid during the first year of issuance.

Prior to their initial maturity date, the rate of interest payable under the Senior Secured Bridge Facilities was the aggregate, per annum, of (i) LIBOR, *plus* (ii) an initial spread of 6.00% per annum (such spread stepping up by 50 basis points for each three-month period that the Senior Secured Bridge Facilities remained outstanding), not to exceed total caps set forth in the Senior Secured Bridge Facilities Agreement.

Loan fees associated with the Senior Secured Bridge Facilities were approximately $2.0 million. These fees were originally recorded as debt issuance costs and were written off at the time of repayment and termination of the agreement. This $2.0 million was charged to interest expense in the Company's condensed consolidated financial statements for the six months ended June 30, 2014.

***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 Cabot Acquisition by acquiring 50.1% of the equity interest in Janus Holdings, the indirect holding company of United Kingdom based Cabot from certain funds advised by J.C. Flowers & Co. LLC ("J.C. Flowers"). 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 preferred equity certificates with a face value of £10,177,781 (approximately $15.5 million) (the "J Bridge PECs"), (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. In accordance with authoritative guidance related to debt and equity securities, 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. 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, respectively, 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 June 30, 2014, the outstanding balance of the PECs and their accrued interests was approximately $217.9 million.

***Capital Lease Obligations***

The Company has capital lease obligations primarily for computer equipment. As of June 30, 2014, the Company's combined obligations for these equipment leases were approximately $13.6 million. These lease obligations require monthly or quarterly payments through 2018 and have implicit interest rates that range from zero to approximately 8.97%.

**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.

The Company's VIEs include its subsidiary Janus Holdings and its special purpose entity used for the Propel securitization.

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.

Propel uses a special purpose entity to issue asset-backed securities to investors. The Company has determined that the special purpose entity is a VIE and Propel is the primary beneficiary of the VIE. Propel has the power to direct the activities of the VIE because it has the ability to exercise discretion in the servicing of the financial assets and add assets to revolving structures.

Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

The Company evaluates its relationships with the VIEs on an ongoing basis to ensure that it continues to be the primary beneficiary.

**Note 12: Income Taxes**

During the three months ended June 30, 2014, and 2013, the Company recorded income tax provisions of $14.0 million and $7.3 million, respectively. During the six months ended June 30, 2014, and 2013, the Company recorded income tax provisions of $25.8 million and $19.8 million, respectively.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Federal provision | 35.0 % | 35.0 % | 35.0 % | 35.0 % |
| State provision | 5.8 % | 6.6 % | 5.8 % | 6.6 % |
| State benefit | (2.0)% | (2.3)% | (2.0)% | (2.3)% |
| International benefit[1] | (1.9)% | — % | (3.4)% | — % |
| Permanent items[2] | 3.5 % | 0.5 % | 3.7 % | 0.1 % |
| Other | (0.8)% | — % | (0.1)% | — % |
| Effective rate | 39.6 % | 39.8 % | 39.0 % | 39.4 % |

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

(2) Represents a provision for nondeductible items.

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 and six months ended June 30, 2014 was immaterial.

As of June 30, 2014, the Company had a gross unrecognized tax benefit of $88.2 million primarily related to an uncertain tax position associated with AACC's tax revenue recognition policy. This uncertain tax position, if recognized, would result in a net tax benefit of $18.7 million and would have a favorable effect on the Company's effective tax rate. There was no material change to the unrecognized tax benefit during the three months ended June 30, 2014. The uncertain tax benefit is included in "Other liabilities" in the Company's condensed consolidated statements of financial condition.

During the three and six months ended June 30, 2014, the Company did not provide for United States income taxes or foreign withholding taxes on the quarterly undistributed earnings from operations of its subsidiaries operating outside of the United States. Undistributed net income of these subsidiaries during the three and six months ended June 30, 2014, was approximately $6.0 million and $3.6 million, respectively.

**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 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 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 involve potential compensatory or punitive damage claims, fines, sanctions, or injunctive relief. Many continue on for some length of time and involve substantial litigation, effort, and negotiation before a result is achieved, and during the process the Company often cannot determine the substance or timing of any eventual outcome.

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, 2013.

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 revises its estimates when additional information becomes available. As of June 30, 2014, the Company has no material reserves for litigation. Additionally, based on the current status of litigation 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 June 30, 2014, the Company has entered into agreements to purchase receivable portfolios with a face value of approximately $0.7 billion for a purchase price of approximately $81.0 million. Most of these purchase commitments do not extend past one year.

**Note 14: Segment Information**

The Company conducts business primarily through two reportable segments: portfolio purchasing and recovery and tax lien business. 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. The operating results from the Company's tax lien business segment are immaterial to the Company's total consolidated operating results. However, total assets from the tax lien business segment are significant as compared to the Company's total consolidated assets. As a result, in accordance with authoritative guidance on segment reporting, the Company's tax lien business segment is determined to be a reportable segment.

Segment operating income includes income from operations before depreciation, amortization of intangible assets, and stock-based compensation expense. The following table provides a reconciliation of revenue and segment operating income by reportable segment to consolidated results and was derived from the segments' internal financial information as used for corporate management purposes *(in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Portfolio purchasing and recovery | $ 262,087 | $ 152,091 | $ 510,676 | $ 292,774 |
| Tax lien business | 7,108 | 4,030 | 12,260 | 7,933 |
| | $ 269,195 | $ 156,121 | $ 522,936 | $ 300,707 |
| Operating income: | | | | |
| Portfolio purchasing and recovery | $ 87,718 | $ 33,478 | $ 165,286 | $ 76,158 |
| Tax lien business | 2,332 | 742 | 3,986 | 1,623 |
| | 90,050 | 34,220 | 169,272 | 77,781 |
| Depreciation and amortization | (6,829) | (2,158) | (12,946) | (4,004) |
| Stock-based compensation | (4,715) | (2,179) | (9,551) | (5,180) |
| Other expense | (43,143) | (11,604) | (80,840) | (18,299) |
| Income from operations before income taxes | $ 35,363 | $ 18,279 | $ 65,935 | $ 50,298 |

Additionally, assets are allocated to operating segments for management review. As of June 30, 2014, total segment assets were $3.2 billion and $391.9 million for the portfolio purchasing and recovery segment and tax lien business segment, respectively.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues[(1)] : | | | | |
| Domestic | $ 189,012 | $ 156,121 | $ 374,553 | $ 300,707 |
| International | 80,183 | — | 148,383 | — |
| | $ 269,195 | $ 156,121 | $ 522,936 | $ 300,707 |

(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 at the reporting unit level annually for impairment and in interim periods if certain events occur that indicate the fair value of a reporting unit may be below its carrying value. Goodwill was allocable to reporting units included in the Company's reportable segments, as follows *(in thousands):*

| | Portfolio Purchasing and Recovery | Tax Lien Business | Total |
|---|---|---|---|
| Balance, December 31, 2013 | $ 454,936 | $ 49,277 | $ 504,213 |
| Goodwill acquired | 352,177 | — | 352,177 |
| Effect of foreign currency translation | 23,520 | — | 23,520 |
| Balance, June 30, 2014 | $ 830,633 | $ 49,277 | $ 879,910 |

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

| | As of June 30, 2014 | | | As of December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships | $ 6,225 | $ (320) | $ 5,905 | $ 1,975 | $ (74) | $ 1,901 |
| Developed technologies | 7,519 | (1,209) | 6,310 | 4,909 | (468) | 4,441 |
| Trade name and other | 4,904 | (857) | 4,047 | 15,631 | (386) | 15,245 |
| Other intangibles—indefinite lived | 1,962 | — | 1,962 | 1,962 | — | 1,962 |
| Total intangible assets | $ 20,610 | $ (2,386) | $ 18,224 | $ 24,477 | $ (928) | $ 23,549 |

**Note 16: Subsequent Events**

***Acquisition of Atlantic***

On August 6, 2014, the Company acquired all of the outstanding equity interests of Atlantic Credit & Finance, Inc. ("Atlantic") for approximately $70.0 million in cash pursuant to a Stock Purchase Agreement dated August 1, 2014 by and among the Company, Atlantic and the sellers. Atlantic acquires and liquidates consumer finance receivables originated and charged off by national financial institutions. At the closing of the transaction, the Company made additional payments totaling approximately $126.1 million to retire certain indebtedness and other obligations of Atlantic. The Company financed the acquisition through borrowings under its Restated Credit Agreement and cash on hand.

The Company will account for this acquisition using the acquisition method of accounting and, accordingly, the tangible and intangible assets acquired and liabilities assumed will be recorded at their estimated fair values as of the date of the acquisition. The results of operations of Atlantic will be consolidated with those of the Company beginning on the date of the acquisition. As of the date of this Quarterly Report on Form 10-Q, the Company has not completed its preliminary purchase price allocation because the Company has not had sufficient time.

## 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" and those set forth in our subsequent Quarterly Reports on Form 10-Q under "Part II, 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. Our subsidiary, Janus Holdings Luxembourg S.a.r.l. ("Janus Holdings"), through its indirectly held United Kingdom-based subsidiary Cabot Credit Management Limited and its subsidiaries ("Cabot"), is a market leader in debt management in the United Kingdom historically specializing in portfolios consisting of higher balance, semi-performing accounts (*i.e.*, debt portfolios in which over 50% of accounts have made a payment in three of the last four months immediately prior to the portfolio purchase). Cabot's February 2014 acquisition of Marlin Financial Group Limited ("Marlin") provides Cabot with substantial litigation-enhanced collections capabilities for non-performing accounts. 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"), is a market leader in management of non-performing loans in Colombia and Peru. In addition, through our subsidiary, Propel Financial Services, LLC and its subsidiaries (collectively, "Propel"), we assist property owners who are delinquent on their property taxes by structuring affordable monthly payment plans and purchase delinquent tax liens directly from selected taxing authorities.

We conduct business through two reportable segments: portfolio purchasing and recovery and tax lien business. The operating results from our tax lien business segment are immaterial to our total consolidated operating results. However, the total segment assets are significant as compared to our total consolidated assets. As a result, in accordance with authoritative guidance on segment reporting, our tax lien business segment is determined to be a reportable segment.

Our long-term growth strategy involves extending our knowledge about financially distressed consumers, growing our core portfolio purchase and recovery business, expanding into new asset classes and geographic areas, utilizing our core capabilities to align our business, investor and financial strategies to drive shareholder return, and investing in initiatives to safeguard and promote consumer financial health.

#### Portfolio Purchasing and Recovery

***United States.*** Our portfolio purchasing and recovery segment purchases receivables based on robust, account-level valuation methods and employs proprietary statistical and behavioral models across the full extent of our U.S. operations.

These investments 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 credit and telecommunication providers in the United States and believe we possess one of the industry's best collection staff retention rates.

While seasonality does not have a material impact on our portfolio purchasing and recovery segment, 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 with respect to our portfolio purchasing and recovery segment 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.

***United Kingdom.*** Through Cabot, we purchase receivable portfolios using a proprietary pricing model that utilizes account-level statistical and behavioral data. This model allows Cabot to value portfolios accurately 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 service providers in the United Kingdom.

On February 7, 2014, Cabot acquired Marlin (the "Marlin Acquisition"), a leading acquirer of non-performing consumer debt in the United Kingdom. Marlin is differentiated by its proven competitive advantage in the use of litigation-enhanced collections for non-paying financial services receivables. We expect Marlin's litigation capabilities will benefit Cabot's existing portfolio of non-performing accounts. Similarly, we believe that there may be further synergies by applying Cabot's scoring model to Marlin's portfolio.

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.

On April 1, 2014, we completed the acquisition of a controlling equity ownership interest in Grove. Grove, through its subsidiaries, is a 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.

***Colombia and Peru.*** In December 2013, we acquired a majority ownership interest in Refinancia, a market leader in the management of non-performing loans 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 obligations, payment plan guarantee services to merchants, and loan guarantee services to financial institutions.

**Tax Lien Business**

Our tax lien business segment focuses on the property tax financing industry. Propel's principal activities are the acquisition and servicing of residential and commercial tax liens on real property. Propel's receivables secured by property tax liens include Texas tax liens, Nevada tax liens, and tax lien certificates (collectively, "Tax Liens"). With Texas and Nevada Tax Liens, Texas or Nevada property owners choose to have the taxing authority transfer their tax lien to Propel. Propel pays their

tax lien obligation to the taxing authority and the property owner pays Propel over time at a lower interest rate than is being assessed by the taxing authority. Propel's arrangements with Texas and Nevada property owners provide them with repayment plans that are both affordable and flexible when compared with other payment options. Propel also purchases Tax Liens in various other states directly from taxing authorities, securing rights to outstanding property tax payments, interest and penalties. In most cases, such Tax Liens continue to be serviced by the taxing authority. When the taxing authority is paid, it repays Propel the outstanding balance of the lien plus interest, which is established by statute or negotiated at the time of the purchase. During the three months ended June 30, 2014, Propel acquired a portfolio of tax liens and other assets in a transaction valued at approximately $43.0 million. The transaction strengthened Propel's established servicing platform and expanded Propel's operations to 22 states.

Revenue from our tax lien business segment comprised 3% and 2% of total consolidated revenues for the three and six months ended June 30, 2014, respectively, and 3% for each of the three and six months ended June 30, 2013. Operating income from our tax lien business segment comprised 3% and 2% of our total consolidated operating income for the three and six months ended June 30, 2014, respectively, and 2% for each of the three and six months ended June 30, 2013.

**Purchases and Collections**

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

***United States Markets***

Prices for portfolios offered for sale directly from credit issuers continued to remain elevated during the first half of 2014, especially for fresh portfolios, although pricing has stabilized. 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 while they conduct audits of debt management and recovery companies, including Encore. 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 are facing difficulties in the portfolio purchasing market because of the high cost to operate due to regulatory pressure and because the 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 us, 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 us to purchase portfolios from competitors or to acquire competitors directly.

***United Kingdom Markets***

While prices for portfolios offered for sale directly from credit issuers in the United Kingdom remain at levels higher than historical averages, as a result of a backlog caused by issuers reducing their sales volumes during the 2008-2010 time period, we believe that the supply of debt sold to debt purchasers has increased and is expected to increase further in the coming year. Additionally, over the last few years, portfolios are being sold earlier in the life cycle, and therefore, include a higher proportion of paying accounts. We expect that as a result of an increase in available funding to industry participants and lower return requirements for certain debt purchasers, pricing will remain elevated. However, we also believe that as Cabot's business increases in scale, and with anticipated improvements in the rate of collections and improved efficiencies in collections, Cabot's margins will remain competitive. Additionally, the acquisition of Marlin resulted in a new channel of liquidation through litigation in the United Kingdom, which will enable Cabot to collect from consumers who have the ability to pay, but are unwilling to do so. This further complements Cabot's success with collecting on semi-performing debt, where consumers have a greater willingness to pay. We believe that the combined companies will have an enhanced ability to compete for portfolios.

***Purchases by Type***

The following table summarizes the types of charged-off consumer receivable portfolios we purchased for the periods presented *(in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Credit card—United Kingdom[1] | $ 59,061 | $ — | $ 410,380 | $ — |
| Credit card—United States[2], [3] | 166,701 | 380,423 | 282,947 | 423,837 |
| Consumer bankruptcy receivables—United States[2] | — | 39,897 | — | 39,897 |
| Telecom—United States | — | 2,793 | — | 18,150 |
| | $ 225,762 | $ 423,113 | $ 693,327 | $ 481,884 |

(1) Purchases of consumer portfolio receivables in the United Kingdom for the six months ended June 30, 2014 include $208.5 million acquired in connection with the Marlin Acquisition.

(2) Purchases of consumer portfolio receivables for the three and six month periods ended June 30, 2013 include $383.4 million acquired in connection with the merger with Asset Acceptance Capital Corp. (“AACC”) ($347.7 million for credit card and $35.7 million for consumer bankruptcy receivables).

(3) Purchases of consumer portfolio receivables in the United States include immaterial portfolios purchased in Latin America.

During the three months ended June 30, 2014, we invested $225.8 million to acquire portfolios, primarily charged-off credit card portfolios, with face values aggregating $3.1 billion, for an average purchase price of 7.3% of face value. This is a $197.4 million decrease in the amount invested, compared with the $423.1 million invested during the three months ended June 30, 2013, to acquire charged-off credit card, consumer bankruptcy and telecom portfolios with face values aggregating $68.9 billion, for an average purchase price of 0.6% of face value. Purchases during the three months ended June 30, 2013 included $383.4 million with a face value of $68.2 billion, for a purchase cost of 0.6% of face value, acquired in conjunction with our June 13, 2013 merger with Asset Acceptance Capital Corp. (the “AACC Merger”). The period-over-period decrease in purchases and increase in the percentage of face value was primarily related to the purchase of portfolios acquired through the AACC Merger, as described in greater detail below.

During the six months ended June 30, 2014, we invested $693.3 million to acquire portfolios, primarily charged-off credit card portfolios, with face values aggregating $7.4 billion, for an average purchase price of 9.4% of face value. Purchases of charged-off credit card portfolios include $208.5 million of portfolios acquired in conjunction with the Marlin Acquisition. During the six months ended June 30, 2013, we invested $481.9 million to acquire portfolios, primarily charged-off credit card portfolios, with face values aggregating $70.5 billion, for an average purchase price of 0.7% of face value. Purchases during the six months ended June 30, 2013 included $383.4 million with a face value of $68.2 billion, for a purchase cost of 0.6% of face value, acquired in conjunction with the AACC Merger.

Average purchase price, as a percentage of face value, varies from period to period depending on, among other things, the quality of the accounts purchased and the length of time from charge-off to the time we purchase the portfolios. The increase in purchase price as a percentage of face value for the three and six months ended June 30, 2014 was primarily related to the portfolios we acquired through the AACC Merger, our acquisition of a higher percentage of fresh portfolios, and a general increase in the price of portfolios offered for sale directly from credit issuers. The lower purchase rate for the AACC portfolios is due to our acquisition of all portfolios owned by AACC, including accounts that have no value. No value accounts would typically not be included in a portfolio purchase transaction, as the sellers would remove them from the accounts being sold to us prior to sale.

***Collections by Channel***

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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| United States: | | | | |
| Legal collections | $ 155,503 | $ 133,682 | $ 306,532 | $ 255,955 |
| Collection sites | 130,788 | 116,853 | 267,313 | 243,415 |
| Collection agencies[1] | 19,512 | 27,853 | 41,413 | 49,188 |
| Subtotal | 305,803 | 278,388 | 615,258 | 548,558 |
| United Kingdom: | | | | |
| Collection sites | 54,716 | — | 100,577 | — |
| Collection agencies | 29,473 | — | 57,395 | — |
| Legal collections | 12,484 | — | 20,082 | — |
| Subtotal | 96,673 | — | 178,054 | — |
| Other geographies: | | | | |
| Collection sites | 6,804 | — | 12,642 | — |
| Total collections | $ 409,280 | $ 278,388 | $ 805,954 | $ 548,558 |

(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 $130.9 million, or 47.0%, to $409.3 million during the three months ended June 30, 2014, from $278.4 million during the three months ended June 30, 2013, primarily due to collections on portfolios acquired through the AACC Merger, our July 1, 2013 acquisition of a controlling interest in Cabot (the “Cabot Acquisition”), and the Marlin Acquisition. Gross collections increased $257.4 million, or 46.9%, to $806.0 million during the six months ended June 30, 2014, from $548.6 million during the six months ended June 30, 2013, primarily due to collections on portfolios acquired through the AACC Merger, the Cabot Acquisition, and the Marlin Acquisition.

**Results of Operations**

On June 13, 2013, we completed the AACC Merger, on July 1, 2013, we completed the Cabot Acquisition, and on February 7, 2014, Cabot acquired Marlin. The results of operations presented below for the three and six months ended June 30, 2013 only include the results of operations of AACC since the closing date of the AACC Merger and do not include the results of operations of Cabot, as the acquisition was not completed until after June 30, 2013. The results of operations presented below for the three and six months ended June 30, 2014 include the results of the operations of Marlin since the date of the acquisition.

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| Revenues | | | | |
| Revenue from receivable portfolios, net | $ 248,231 | 92.2 % | $ 152,024 | 97.4 % |
| Other revenues | 14,149 | 5.3 % | 380 | 0.2 % |
| Net interest income | 6,815 | 2.5 % | 3,717 | 2.4 % |
| Total revenues | 269,195 | 100.0 % | 156,121 | 100.0 % |
| Operating expenses | | | | |
| Salaries and employee benefits | 64,355 | 23.9 % | 32,969 | 21.1 % |
| Cost of legal collections | 50,029 | 18.6 % | 44,483 | 28.5 % |
| Other operating expenses | 22,041 | 8.2 % | 13,797 | 8.9 % |
| Collection agency commissions | 9,153 | 3.4 % | 5,230 | 3.3 % |
| General and administrative expenses | 38,282 | 14.2 % | 27,601 | 17.7 % |
| Depreciation and amortization | 6,829 | 2.5 % | 2,158 | 1.4 % |
| Total operating expenses | 190,689 | 70.8 % | 126,238 | 80.9 % |
| Income from operations | 78,506 | 29.2 % | 29,883 | 19.1 % |
| Other (expense) income | | | | |
| Interest expense | (43,218) | (16.1)% | (7,482) | (4.8)% |
| Other income (expense) | 75 | — % | (4,122) | (2.6)% |
| Total other expense | (43,143) | (16.1)% | (11,604) | (7.4)% |
| Income before income taxes | 35,363 | 13.1 % | 18,279 | 11.7 % |
| Provision for income taxes | (14,010) | (5.2)% | (7,267) | (4.6)% |
| Net income | 21,353 | 7.9 % | 11,012 | 7.1 % |
| Net loss attributable to noncontrolling interest | 2,208 | 0.9 % | — | — % |
| Net income attributable to Encore shareholders | $ 23,561 | 8.8 % | $ 11,012 | 7.1 % |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| Revenues | | | | |
| Revenue from receivable portfolios, net | $ 485,799 | 92.9 % | $ 292,707 | 97.4 % |
| Other revenues | 25,498 | 4.9 % | 681 | 0.2 % |
| Net interest income | 11,639 | 2.2 % | 7,319 | 2.4 % |
| Total revenues | 522,936 | 100.0 % | 300,707 | 100.0 % |
| Operating expenses | | | | |
| Salaries and employee benefits | 122,492 | 23.4 % | 61,801 | 20.6 % |
| Cost of legal collections | 99,854 | 19.1 % | 86,741 | 28.8 % |
| Other operating expenses | 48,464 | 9.3 % | 27,062 | 9.0 % |
| Collection agency commissions | 17,429 | 3.3 % | 8,559 | 2.9 % |
| General and administrative expenses | 74,976 | 14.3 % | 43,943 | 14.6 % |
| Depreciation and amortization | 12,946 | 2.5 % | 4,004 | 1.3 % |
| Total operating expenses | 376,161 | 71.9 % | 232,110 | 77.2 % |
| Income from operations | 146,775 | 28.1 % | 68,597 | 22.8 % |
| Other (expense) income | | | | |
| Interest expense | (81,180) | (15.5)% | (14,336) | (4.8)% |
| Other income (expense) | 340 | — % | (3,963) | (1.3)% |
| Total other expense | (80,840) | (15.5)% | (18,299) | (6.1)% |
| Income before income taxes | 65,935 | 12.6 % | 50,298 | 16.7 % |
| Provision for income taxes | (25,752) | (4.9)% | (19,838) | (6.6)% |
| Net income | 40,183 | 7.7 % | 30,460 | 10.1 % |
| Net loss attributable to noncontrolling interest | 6,558 | 1.2 % | — | — % |
| Net income attributable to Encore shareholders | $ 46,741 | 8.9 % | $ 30,460 | 10.1 % |

***Results of Operations—Cabot***

The amount of revenue and net income included in our condensed consolidated statement of income directly related to Cabot was $73.4 million and $4.2 million, respectively, for the three months ended June 30, 2014, and $135.9 million and $6.2 million, respectively, for the six months ended June 30, 2014. The revenue and loss at Janus Holdings was $73.4 million and $2.5 million, respectively, for the three months ended June 30, 2014, and $135.9 million and $9.0 million, respectively, for the six months ended June 30, 2014. The net losses recognized at Janus Holdings during the respective periods were due to the fact that Janus Holdings recognizes 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 is recognized at Janus Holdings’ parent company, Encore Europe Holdings, S.a.r.l. (“Encore Europe”), which is a wholly-owned subsidiary of Encore. The losses attributable to noncontrolling interests included in our condensed consolidated statement of income for the three and six months ended June 30, 2014 represent the total loss at Janus Holdings multiplied by the noncontrolling ownership interest in each period.

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

| | Three Months Ended June 30, 2014 | | | Six Months Ended June 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Janus Holdings | Encore Europe [1] | Consolidated | Janus Holdings | Encore Europe[1] | Consolidated |
| Total revenues | $ 73,385 | $ — | $ 73,385 | $ 135,905 | $ — | $ 135,905 |
| Total operating expenses | (36,629) | — | (36,629) | (76,206) | — | (76,206) |
| Income from operations | 36,756 | — | 36,756 | 59,699 | — | 59,699 |
| Interest expense-non-PEC | (25,628) | — | (25,628) | (47,404) | — | (47,404) |
| PEC interest (expense) income | (11,051) | 5,391 | (5,660) | (22,093) | 10,758 | (11,335) |
| Other income | 44 | — | 44 | 119 | — | 119 |
| Income (loss) before income taxes | 121 | 5,391 | 5,512 | (9,679) | 10,758 | 1,079 |
| Provision for income taxes | (2,992) | — | (2,992) | (846) | — | (846) |
| Net (loss) income | (2,871) | 5,391 | 2,520 | (10,525) | 10,758 | 233 |
| Net loss attributable to noncontrolling interests | 412 | 1,227 | 1,639 | 1,510 | 4,499 | 6,009 |
| Net (loss) income attributable to Encore | $ (2,459) | $ 6,618 | $ 4,159 | $ (9,015) | $ 15,257 | $ 6,242 |

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

**Non-GAAP Disclosure**

In addition to the financial information prepared in conformity with Generally Accepted Accounting Principles ("GAAP"), we provide certain 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 Per Share.*** Management uses non-GAAP adjusted income and adjusted income 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 attributable to Encore excludes non-cash interest and issuance cost amortization relating to our convertible notes, one-time charges and acquisition and integration related expenses, all net of tax. The following table provides a reconciliation between income and diluted income per share attributable to Encore calculated in accordance with GAAP to adjusted income and adjusted income per share attributable to Encore, respectively. In addition, as described in Note 3, "Earnings Per Share" in the notes to our condensed consolidated financial statements, GAAP diluted earnings per share for the three and six months ended June 30, 2014, includes the effect of approximately 1.0 million and 1.2 million common shares, respectively, that are issuable upon conversion of certain convertible senior notes because the average stock price during the respective periods exceeded the conversion price of these notes. However, as described in Note 10, "Debt—Encore Convertible Senior 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, under the "Per Diluted Share-Accounting" and "Per Diluted Share-Economic" columns, respectively *(in thousands, except per share data):*

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | $ | Per Diluted Share—Accounting | Per Diluted Share—Economic | $ | Per Diluted Share—Accounting | Per Diluted Share—Economic |
| GAAP net income attributable to Encore, as reported | $ 23,561 | $ 0.86 | $ 0.89 | $ 11,012 | $ 0.44 | $ 0.44 |
| Adjustments: | | | | | | |
| Convertible notes non-cash interest and issuance cost amortization, net of tax | 1,694 | 0.06 | 0.06 | 529 | 0.02 | 0.02 |
| Acquisition and integration related expenses, net of tax | 3,836 | 0.14 | 0.15 | 7,509 | 0.30 | 0.30 |
| Acquisition related other expenses, net of tax | — | — | — | 2,198 | 0.09 | 0.09 |
| Adjusted income attributable to Encore | $ 29,091 | $ 1.06 | $ 1.10 | $ 21,248 | $ 0.85 | $ 0.85 |

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | $ | Per Diluted Share—Accounting | Per Diluted Share—Economic | $ | Per Diluted Share—Accounting | Per Diluted Share—Economic |
| GAAP net income attributable to Encore, as reported | $ 46,741 | $ 1.68 | $ 1.76 | $ 30,460 | $ 1.24 | $ 1.24 |
| Adjustments: | | | | | | |
| Convertible notes non-cash interest and issuance cost amortization, net of tax | 2,985 | 0.11 | 0.11 | 1,000 | 0.04 | 0.04 |
| Acquisition and integration related expenses, net of tax | 8,194 | 0.29 | 0.31 | 8,284 | 0.33 | 0.33 |
| Acquisition related other expenses, net of tax | — | — | — | 2,198 | 0.09 | 0.09 |
| Adjusted income attributable to Encore | $ 57,920 | $ 2.08 | $ 2.18 | $ 41,942 | $ 1.70 | $ 1.70 |

***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, and acquisition and integration related 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| GAAP net income, as reported | $ 21,353 | $ 11,012 | $ 40,183 | $ 30,460 |
| Adjustments: | | | | |
| Interest expense | 43,218 | 7,482 | 81,180 | 14,336 |
| Provision for income taxes | 14,010 | 7,267 | 25,752 | 19,838 |
| Depreciation and amortization | 6,829 | 2,158 | 12,946 | 4,004 |
| Amount applied to principal on receivable portfolios | 161,048 | 126,364 | 320,154 | 255,851 |
| Stock-based compensation expense | 4,715 | 2,179 | 9,551 | 5,180 |
| Acquisition and integration related expenses | 4,645 | 12,403 | 15,726 | 13,679 |
| Acquisition related other expenses | — | 3,630 | — | 3,630 |
| Adjusted EBITDA | $ 255,818 | $ 172,495 | $ 505,492 | $ 346,978 |

***Adjusted Operating Expenses.*** Management utilizes adjusted operating expenses in order to facilitate a comparison of approximate cash costs to cash collections for the 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, and acquisition and integration related operating expenses. Operating expenses related to non-portfolio purchasing and recovery business include operating expenses from our tax lien business and other non-reportable operating segments, 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| GAAP total operating expenses, as reported | $ 190,689 | $ 126,238 | $ 376,161 | $ 232,110 |
| Adjustments: | | | | |
| Stock-based compensation expense | (4,715) | (2,179) | (9,551) | (5,180) |
| Operating expenses related to non-portfolio purchasing and recovery business | (26,409) | (6,367) | (46,241) | (11,641) |
| Acquisition and integration related expenses | (4,645) | (12,403) | (15,726) | (13,679) |
| Adjusted operating expenses | $ 154,920 | $ 105,289 | $ 304,643 | $ 201,610 |

**Comparison of Results of Operations**

**Revenues**

Our revenues consist primarily of portfolio revenue, contingent fee income, and net interest income from our tax lien business.

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, 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. 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. Internal factors that may have an impact on our collections include operational activities such as the productivity of our collection staff.

Interest income, net of related interest expense represents net interest income on receivables secured by property tax liens.

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

| | Three Months Ended June 30, 2014 | | | | | As of June 30, 2014 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Portfolio Allowance Reversal | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| **United States (4):** | | | | | | | |
| ZBA (5) | $ 6,708 | $ 3,402 | 50.7% | $ 3,306 | 1.4% | $ — | — |
| 2006 | 1,019 | 198 | 19.4% | — | 0.1% | 695 | 5.3% |
| 2007 | 2,294 | 953 | 41.5% | 116 | 0.4% | 3,317 | 7.3% |
| 2008 | 7,893 | 3,889 | 49.3% | — | 1.6% | 10,604 | 9.5% |
| 2009 | 15,841 | 11,671 | 73.7% | — | 4.8% | 13,046 | 23.8% |
| 2010 | 30,451 | 23,049 | 75.7% | — | 9.4% | 32,753 | 20.5% |
| 2011 | 42,145 | 29,046 | 68.9% | — | 11.9% | 73,385 | 11.8% |
| 2012 | 70,871 | 36,343 | 51.3% | — | 14.8% | 200,479 | 5.4% |
| 2013 | 113,300 | 59,641 | 52.6% | — | 24.4% | 381,923 | 4.8% |
| 2014 | 22,085 | 10,574 | 47.9% | — | 4.3% | 268,803 | 2.2% |
| Subtotal | 312,607 | 178,766 | 57.2% | 3,422 | 73.0% | 985,005 | 5.0% |
| **United Kingdom:** | | | | | | | |
| 2013 | 63,135 | 42,563 | 67.4% | — | 17.4% | 598,966 | 2.4% |
| 2014 | 33,538 | 23,480 | 70.0% | — | 9.6% | 404,014 | 2.2% |
| Subtotal | 96,673 | 66,043 | 68.3% | — | 27.0% | 1,002,980 | 2.3% |
| Total | $ 409,280 | $ 244,809 | 59.8% | $ 3,422 | 100.0% | $ 1,987,985 | 3.6% |

| | Three Months Ended June 30, 2013 | | | | | As of June 30, 2013 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Portfolio Allowance Reversal | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| ZBA[5] | $ 7,836 | $ 4,743 | 60.5% | $ 3,095 | 3.2% | $ — | — |
| 2005 | 114 | 6 | 5.3% | — | —% | — | 5.7% |
| 2006 | 2,518 | 902 | 35.8% | 57 | 0.6% | 4,856 | 5.1% |
| 2007 | 3,270 | 1,400 | 42.8% | 237 | 0.9% | 7,333 | 5.5% |
| 2008 | 11,525 | 6,415 | 55.7% | 285 | 4.3% | 24,565 | 7.6% |
| 2009 | 21,698 | 13,684 | 63.1% | — | 9.2% | 30,658 | 12.7% |
| 2010 | 42,374 | 26,205 | 61.8% | — | 17.7% | 71,433 | 10.6% |
| 2011 | 60,511 | 34,535 | 57.1% | — | 23.3% | 138,462 | 7.4% |
| 2012 | 93,093 | 42,142 | 45.3% | — | 28.4% | 357,596 | 3.6% |
| 2013 | 35,449 | 18,318 | 51.7% | — | 12.4% | 461,795 | 4.2% |
| Total | $ 278,388 | $ 148,350 | 53.3% | $ 3,674 | 100.0% | $ 1,096,698 | 5.1% |

| | Six Months Ended June 30, 2014 | | | | | As of June 30, 2014 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Portfolio Allowance Reversal | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| **United States [4]:** | | | | | | | |
| ZBA [5] | $ 13,219 | $ 6,993 | 52.9% | $ 6,226 | 1.5% | $ — | — |
| 2006 | 2,306 | 536 | 23.2% | — | 0.1% | 695 | 5.3% |
| 2007 | 4,632 | 2,180 | 47.1% | 116 | 0.4% | 3,317 | 7.3% |
| 2008 | 16,266 | 8,951 | 55.0% | — | 1.9% | 10,604 | 9.5% |
| 2009 | 32,341 | 24,411 | 75.5% | 310 | 5.1% | 13,046 | 23.8% |
| 2010 | 62,414 | 45,187 | 72.4% | — | 9.4% | 32,753 | 20.5% |
| 2011 | 87,794 | 58,291 | 66.4% | — | 12.2% | 73,385 | 11.8% |
| 2012 | 149,729 | 73,700 | 49.2% | — | 15.4% | 200,479 | 5.4% |
| 2013 | 233,072 | 124,078 | 53.2% | — | 25.9% | 381,923 | 4.8% |
| 2014 | 26,127 | 12,547 | 48.0% | — | 2.6% | 268,803 | 2.2% |
| Subtotal | 627,900 | 356,874 | 56.8% | 6,652 | 74.5% | 985,005 | 5.0% |
| **United Kingdom:** | | | | | | | |
| 2013 | 126,729 | 85,936 | 67.8% | — | 17.9% | 598,966 | 2.4% |
| 2014 | 51,325 | 36,337 | 70.8% | — | 7.6% | 404,014 | 2.2% |
| Subtotal | 178,054 | 122,273 | 68.7% | — | 25.5% | 1,002,980 | 2.3% |
| Total | $ 805,954 | $ 479,147 | 59.5% | $ 6,652 | 100.0% | $ 1,987,985 | 3.6% |

| | Six Months Ended June 30, 2013 | | | | | As of June 30, 2013 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Reversal (Portfolio Allowance) | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| ZBA(5) | $ 13,448 | $ 9,405 | 69.9% | $ 4,044 | 3.3% | $ — | — |
| 2005 | 2,364 | 239 | 10.1% | 10 | 0.1% | — | 5.7% |
| 2006 | 5,021 | 2,042 | 40.7% | (402) | 0.7% | 4,856 | 5.1% |
| 2007 | 6,648 | 2,954 | 44.4% | 580 | 1.0% | 7,333 | 5.5% |
| 2008 | 23,639 | 13,446 | 56.9% | 448 | 4.7% | 24,565 | 7.6% |
| 2009 | 44,930 | 28,379 | 63.2% | — | 9.8% | 30,658 | 12.7% |
| 2010 | 87,598 | 54,597 | 62.3% | — | 18.9% | 71,433 | 10.6% |
| 2011 | 127,747 | 70,883 | 55.5% | — | 24.6% | 138,462 | 7.4% |
| 2012 | 197,265 | 85,437 | 43.3% | — | 29.7% | 357,596 | 3.6% |
| 2013 | 39,898 | 20,645 | 51.7% | — | 7.2% | 461,795 | 4.2% |
| Total | $ 548,558 | $ 288,027 | 52.5% | $ 4,680 | 100.0% | $ 1,096,698 | 5.1% |

(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) United States data includes immaterial results from Latin America.

(5) 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%.

Total revenues were $269.2 million during the three months ended June 30, 2014, an increase of $113.1 million, or 72.4%, compared to total revenues of $156.1 million during the three months ended June 30, 2013. Total revenues were $522.9 million during the six months ended June 30, 2014, an increase of $222.2 million, or 73.9%, compared to total revenues of $300.7 million during the six months ended June 30, 2013.

Accretion revenue from our portfolio purchasing and recovery segment was $248.2 million during the three months ended June 30, 2014, an increase of $96.2 million, or 63.3%, compared to revenue of $152.0 million during the three months ended June 30, 2013. Accretion revenue from our portfolio purchasing and recovery segment was $485.8 million during the six months ended June 30, 2014, an increase of $193.1 million, or 66.0%, compared to revenue of $292.7 million during the six months ended June 30, 2013. The increase in portfolio purchase and recovery revenue during the three and six months ended June 30, 2014 compared to 2013 was due to additional accretion revenue associated with a higher portfolio balance, primarily associated with portfolios acquired through the Cabot Acquisition, the AACC Merger and the Marlin Acquisition, 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 June 30, 2014, we recorded a portfolio allowance reversal of $3.4 million, compared to a portfolio allowance reversal of $3.7 million during the three months ended June 30, 2013. During the six months ended June 30, 2014, we recorded a portfolio allowance reversal of $6.7 million, compared to a net portfolio allowance reversal of $4.7 million during the six months ended June 30, 2013. The recording of net allowance charge reversals during the three and six months ended June 30, 2014 and 2013 was primarily due to increased collections on our ZBA portfolios as a result of an improving economy in addition to operational improvements which allowed us to assist our customers to repay their obligations. Additionally, our refined valuation methodologies have limited the amount of valuation charges necessary during recent periods.

Other revenues primarily represent contingent fee income at our Cabot subsidiary and Refinancia subsidiary earned on accounts collected on behalf of others, primarily credit originators. This contingent fee-based revenue was $14.1 million and $25.5 million for the three and six months ended June 30, 2014, respectively.

Net interest income from our tax lien business segment was $6.8 million and $11.6 million for the three and six months ended June 30, 2014, respectively. Net interest income from our tax lien business segment was $3.7 million and $7.3 million for the three and six months ended June 30, 2013, respectively. The increase in revenue for both the three and six month periods was due to an increase in the balance of receivables secured by property tax liens.

**Operating Expenses**

Total operating expenses were $190.7 million during the three months ended June 30, 2014, an increase of $64.5 million, or 51.1%, compared to total operating expenses of $126.2 million during the three months ended June 30, 2013.

Total operating expenses were $376.2 million during the six months ended June 30, 2014, an increase of $144.1 million, or 62.1%, compared to total operating expenses of $232.1 million during the six months ended June 30, 2013.

Operating expenses are explained in more detail as follows:

***Salaries and Employee Benefits***

Salaries and employee benefits increased $31.4 million, or 95.2%, to $64.4 million during the three months ended June 30, 2014, from $33.0 million during the three months ended June 30, 2013. The increase was primarily the result of increases in headcount as a result of the Cabot Acquisition, the AACC Merger, the Marlin Acquisition and increases in headcount and related compensation expense to support our growth. Salaries and employee benefits related to our internal legal channel in the United States were approximately $6.0 million and $3.3 million for the three months June 30, 2014 and 2013, respectively. The increase was a result of our deliberate efforts to expand our internal legal operations.

Salaries and employee benefits increased $60.7 million, or 98.2%, to $122.5 million during the six months ended June 30, 2014, from $61.8 million during the six months ended June 30, 2013. The increase was primarily the result of increases in headcount as a result of the Cabot Acquisition, the AACC Merger, the Marlin Acquisition and increases in headcount and related compensation expense to support our growth. Salaries and employee benefits related to our internal legal channel in the United States were approximately $11.8 million and $6.1 million for the six months ended June 30, 2014 and 2013, respectively. The increase was a result of our deliberate efforts to expand our internal legal operations.

Stock-based compensation increased $2.0 million, or 91.6% to $4.2 million during the three months ended June 30, 2014, from $2.2 million during the three months ended June 30, 2013. This increase was primarily attributable to the higher fair value of equity awards granted in recent periods due to an increase in our stock price and an increase in the number of shares granted.

Stock-based compensation increased $4.4 million, or 84.4% to $9.6 million during the six months ended June 30, 2014, from $5.2 million during the six months ended June 30, 2013. This increase was primarily attributable to the higher fair value of equity awards granted in recent periods due to an increase in our stock price and an increase in the number of shares granted.

Salaries and employee benefits broken down between the reportable segments are as follows *(in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Salaries and employee benefits: | | | | |
| Portfolio purchasing and recovery | $ 62,744 | $ 31,534 | $ 119,142 | $ 58,948 |
| Tax lien business | 1,611 | 1,435 | 3,350 | 2,853 |
| | $ 64,355 | $ 32,969 | $ 122,492 | $ 61,801 |

***Cost of Legal Collections—Portfolio Purchasing and Recovery***

The cost of legal collections increased $5.5 million, or 12.5%, to $50.0 million during the three months ended June 30, 2014, compared to $44.5 million during the three months ended June 30, 2013. These costs represent contingent fees paid to our nationwide network of attorneys and costs of litigation in the United States. The increase in the cost of legal collections was primarily the result of an increase of $34.3 million, or 25.7%, in gross collections through our legal channels. Gross legal collections were $168.0 million during the three months ended June 30, 2014, up from $133.7 million collected during the three months ended June 30, 2013. The cost of legal collections decreased as a percentage of gross collections through this channel to 29.8% during the three months ended June 30, 2014 from 33.3% during the same period in the prior year. This decrease was primarily due to increased collections as a result of our deliberate efforts to expand our internal legal channel, for which we do not pay a commission. Additionally, the decrease was partially attributable to the lower cost of legal collections through Marlin, our indirectly owned subsidiary in the United Kingdom.

The cost of legal collections increased $13.1 million, or 15.1%, to $99.9 million during the six months ended June 30, 2014, compared to $86.7 million during the six months ended June 30, 2013. These costs represent contingent fees paid to our nationwide network of attorneys and costs of litigation in the United States. The increase in the cost of legal collections was primarily the result of an increase of $70.7 million, or 27.6%, in gross collections through our legal channels. Gross legal

collections were $326.6 million during the six months ended June 30, 2014, up from $256.0 million collected during the six months ended June 30, 2013. The cost of legal collections decreased as a percentage of gross collections through this channel to 30.6% during the six months ended June 30, 2014 from 33.9% during the same period in the prior year. This decrease was primarily due to increased collections as a result of our deliberate efforts to expand our internal legal channel, for which we do not pay a commission. Additionally, the decrease was partially attributable to the lower cost of legal collections through Marlin, our indirectly owned subsidiary in the United Kingdom.

The following table summarizes our legal collection channel performance and related direct costs *(in thousands, except percentages)*:

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| United States: | | | | | | | | |
| Collections: | | | | | | | | |
| Collections - legal outsourcing | $ 125,564 | 80.7% | $ 116,187 | 86.9% | $ 245,297 | 80.0% | $ 228,829 | 89.4% |
| Collections - internal legal | 29,939 | 19.3% | 17,495 | 13.1% | 61,235 | 20.0% | 27,126 | 10.6% |
| Collections - legal networks | $ 155,503 | 100.0% | $ 133,682 | 100.0% | $ 306,532 | 100.0% | $ 255,955 | 100.0% |
| Costs: | | | | | | | | |
| Commissions - legal outsourcing | $ 31,791 | 25.3% | $ 30,340 | 26.1% | $ 62,419 | 25.4% | $ 59,150 | 25.8% |
| Court cost expense - legal outsourcing[1] | 11,001 | 8.8% | 9,344 | 8.0% | 23,633 | 9.6% | 19,359 | 8.5% |
| Direct legal cost - internal legal | 3,964 | | 4,209 | | 8,322 | | 6,877 | |
| Other[2] | 801 | | 590 | | 1,551 | | 1,355 | |
| Direct costs - legal networks | 47,557 | 30.6% | 44,483 | 33.3% | 95,925 | 31.3% | 86,741 | 33.9% |
| United Kingdom: | | | | | | | | |
| Collections - legal networks | 12,484 | | — | | 20,082 | | — | |
| Direct cost - legal networks | 2,472 | 19.8% | — | — | 3,929 | 19.6% | — | — |
| | | | | | | | | |
| Total collections - legal networks | $ 167,987 | | $ 133,682 | | $ 326,614 | | $ 255,955 | |
| Total direct costs - legal networks[3] | $ 50,029 | 29.8% | $ 44,483 | 33.3% | $ 99,854 | 30.6% | $ 86,741 | 33.9% |

(1) We advance certain out-of-pocket court costs and capitalize these costs in our consolidated financial statements and provide a reserve and corresponding court cost expense for the costs that we believe will be ultimately uncollectible. This amount includes changes in our anticipated recovery rate of court costs expensed.

(2) Other costs consist of costs related to counter claims and legal network subscription fees.

(3) Total direct costs—legal networks does not include internal legal channel employee salaries and benefits and other related direct operating expenses. These expenses were $8.1 million and $5.0 million for the three months ended June 30, 2014 and 2013, respectively, and $15.9 million and $9.0 million for the six months ended June 30, 2014 and 2013, respectively.

***Other Operating Expenses***

Other operating expenses increased $8.2 million, or 59.8%, to $22.0 million during the three months ended June 30, 2014, from $13.8 million during the three months ended June 30, 2013. The increase was primarily the result of costs associated with the AACC Merger, the Cabot Acquisition, and the Marlin Acquisition.

Other operating expenses increased $21.4 million, or 79.1%, to $48.5 million during the six months ended June 30, 2014, from $27.1 million during the six months ended June 30, 2013. The increase was primarily the result of costs associated with the AACC Merger, the Cabot Acquisition, and the Marlin Acquisition.

Other operating expenses broken down between the reportable segments are as follows *(in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Other operating expenses: | | | | |
| Portfolio purchasing and recovery | $ 20,524 | $ 12,681 | $ 45,820 | $ 24,992 |
| Tax lien business | 1,517 | 1,116 | 2,644 | 2,070 |
| | $ 22,041 | $ 13,797 | $ 48,464 | $ 27,062 |

***Collection Agency Commissions—Portfolio Purchasing and Recovery***

During the three months ended June 30, 2014, we incurred $9.2 million in commissions to third-party collection agencies, or 18.7% of the related gross collections of $49.0 million. During the period, the commission rate as a percentage of related gross collections was 22.5% and 16.2% for our collection outsourcing channels in the United States and United Kingdom, respectively. During the three months ended June 30, 2013, we incurred $5.2 million in commissions, or 18.8%, of the related gross collections of $27.9 million in the United States. The increase in the net commission rate as a percentage of the related gross collections in the United States from the prior period was primarily due to the lower commission rates on purchased bankruptcy receivable portfolios which, during the three months ended June 30, 2013, represented a higher percentage of our third-party collections. The lower overall net commission rate during the three months ended June 30, 2014 was driven by lower commission rates for collection agency outsourcing in the United Kingdom as compared to the commission rates in the United States.

During the six months ended June 30, 2014, we incurred $17.4 million in commissions to third-party collection agencies, or 17.6% of the related gross collections of $98.8 million. During the period, the commission rate as a percentage of related gross collections was 19.5% and 16.3% for our collection outsourcing channels in the United States and United Kingdom, respectively. During the six months ended June 30, 2013, we incurred $8.6 million in commissions, or 17.4%, of the related gross collections of $49.2 million in the United States. The increase in the net commission rate as a percentage of the related gross collections in the United States from the prior period was primarily due to the lower commission rates on purchased bankruptcy receivable portfolios which, during the six months ended June 30, 2013, represented a higher percentage of our third-party collections. The lower overall net commission rate during the six months ended June 30, 2014 was driven by lower commission rates for collection agency outsourcing in the United Kingdom as compared to the commission rates in the United States.

***General and Administrative Expenses***

General and administrative expenses increased $10.7 million, or 38.7%, to $38.3 million during the three months ended June 30, 2014, from $27.6 million during the three months ended June 30, 2013. The increase was primarily the result of costs associated with the AACC Merger, the Cabot Acquisition, the Marlin Acquisition, and general increases in expenses in order to support our growth. General and administrative expenses include one-time acquisition and integration related costs of $4.6 million and $12.4 million for the three months ended June 30, 2014 and 2013, respectively.

General and administrative expenses increased $31.0 million, or 70.6%, to $75.0 million during the six months ended June 30, 2014, from $43.9 million during the six months ended June 30, 2013. The increase was primarily the result of costs associated with the AACC Merger, the Cabot Acquisition, the Marlin Acquisition, and general increases in expenses in order to support our growth. General and administrative expenses include one-time acquisition and integration related costs of $15.7 million and $13.7 million for the six months ended June 30, 2014 and 2013, respectively.

General and administrative expenses broken down between the reportable segments are as follows *(in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| General and administrative expenses: | | | | |
| Portfolio purchasing and recovery | $ 36,634 | $ 26,864 | $ 72,696 | $ 42,556 |
| Tax lien business | 1,648 | 737 | 2,280 | 1,387 |
| | $ 38,282 | $ 27,601 | $ 74,976 | $ 43,943 |

***Depreciation and Amortization***

Depreciation and amortization expense increased $4.7 million, or 216.5%, to $6.8 million during the three months ended June 30, 2014, from $2.2 million during the three months ended June 30, 2013. The increase during the three months ended June 30, 2013 was primarily related to increased depreciation expense resulting from the acquisition of fixed assets in the current and prior years and additional depreciation and amortization expenses resulting from the AACC Merger, the Cabot Acquisition, and the Marlin Acquisition.

Depreciation and amortization expense increased $8.9 million, or 223.3%, to $12.9 million during the six months ended June 30, 2014, from $4.0 million during the six months ended June 30, 2013. The increase during the six months ended June 30, 2013 was primarily related to increased depreciation expense resulting from the acquisition of fixed assets in the current and prior years and additional depreciation and amortization expenses resulting from the AACC Merger, the Cabot Acquisition, and the Marlin Acquisition.

**Cost per Dollar Collected—Portfolio Purchasing and Recovery**

The following tables summarize our cost per dollar collected *(in thousands, except percentages)*:

| | Three Months Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2013 | | | |
| | Collections | Cost | Cost Per Channel Dollar Collected | Cost Per Total Dollar Collected | Collections | Cost | Cost Per Channel Dollar Collected | Cost Per Total Dollar Collected |
| United States: | | | | | | | | |
| Collection sites[1] | $ 130,788 | $ 8,330 | 6.4% | 2.7% | $ 116,853 | $ 7,173 | 6.1% | 2.5% |
| Legal outsourcing | 125,564 | 43,595 | 34.7% | 14.3% | 116,187 | 40,309 | 34.7% | 14.5% |
| Internal legal[2] | 29,939 | 12,064 | 40.3% | 3.9% | 17,495 | 8,873 | 50.7% | 3.2% |
| Collection agencies | 19,512 | 4,388 | 22.5% | 1.4% | 27,853 | 5,230 | 18.8% | 1.9% |
| Other indirect costs[3] | — | 55,173 | — | 18.1% | — | 43,704 | — | 15.7% |
| Subtotal | 305,803 | 123,550 | | 40.4% | 278,388 | 105,289 | | 37.8% |
| United Kingdom: | | | | | | | | |
| Collection sites[1] | 54,716 | 3,773 | 6.9% | 3.9% | — | — | — | — |
| Legal outsourcing | 12,484 | 2,470 | 19.8% | 2.6% | — | — | — | — |
| Collection agencies | 29,473 | 4,765 | 16.2% | 4.9% | — | — | — | — |
| Other indirect costs[3] | — | 18,280 | — | 18.9% | — | — | — | — |
| Subtotal | 96,673 | 29,288 | | 30.3% | — | — | | — |
| Other geographies: | | | | | | | | |
| Collection sites[1] | 6,804 | 815 | 12.0% | 12.0% | — | — | — | — |
| Other indirect costs[3] | — | 1,267 | — | 18.6% | — | — | — | — |
| Subtotal | 6,804 | 2,082 | | 30.6% | — | — | | — |
| Total[4] | $ 409,280 | $ 154,920 | | 37.9% | $ 278,388 | $ 105,289 | | 37.8% |

| | Six Months Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2013 | | | |
| | Collections | Cost | Cost Per Channel Dollar Collected | Cost Per Total Dollar Collected | Collections | Cost | Cost Per Channel Dollar Collected | Cost Per Total Dollar Collected |
| United States: | | | | | | | | |
| Collection sites[1] | $ 267,313 | $ 16,740 | 6.3% | 2.7% | $ 243,415 | $ 14,416 | 5.9% | 2.6% |
| Legal outsourcing | 245,297 | 87,605 | 35.7% | 14.2% | 228,829 | 79,899 | 34.9% | 14.6% |
| Internal legal[2] | 61,235 | 24,253 | 39.6% | 3.9% | 27,126 | 15,439 | 56.9% | 2.8% |
| Collection agencies | 41,413 | 8,094 | 19.5% | 1.3% | 49,188 | 8,559 | 17.4% | 1.6% |
| Other indirect costs[3] | — | 111,217 | — | 18.2% | — | 83,297 | — | 15.2% |
| Subtotal | 615,258 | 247,909 | | 40.3% | 548,558 | 201,610 | | 36.8% |
| United Kingdom: | | | | | | | | |
| Collection sites[1] | 100,577 | 6,496 | 6.5% | 3.6% | — | — | — | — |
| Legal outsourcing | 20,082 | 3,927 | 19.6% | 2.2% | — | — | — | — |
| Collection agencies | 57,395 | 9,335 | 16.3% | 5.2% | — | — | — | — |
| Other indirect costs[3] | | 33,019 | — | 18.5% | — | — | — | — |
| Subtotal | 178,054 | 52,777 | | 29.6% | — | — | | — |
| Other geographies: | | | | | | | | |
| Collection sites[1] | 12,642 | 1,679 | 13.3% | 13.3% | — | — | — | — |
| Other indirect costs[3] | | 2,278 | — | 18.0% | — | — | — | — |
| Subtotal | 12,642 | 3,957 | | 31.3% | — | — | | — |
| Total[4] | $ 805,954 | $ 304,643 | | 37.8% | $ 548,558 | $ 201,610 | | 36.8% |

(1) Cost in collection sites represents only account managers and their supervisors' salaries, variable compensation, and employee benefits. Collection sites in the United States include collection site expenses for our India and Costa Rica call centers.

(2) Cost in internal legal channel represents court costs expensed, internal legal channel employee salaries and benefits, and other related direct operating expenses.

(3) Other indirect costs represent non-collection site salaries and employee benefits, general and administrative expenses, other operating expenses and depreciation and amortization.

(4) Total cost represents all operating expenses, excluding stock-based compensation expense, operating expenses related to non-portfolio purchasing and recovery business, one-time charges, and acquisition and integration related operating expenses. We include this information in order to facilitate a comparison of approximate cash costs to cash collections for the debt purchasing business in the periods presented. Refer to the "Non-GAAP Disclosure" section for further details.

During the three months ended June 30, 2014, overall cost per dollar collected increased slightly by 10 basis points to 37.9% of gross collections from 37.8% of gross collections during the three months ended June 30, 2013. This increase was primarily due to the increased cost to collect in the United States, offset by lower cost to collect at our Cabot subsidiary in the United Kingdom. During the same periods, cost to collect in the United States increased to 40.4% from 37.8%. Over time, we expect our cost to collect to remain competitive, but also expect that it will fluctuate from quarter to quarter based on seasonality, acquisitions, the cost of investments in new operating initiatives, and the ongoing management of the changing regulatory and legislative environment.

The increase in total cost to collect in the United States was due to several factors, including:

- The cost from our collection sites, which includes account manager salaries, variable compensation, and employee benefits, as a percentage of total collections in the United States, increased slightly to 2.7% during the three months ended June 30, 2014 from 2.5% during the three months ended June 30, 2013 and, as a percentage of our site collections, increased to 6.4% during the three months ended June 30, 2014, from 6.1% during the three months ended June 30, 2013. The increase in cost as a percentage of site collections, through our collection sites in the United States, was primarily due to the higher cost to collect attributable to AACC portfolio, which is only included in the prior year's calculation since the completion of the AACC Merger on June 13, 2013.
- The cost of legal collections through our internal legal channel, as a percentage of total collections in the United States, increased to 3.9% during the three months ended June 30, 2014, from 3.2% during the three months ended June 30,

2013 and, as a percentage of channel collections, decreased to 40.3% during the three months ended June 30, 2014, from 50.7% during the three months ended June 30, 2013. This increase in cost as a percentage of total collections was primarily due to increased collections as a result of our continued expansion of our internal legal channel. The decrease in cost as a percentage of channel collections was primarily due to increased productivity in our internal legal platform, which we expect to continue as the channel matures.

- Other costs not directly attributable to specific channel collections (other indirect costs) increased to 18.1% for the three months ended June 30, 2014, from 15.7% for the three months ended June 30, 2013. These costs include non-collection site salaries and employee benefits, general and administrative expenses, other operating expenses, and depreciation and amortization. The dollar increase, and the increase in cost per dollar collected, were due to several factors, including increases in corporate legal expense, headcount, and general and administrative expenses necessary to support our growth in addition to investments in initiatives relating to the evolving regulatory environment.

The increase in cost per dollar collected in the United States was partially offset due to the following factors:

- The cost of legal collections through our legal outsourcing channel, as a percentage of total collections in the United States, decreased to 14.3% during the three months ended June 30, 2014, from 14.5% during the three months ended June 30, 2013 and, as a percentage of channel collections, remained consistent at 34.7%. The decrease in the cost of legal collections as a percentage of total collections was primarily due to a decrease in this channel's collections as a percentage of total collections as a result of increased reliance on our internal legal channel.
- Collection agency commissions, as a percentage of total collections in the United States, decreased to 1.4% during the three months ended June 30, 2014, from 1.9% during the same period in the prior year. Our collection agency commission rate increased to 22.5% during the three months ended June 30, 2014, from 18.8% during the same period in the prior year. The decrease in the collection agency commissions as a percentage of total collections was primarily related to a decrease in this channel's collections as a percentage of total collections. The increase in commission rates was attributable to lower commission rates in the prior year. During the three months ended June 30, 2013, we experienced an increase in collection agency collections as a result of increased purchases of bankruptcy portfolios, which are primarily serviced by an outside service provider. Commission rates for bankruptcy portfolios are lower than commission rates on non-bankruptcy portfolios.

During the six months ended June 30, 2014, overall cost per dollar collected increased by 100 basis points to 37.8% of gross collections from 36.8% of gross collections during the six months ended June 30, 2013. This increase was primarily due to the increased cost to collect in the United States, offset by lower cost to collect at our Cabot subsidiary in the United Kingdom. During the same periods, cost to collect in the United States increased to 40.3% from 36.8%. Over time, we expect our cost to collect to remain competitive, but also expect that it will fluctuate from quarter to quarter based on seasonality, acquisitions, the cost of investments in new operating initiatives, and the ongoing management of the changing regulatory and legislative environment.

The increase in total cost to collect in the United States was due to several factors, including:

- The cost from our collection sites, which includes account manager salaries, variable compensation, and employee benefits, as a percentage of total collections in the United States, increased slightly to 2.7% during the six months ended June 30, 2014 from 2.6% during the six months ended June 30, 2013 and, as a percentage of our site collections, increased to 6.3% during the six months ended June 30, 2014, from 5.9% during the six months ended June 30, 2013. The increase in cost as a percentage of site collections, through our collection sites in the United States, was primarily due to the higher cost to collect attributable to AACC which is only included in the prior year's calculation since the completion of the AACC Merger on June 13, 2013.
- The cost of legal collections through our internal legal channel, as a percentage of total collections in the United States, increased to 3.9% during the six months ended June 30, 2014, from 2.8% during the six months ended June 30, 2013 and, as a percentage of channel collections, decreased to 39.6% during the six months ended June 30, 2014, from 56.9% during the six months ended June 30, 2013. This increase in cost as a percentage of total collections was primarily due to increased collections as a result of our continued expansion of our internal legal channel. The decrease in cost as a percentage of channel collections was primarily due to increased productivity in our internal legal platform, which we expect to continue as the channel matures.
- Other costs not directly attributable to specific channel collections (other indirect costs) increased to 18.2% for the six months ended June 30, 2014, from 15.2% for the six months ended June 30, 2013. These costs include non-collection site salaries and employee benefits, general and administrative expenses, other operating expenses, and depreciation and amortization. The dollar increase, and the increase in cost per dollar collected, were due to several factors, including increases in corporate legal expense, headcount, and general and administrative expenses necessary to support our growth in addition to investments in initiatives relating to the evolving regulatory environment.

The increase in cost per dollar collected in the United States was partially offset due to the following factors:

- The cost of legal collections through our legal outsourcing channel, as a percentage of total collections in the United States, decreased to 14.2% during the six months ended June 30, 2014, from 14.6% during the six months ended June 30, 2013 and, as a percentage of channel collections, increased to 35.7% from 34.9% compared to the same period in the prior year. The decrease in the cost of legal collections as a percentage of total collections was primarily related to a decrease in this channel's collections as a percentage of total collections as a result of increased reliance on our internal legal channel. The increase in the cost of legal collections as a percentage of channel collections was due to a higher cost to collect through the legal channel at our AACC subsidiary.
- Collection agency commissions, as a percentage of total collections in the United States, decreased to 1.3% during the six months ended June 30, 2014, from 1.6% during the same period in the prior year. Our collection agency commission rate increased to 19.5% during the six months ended June 30, 2014, from 17.4% during the same period in the prior year. The decrease in collection agency commissions as a percentage of total collections was primarily related to a decrease in this channel's collections as a percentage of total collections. The increase in commission rates was attributable to lower commission rates in the prior year. During the six months ended June 30, 2013, we experienced an increase in collection agency collections as a result of increased purchases of bankruptcy portfolios, which are primarily serviced by an outside service provider. Commission rates for bankruptcy portfolios are lower than commission rates on non-bankruptcy portfolios.

**Interest Expense—Portfolio Purchasing and Recovery**

Interest expense increased $35.7 million to $43.2 million during the three months ended June 30, 2014, from $7.5 million during the three months ended June 30, 2013. Interest expense increased $66.8 million to $81.2 million during the six months ended June 30, 2014, from $14.3 million during the six months ended June 30, 2013.

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | $ Change | % Change |
| Stated interest on debt obligations | $ 36,184 | $ 5,759 | $ 30,425 | 528.3 % |
| Interest expense on preferred equity certificates | 5,660 | — | 5,660 | — |
| Amortization of loan fees and other loan costs | 1,766 | 1,012 | 754 | 74.5 % |
| (Accretion of debt premium), net of amortization of debt discount | (392) | 711 | (1,103) | (155.1)% |
| Total interest expense | $ 43,218 | $ 7,482 | $ 35,736 | 477.6 % |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | $ Change | % Change |
| Stated interest on debt obligations | $ 65,516 | $ 11,237 | $ 54,279 | 483.0 % |
| Interest expense on preferred equity certificates | 11,335 | — | 11,335 | — |
| Amortization of loan fees and other loan costs | 5,198 | 1,782 | 3,416 | 191.7 % |
| (Accretion of debt premium), net of amortization of debt discount | (869) | 1,317 | (2,186) | (166.0)% |
| Total interest expense | $ 81,180 | $ 14,336 | $ 66,844 | 466.3 % |

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

The increase in interest expense was primarily attributable to interest expense incurred at Cabot during the three and six months ended June 30, 2014 of $31.3 million and $58.7 million, respectively, including $5.7 million and $11.3 million, respectively, of interest expense on the preferred equity certificates. The increase was also a result of increased interest expense related to additional borrowings to finance the AACC Merger, the Cabot Acquisition, and the Marlin Acquisition.

**Provision for Income Taxes**

During the three months ended June 30, 2014 and 2013, we recorded income tax provisions of $14.0 million and $7.3 million, respectively. During the six months ended June 30, 2014 and 2013, we recorded income tax provisions of $25.8 million and $19.8 million, respectively.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Federal provision | 35.0 % | 35.0 % | 35.0 % | 35.0 % |
| State provision | 5.8 % | 6.6 % | 5.8 % | 6.6 % |
| State benefit | (2.0)% | (2.3)% | (2.0)% | (2.3)% |
| International benefit[1] | (1.9)% | — % | (3.4)% | — % |
| Permanent items[2] | 3.5 % | 0.5 % | 3.7 % | 0.1 % |
| Other | (0.8)% | — % | (0.1)% | — % |
| Effective rate | 39.6 % | 39.8 % | 39.0 % | 39.4 % |

(1) Represents reserves taken for certain tax position adopted by the Company.

(2) Represents a provision for nondeductible items.

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 and six months ended June 30, 2014 and 2013 was immaterial.

As of June 30, 2014, we had a gross unrecognized tax benefit of $88.2 million primarily related to an uncertain tax position in connection with AACC's tax revenue recognition policy. This uncertain tax position, if recognized, would result in a net tax benefit of $18.7 million and would have a favorable effect on our effective tax rate. There was no material change to the unrecognized tax benefit during the three months ended June 30, 2014.

During the three and six months ended June 30, 2014, we did not provide for United States income taxes or foreign withholding taxes on the quarterly undistributed earnings of our subsidiaries operating outside of the United States. Undistributed net income of these subsidiaries during the three and six months ended June 30, 2014 was approximately $6.0 million and $3.6 million, respectively.

**Supplemental Performance Data—Portfolio purchasing and recovery**

***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 though June 30, 2014 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | <2004 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total[2] | CCM[3] |
| Charged-off consumer receivables: | | | | | | | | | | | | | | | |
| *United States[4]:* | | | | | | | | | | | | | | | |
| <1999 | $ 41,117 | $133,727 | $ 4,202 | $ 2,042 | $ 1,513 | $ 989 | $ 501 | $ 406 | $ 296 | $ 207 | $ 128 | $ 100 | $ 51 | $ 144,162 | 3.5 |
| 1999 | 48,712 | 76,104 | 8,654 | 5,157 | 3,513 | 1,954 | 1,149 | 885 | 590 | 487 | 345 | 256 | 108 | 99,202 | 2.0 |
| 2000 | 6,153 | 21,580 | 2,293 | 1,323 | 1,007 | 566 | 324 | 239 | 181 | 115 | 103 | 96 | 34 | 27,861 | 4.5 |
| 2001 | 38,185 | 108,453 | 28,551 | 20,622 | 14,521 | 5,644 | 2,984 | 2,005 | 1,411 | 1,139 | 991 | 731 | 304 | 187,356 | 4.9 |
| 2002 | 61,490 | 118,549 | 62,282 | 45,699 | 33,694 | 14,902 | 7,922 | 4,778 | 3,575 | 2,795 | 1,983 | 1,715 | 680 | 298,574 | 4.9 |
| 2003 | 88,496 | 59,038 | 86,958 | 69,932 | 55,131 | 26,653 | 13,897 | 8,032 | 5,871 | 4,577 | 3,582 | 2,882 | 1,256 | 337,809 | 3.8 |
| 2004 | 101,316 | — | 39,400 | 79,845 | 54,832 | 34,625 | 19,116 | 11,363 | 8,062 | 5,860 | 4,329 | 3,442 | 1,435 | 262,309 | 2.6 |
| 2005 | 192,585 | — | — | 66,491 | 129,809 | 109,078 | 67,346 | 42,387 | 27,210 | 18,651 | 12,669 | 9,552 | 3,987 | 487,180 | 2.5 |
| 2006 | 141,026 | — | — | — | 42,354 | 92,265 | 70,743 | 44,553 | 26,201 | 18,306 | 12,825 | 9,468 | 3,802 | 320,517 | 2.3 |
| 2007 | 204,064 | — | — | — | — | 68,048 | 145,272 | 111,117 | 70,572 | 44,035 | 29,619 | 20,812 | 8,053 | 497,528 | 2.4 |
| 2008 | 227,768 | — | — | — | — | — | 69,049 | 165,164 | 127,799 | 87,850 | 59,507 | 41,773 | 16,360 | 567,502 | 2.5 |
| 2009 | 253,257 | — | — | — | — | — | — | 96,529 | 206,773 | 164,605 | 111,569 | 80,443 | 32,403 | 692,322 | 2.7 |
| 2010 | 345,811 | — | — | — | — | — | — | — | 125,465 | 284,541 | 215,088 | 150,558 | 59,362 | 835,014 | 2.4 |
| 2011 | 382,554 | — | — | — | — | — | — | — | — | 122,224 | 300,536 | 225,451 | 87,734 | 735,945 | 1.9 |
| 2012 | 474,557 | — | — | — | — | — | — | — | — | — | 186,472 | 322,962 | 135,799 | 645,233 | 1.4 |
| 2013 | 543,978 | — | — | — | — | — | — | — | — | — | — | 223,862 | 220,535 | 444,397 | 0.8 |
| 2014 | 282,814 | — | — | — | — | — | — | — | — | — | — | — | 26,127 | 26,127 | 0.1 |
| Subtotal | 3,433,883 | 517,451 | 232,340 | 291,111 | 336,374 | 354,724 | 398,303 | 487,458 | 604,006 | 755,392 | 939,746 | 1,094,103 | 598,030 | 6,609,038 | 1.9 |
| *United Kingdom:* | | | | | | | | | | | | | | | |
| 2013 | 620,900 | — | — | — | — | — | — | — | — | — | — | 134,259 | 126,729 | 260,988 | 0.4 |
| 2014 | 410,380 | — | — | — | — | — | — | — | — | — | — | — | 51,325 | 51,325 | 0.1 |
| Subtotal | 1,031,280 | — | — | — | — | — | — | — | — | — | — | 134,259 | 178,054 | 312,313 | 0.3 |
| Purchased bankruptcy receivables: | | | | | | | | | | | | | | | |
| 2010 | 11,971 | — | — | — | — | — | — | — | 388 | 4,247 | 5,598 | 6,248 | 3,061 | 19,542 | 1.6 |
| 2011 | 1,642 | — | — | — | — | — | — | — | — | 1,372 | 1,413 | 1,070 | 189 | 4,044 | 2.5 |
| 2012 | 83,436 | — | — | — | — | — | — | — | — | — | 1,249 | 31,020 | 13,930 | 46,199 | 0.6 |
| 2013 | 39,883 | — | — | — | — | — | — | — | — | — | — | 12,806 | 12,690 | 25,496 | 0.6 |
| Subtotal | 136,932 | — | — | — | — | — | — | — | 388 | 5,619 | 8,260 | 51,144 | 29,870 | 95,281 | 0.7 |
| Total | $4,602,095 | $517,451 | $232,340 | $291,111 | $336,374 | $354,724 | $398,303 | $487,458 | $604,394 | $761,011 | $948,006 | $1,279,506 | $805,954 | $7,016,632 | 1.5 |

(1) Adjusted for put-backs and account recalls. 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”).

(2) Cumulative collections from inception through June 30, 2014, excluding collections on behalf of others.

(3) Cumulative Collections Multiple (“CCM”) through June 30, 2014 refers to collections as a multiple of purchase price.

(4) United States data includes immaterial results from Latin America.

***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], [4] | Total Estimated Gross Collections | Total Estimated Gross Collections to Purchase Price |
|---|---|---|---|---|---|
| Charged-off consumer receivables: | | | | | |
| *United States* [5]*:* | | | | | |
| <2005 | $ 385,469 | $ 1,357,273 | $ 344 | $ 1,357,617 | 3.5 |
| 2005 | 192,585 | 487,180 | 639 | 487,819 | 2.5 |
| 2006 | 141,026 | 320,517 | 5,956 | 326,473 | 2.3 |
| 2007 | 204,064 | 497,528 | 15,620 | 513,148 | 2.5 |
| 2008 | 227,768 | 567,502 | 30,648 | 598,150 | 2.6 |
| 2009 | 253,257 | 692,322 | 72,559 | 764,881 | 3.0 |
| 2010 | 345,811 | 835,014 | 180,257 | 1,015,271 | 2.9 |
| 2011 | 382,554 | 735,945 | 286,004 | 1,021,949 | 2.7 |
| 2012 | 474,557 | 645,233 | 426,764 | 1,071,997 | 2.3 |
| 2013 | 543,978 | 444,397 | 924,583 | 1,368,980 | 2.5 |
| 2014 | 282,814 | 26,127 | 497,454 | 523,581 | 1.9 |
| Subtotal | 3,433,883 | 6,609,038 | 2,440,828 | 9,049,866 | 2.6 |
| *United Kingdom:* | | | | | |
| 2013 | 620,900 | 260,988 | 1,427,937 | 1,688,925 | 2.7 |
| 2014 | 410,380 | 51,325 | 938,750 | 990,075 | 2.4 |
| Subtotal | 1,031,280 | 312,313 | 2,366,687 | 2,679,000 | 2.6 |
| Purchased bankruptcy receivables: | | | | | |
| 2010 | 11,971 | 19,542 | 2,946 | 22,488 | 1.9 |
| 2011 | 1,642 | 4,044 | 76 | 4,120 | 2.5 |
| 2012 | 83,436 | 46,199 | 52,853 | 99,052 | 1.2 |
| 2013 | 39,883 | 25,496 | 35,581 | 61,077 | 1.5 |
| Subtotal | 136,932 | 95,281 | 91,456 | 186,737 | 1.4 |
| Total | $ 4,602,095 | $ 7,016,632 | $ 4,898,971 | $ 11,915,603 | 2.6 |

(1) Adjusted for Put-Backs and Recalls.

(2) Cumulative collections from inception through June 30, 2014, excluding collections on behalf of others.

(3) Estimated remaining collections (“ERC”) for charged off consumer receivables includes $120.7 million related to accounts that converted to bankruptcy after purchase.

(4) The collection forecast of each pool is generally estimated to be between 84 to 96 months based on the expected collection period of each pool in the United States and up to 120 months in the United Kingdom. Expected collections beyond the 84 to 96 month collection forecast in the United States are included in ERC but are not included in the calculation of IRRs.

(5) United States data includes immaterial results from Latin America.

***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], [3] | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **>2022** | **Total** |
| Charged-off consumer receivables: | | | | | | | | | | | |
| *United States*[4]*:* | | | | | | | | | | | |
| <2006 | $ 331 | $ 361 | $ 188 | $ 83 | $ 20 | $ — | $ — | $ — | $ — | $ — | $ 983 |
| 2006 | 2,502 | 2,478 | 942 | 25 | 9 | — | — | — | — | — | 5,956 |
| 2007 | 5,141 | 6,440 | 3,314 | 689 | 31 | 5 | — | — | — | — | 15,620 |
| 2008 | 9,283 | 9,943 | 5,897 | 3,983 | 1,542 | — | — | — | — | — | 30,648 |
| 2009 | 20,642 | 26,514 | 12,309 | 7,024 | 4,469 | 1,601 | — | — | — | — | 72,559 |
| 2010 | 43,421 | 62,240 | 35,235 | 20,890 | 10,460 | 5,694 | 2,317 | — | — | — | 180,257 |
| 2011 | 63,492 | 94,497 | 55,508 | 33,428 | 21,157 | 10,120 | 5,665 | 2,137 | — | — | 286,004 |
| 2012 | 91,297 | 138,009 | 82,415 | 51,490 | 31,324 | 16,729 | 8,271 | 5,534 | 1,695 | — | 426,764 |
| 2013 | 149,524 | 259,317 | 180,580 | 119,302 | 80,347 | 53,811 | 36,288 | 23,197 | 14,417 | 7,800 | 924,583 |
| 2014 | 72,887 | 124,753 | 96,461 | 70,626 | 50,412 | 35,886 | 28,548 | 14,176 | 2,253 | 1,452 | 497,454 |
| Subtotal | 458,520 | 724,552 | 472,849 | 307,540 | 199,771 | 123,846 | 81,089 | 45,044 | 18,365 | 9,252 | 2,440,828 |
| *United Kingdom:* | | | | | | | | | | | |
| 2013 | 102,408 | 213,378 | 211,311 | 185,707 | 162,210 | 143,367 | 129,396 | 118,294 | 108,552 | 53,314 | 1,427,937 |
| 2014 | 61,725 | 135,045 | 134,514 | 117,922 | 103,430 | 92,107 | 83,179 | 75,083 | 65,840 | 69,905 | 938,750 |
| Subtotal | 164,133 | 348,423 | 345,825 | 303,629 | 265,640 | 235,474 | 212,575 | 193,377 | 174,392 | 123,219 | 2,366,687 |
| Purchased bankruptcy receivables: | | | | | | | | | | | |
| 2010 | 1,254 | 1,314 | 378 | — | — | — | — | — | — | — | 2,946 |
| 2011 | 29 | 29 | 17 | 1 | — | — | — | — | — | — | 76 |
| 2012 | 11,651 | 19,748 | 12,855 | 6,599 | 2,000 | — | — | — | — | — | 52,853 |
| 2013 | 8,947 | 15,115 | 8,755 | 2,652 | 112 | — | — | — | — | — | 35,581 |
| Subtotal | 21,881 | 36,206 | 22,005 | 9,252 | 2,112 | — | — | — | — | — | 91,456 |
| Total | $ 644,534 | $ 1,109,181 | $ 840,679 | $ 620,421 | $ 467,523 | $ 359,320 | $ 293,664 | $ 238,421 | $ 192,757 | $ 132,471 | $ 4,898,971 |

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

(2) ERC for charged off consumer receivables includes $120.7 million related to accounts that converted to bankruptcy after purchase.

(3) The collection forecast of each pool is generally estimated to be between 84 to 96 months based on the expected collection period of each pool in the United States and up to 120 months in the United Kingdom. Expected collections beyond the 84 to 96 month collection forecast in the United States are included in ERC but are not included in the calculation of IRRs.

(4) United States data includes immaterial results from Latin America.

***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 June 30, 2014 | Purchase Price[1] | Unamortized Balance as a Percentage of Purchase Price | Unamortized Balance as a Percentage of Total |
|---|---|---|---|---|
| Charged-off consumer receivables: | | | | |
| *United States* [2]*:* | | | | |
| 2006 | $ 695 | $ 141,026 | 0.5% | 0.1% |
| 2007 | 3,317 | 204,064 | 1.6% | 0.4% |
| 2008 | 10,604 | 227,768 | 4.7% | 1.2% |
| 2009 | 13,046 | 253,257 | 5.2% | 1.4% |
| 2010 | 30,929 | 345,811 | 8.9% | 3.4% |
| 2011 | 73,354 | 382,554 | 19.2% | 8.0% |
| 2012 | 154,411 | 474,557 | 32.5% | 16.9% |
| 2013 | 357,956 | 543,978 | 65.8% | 39.2% |
| 2014 | 268,803 | 282,814 | 95.0% | 29.4% |
| Subtotal | 913,115 | 2,855,829 | 32.0% | 100.0% |
| *United Kingdom:* | | | | |
| 2013 | 598,966 | 620,900 | 96.5% | 59.7% |
| 2014 | 404,014 | 410,380 | 98.4% | 40.3% |
| Subtotal | 1,002,980 | 1,031,280 | 97.3% | 100.0% |
| Purchased bankruptcy receivables: | | | | |
| 2010 | 1,824 | 11,971 | 15.2% | 2.5% |
| 2011 | 31 | 1,642 | 1.9% | —% |
| 2012 | 46,068 | 83,436 | 55.2% | 64.2% |
| 2013 | 23,967 | 39,883 | 60.1% | 33.3% |
| Subtotal | 71,890 | 136,932 | 52.5% | 100.0% |
| Total | $ 1,987,985 | $ 4,024,041 | 49.4% | 100.0% |

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

(2) United States data includes immaterial results from Latin America.

***Estimated Future Amortization of Portfolios***

As of June 30, 2014, we had $2.0 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, | Charged-off Consumer Receivables United States | Charged-off Consumer Receivables United Kingdom | Purchased Bankruptcy Receivables | Total Amortization |
|---|---|---|---|---|
| 2014[1] | $ 123,812 | $ 29,078 | $ 15,285 | $ 168,175 |
| 2015 | 258,970 | 91,797 | 27,640 | 378,407 |
| 2016 | 187,393 | 120,985 | 18,527 | 326,905 |
| 2017 | 132,563 | 110,462 | 8,380 | 251,405 |
| 2018 | 100,708 | 101,488 | 2,057 | 204,253 |
| 2019 | 69,074 | 98,411 | — | 167,485 |
| 2020 | 35,712 | 102,761 | — | 138,473 |
| 2021 | 4,807 | 112,787 | — | 117,594 |
| 2022 | 77 | 126,251 | — | 126,328 |
| 2023 | — | 98,690 | — | 98,690 |
| 2024 | — | 10,270 | — | 10,270 |
| Total | $ 913,116 | $ 1,002,980 | $ 71,889 | $ 1,987,985 |

(1) 2014 amount consists of six months data from July 1, 2014 to December 31, 2014.

***Headcount by Function by Geographical Location***

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

| | Headcount as of June 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Domestic | International | Domestic | International |
| General & Administrative | 951 | 1,601 | 1,075 | 608 |
| Internal Legal Account Manager | 52 | 56 | 80 | 27 |
| Account Manager | 230 | 2,384 | 402 | 1,338 |
| | 1,233 | 4,041 | 1,557 | 1,973 |

***Gross Collections by Account Manager***

The following table summarizes our collection performance by account manager *(in thousands, except headcount)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **United States[1]:** | | | | |
| Gross collections—collection sites | $ 130,788 | $ 116,853 | $ 267,313 | $ 243,415 |
| Average active Account Manager | 1,586 | 1,583 | 1,627 | 1,584 |
| Collections per average active Account Manager | $ 82.5 | $ 73.8 | $ 164.3 | $ 153.7 |
| **United Kingdom:** | | | | |
| Gross collections—collection sites | $ 54,716 | $ — | $ 100,577 | $ — |
| Average active Account Manager | 542 | — | 478 | — |
| Collections per average active Account Manager | $ 101.0 | $ — | $ 210.4 | $ — |
| **Overall:** | | | | |
| Collections per average active Account Manager | $ 87.2 | $ 73.8 | $ 174.8 | $ 153.7 |

(1) United States represents account manager statistics for United States portfolios and includes collection statistics for our India and Costa Rica call centers.

***Gross Collections per Hour Paid***

The following table summarizes our gross collections per hour paid to account managers *(in thousands, except gross collections per hour paid)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **United States[1]:** | | | | |
| Gross collections—collection sites | $ 130,788 | $ 116,853 | $ 267,313 | $ 243,415 |
| Total hours paid | 776 | 719 | 1,518 | 1,447 |
| Collections per hour paid | $ 168.5 | $ 162.5 | $ 176.1 | $ 168.2 |
| **United Kingdom**: | | | | |
| Gross collections—collection sites | $ 54,716 | $ — | $ 100,577 | $ — |
| Total hours paid | 149 | — | 266 | — |
| Collections per hour paid | $ 367.2 | $ — | $ 378.1 | $ — |
| **Overall:** | | | | |
| Collections per hour paid | $ 200.5 | $ 162.5 | $ 206.2 | $ 168.2 |

(1) United States represents account manager statistics for United States portfolios and includes collection statistics for our India and Costa Rica call centers.

***Collection Sites Direct Cost per Dollar Collected***

The following table summarizes our gross collections in collection sites and the related direct cost *(in thousands, except percentages)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **United States[1]:** | | | | |
| Gross collections—collection sites | $ 130,788 | $ 116,853 | $ 267,313 | $ 243,415 |
| Direct cost[2] | $ 8,330 | $ 7,173 | $ 16,740 | $ 14,416 |
| Cost per dollar collected[3] | 6.4% | 6.1% | 6.3% | 5.9% |
| **United Kingdom**: | | | | |
| Gross collections—collection sites | $ 54,716 | $ — | $ 100,577 | $ — |
| Direct cost[2] | $ 3,773 | $ — | $ 6,496 | $ — |
| Cost per dollar collected | 6.9% | — | 6.5% | — |
| **Overall:** | | | | |
| Cost per dollar collected | 6.5% | 6.1% | 6.3% | 5.9% |

(1) United States statistics include gross collections and direct costs for our India and Costa Rica call centers.

(2) Represent account managers and their supervisors' salaries, variable compensation, and employee benefits.

(3) The increase in cost as a percentage of total collections, through our collection sites in the United States, was primarily due to the higher cost to collect attributable to our AACC subsidiary.

***Salaries and Employee Benefits by Function***

The following table summarizes our salaries and employee benefits by function (excluding stock-based compensation) *(in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Portfolio purchasing and recovery activities | | | | |
| Collection site salaries and employee benefits[1] | $ 12,918 | $ 7,173 | $ 24,915 | $ 14,416 |
| Non-collection site salaries and employee benefits[2] | 44,565 | 22,182 | 84,131 | 39,352 |
| Subtotal | 57,483 | 29,355 | 109,046 | 53,768 |
| Non portfolio purchasing and recovery | 2,157 | 1,435 | 3,895 | 2,853 |
| | $ 59,640 | $ 30,790 | $ 112,941 | $ 56,621 |

(1) Represent account managers and their supervisors' salaries, variable compensation, and employee benefits.

(2) Includes internal legal channel salaries and employee benefits of $6.0 million and $3.3 million for the three months ended June 30, 2014 and 2013, respectively, and $11.8 million and $6.1 million for the six months ended June 30, 2014 and 2013, respectively.

***Purchases by Quarter***

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

| Quarter | # of Accounts | Face Value | Purchase Price |
|---|---|---|---|
| Q1 2012 | 2,132 | $ 2,902,409 | $ 130,463 |
| Q2 2012 | 3,679 | 6,034,499 | 230,983 |
| Q3 2012 | 1,037 | 1,052,191 | 47,311 |
| Q4 2012 | 3,125 | 8,467,400 | 153,578 |
| Q1 2013 | 1,678 | 1,615,214 | 58,771 |
| Q2 2013[(1)] | 23,887 | 68,906,743 | 423,113 |
| Q3 2013[(2)] | 4,232 | 13,437,807 | 617,852 |
| Q4 2013 | 614 | 1,032,472 | 105,043 |
| Q1 2014[(3)] | 1,104 | 4,288,159 | 467,565 |
| Q2 2014 | 1,210 | 3,075,343 | 225,762 |

(1) Includes $383.4 million of portfolios acquired with a face value of approximately $68.2 billion in connection with the AACC Merger.

(2) Includes $559.0 million of portfolios acquired with a face value of approximately $12.8 billion in connection with the Cabot Acquisition.

(3) Includes $208.5 million of portfolios acquired with a face value of approximately $2.4 billion in connection with the Marlin Acquisition.

**Liquidity and Capital Resources**

Historically, we have met our cash requirements by utilizing our cash flows from operations, bank borrowings, convertible debt offerings, and equity offerings. 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.

The following table summarizes our cash flows by category for the periods presented *(in thousands)*:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| Net cash provided by operating activities | $ 37,597 | $ 11,251 |
| Net cash used in investing activities | (493,943) | (202,723) |
| Net cash provided by financing activities | 457,842 | 396,133 |

On February 25, 2014, we amended our revolving credit facility and term loan facility (the “Credit Facility”) pursuant to a Second Amended and Restated Credit Agreement. On August 1, 2014, we further amended the Credit Facility pursuant to Amendment No. 1 to the Second Amended and Restated Credit Agreement (as amended, the “Restated Credit Agreement”). Under the Restated Credit Agreement, we have a revolving credit facility tranche of $692.6 million, a term loan facility tranche of $153.8 million, and an accordion feature that allows us to increase the revolving credit facility by an additional $250.0 million. Including the accordion feature, the maximum amount that can be borrowed under the Restated Credit Agreement is $1.1 billion. The Restated Credit Agreement has 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 June 30, 2014, we had $423.9 million outstanding, $418.6 million in borrowing capacity and $391.8 million in borrowing base availability under the Credit Facility, excluding the $250.0 million accordion.

On March 5, 2014, we sold $140.0 million in aggregate principal amount of 2.875% convertible senior notes due March 15, 2021 in a private placement transaction. On March 6, 2014, the initial purchasers exercised, in full, their option to purchase an additional $21.0 million of the convertible senior notes, which resulted in an aggregate principal amount of $161.0 million of the convertible senior notes outstanding (collectively, the “2021 Convertible Notes”). The 2021 Convertible Notes are general unsecured obligations of Encore. The net proceeds from the sale of the 2021 Convertible Notes were approximately $155.7 million, after deducting the initial purchasers’ discounts and commissions and the estimated offering expenses paid by the Company. The Company used approximately $19.5 million of the net proceeds from this offering to pay the cost of the

capped call transactions entered into in connection with the 2021 Convertible Notes and used the remainder of the net proceeds from this offering for general corporate purposes, including working capital.

Through Cabot Financial (UK) Limited ("Cabot Financial UK"), an indirect subsidiary, we have a revolving credit facility of £85.0 million (the "Cabot Credit Facility"). As of June 30, 2014, there was £48.0 million (approximately $82.1 million) outstanding and we had £37.0 million (approximately $63.3 million) available for borrowing. On February 7, 2014, in connection to the acquisition of Marlin, Cabot Financial UK borrowed £75.0 million (approximately $122.3 million) under this facility and used the proceeds to pay for a portion of the purchase price.

The Marlin Acquisition was financed with the £75.0 million (approximately $122.3 million) Cabot Credit Facility draw discussed above, and with borrowings under two senior secured bridge facilities (the "Senior Secured Bridge Facilities") entered into on February 7, 2014. On March 21, 2014, Cabot Financial issued £175.0 million (approximately $291.8 million) in aggregate principal amount of 6.5% Senior Secured Notes due 2021 (the "Cabot 2021 Notes"). The Senior Secured Bridge Facilities were paid in full using proceeds from borrowings under the Cabot 2021 Notes.

Propel has a $200.0 million syndicated loan facility (the "Propel Facility I"). The Propel Facility I is used to fund tax liens in Texas and Arizona. As of June 30, 2014, there was $32.3 million outstanding and $167.7 million of availability under our Propel Facility I.

Subsidiaries of Propel have a revolving credit facility (the "Propel Facility II") that is used to purchase tax liens in various states directly from taxing authorities. On May 6, 2014, we amended the Propel Facility II and increased the commitment amount from $100.0 million to the following: (a) during the period from July 1, 2014 to and including September 30, 2014, $190.0 million or (b) at any other time, $150.0 million. As of June 30, 2014, there was $49.3 million outstanding and $100.7 million of availability under our Propel Facility II. Refer to Note 10, "Debt - Propel Facilities" in the notes to our condensed consolidated financial statements for detailed information related to the Propel Facility II and the amendment.

On May 6, 2014, Propel, through its subsidiaries, completed the securitization of a pool of approximately $141.5 million in payment agreements and contracts relating to unpaid real property taxes, assessments, and other charges secured by liens on real property located in the State of Texas. In connection with the securitization, investors purchased approximately $134.0 million in aggregate principal amount of 1.44% notes collateralized by these receivables (the "Propel Securitized Notes"), due 2029. Proceeds from the sale of the Propel Securitized Notes were used to pay down borrowings on the Propel Facility I, pay certain expenses incurred in connection with the issuance of the Propel Securitized Notes and fund certain reserves.

On April 24, 2014, our Board of Directors approved a $50.0 million share repurchase program. Repurchases under this program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through solicited or unsolicited privately negotiated transactions or otherwise. During the three months ended June 30, 2014, we repurchased 400,000 shares of our common stock for approximately $16.8 million. The program does not obligate us to acquire any particular amount of common stock, and it may be modified or suspended at any time at our discretion.

Currently, all of our portfolio purchases are funded with cash from operations and borrowings under our Restated Credit Agreement and our Cabot Credit Facility. All of our purchases for receivables secured by property tax liens are funded with cash from Propel's operations and borrowings under our Propel Facility I, Propel Facility II, and Propel Securitized Notes.

See Note 10, "Debt" to our condensed consolidated financial statements for a further discussion of our debt.

***Operating Cash Flows***

Net cash provided by operating activities was $37.6 million and $11.3 million during the six months ended June 30, 2014 and 2013, respectively.

Cash provided by operating activities during the six months ended June 30, 2014 was primarily related to a net income of $40.2 million, various non-cash add backs in operating activities, and changes in operating assets and liabilities. Cash provided by operating activities during the six months ended June 30, 2013 was primarily related to net income of $30.5 million, various non-cash add backs in operating activities, and changes in operating assets and liabilities.

***Investing Cash Flows***

Net cash used in investing activities was $493.9 million and $202.7 million during the six months ended June 30, 2014 and 2013, respectively.

The cash flows used in investing activities during the six months ended June 30, 2014 were primarily related to cash paid for acquisitions, net of cash acquired, of $303.5 million, receivable portfolio purchases (excluding the portfolios acquired from

the acquisition of Marlin of $208.5 million) of $475.1 million, offset by collection proceeds applied to the principal of our receivable portfolios in the amount of $325.5 million. The cash flows used in investing activities during the six months ended June 30, 2013 were primarily related to cash paid for the AACC Merger, net of cash acquired of $293.3 million, receivable portfolio purchases (excluding the portfolios acquired from the AACC Merger of $383.4 million) of $98.2 million, and originations of receivables secured by tax liens of $88.0 million, offset by collection proceeds applied to the principal of our receivable portfolios in the amount of $260.5 million and collections applied to our receivables secured by tax liens of $27.1 million.

Capital expenditures for fixed assets acquired with internal cash flow were $8.9 million and $5.3 million for six months ended June 30, 2014 and 2013, respectively.

***Financing Cash Flows***

Net cash provided by financing activities was $457.8 million and $396.1 million during the six months ended June 30, 2014 and 2013, respectively.

The cash provided by financing activities during the six months ended June 30, 2014 primarily reflects $679.9 million in borrowings under our Restated Credit Agreement, $288.6 million of proceeds from Cabot's senior secured notes due 2021, $161.0 million of proceeds from the issuance of the 2021 Convertible Notes, and $134.0 million of proceeds from the issuance of Propel's securitized notes, offset by $732.9 million in repayments of amounts outstanding under our Restated Credit Agreement and $33.6 million in purchases of convertible hedge instruments, including the payment for our warrant restrike transaction. The cash provided by financing activities during the six months ended June 30, 2013 primarily reflects $514.1 million in borrowings under our Restated Credit Agreement and Propel Facilities and $150.0 million in borrowings under our 2013 Convertible Senior Notes, offset by $228.2 million in repayments of amounts outstanding under our Restated Credit Agreement and Propel Facilities.

We are in compliance with all covenants under our financing arrangements. 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 of $123.4 million as of June 30, 2014 (approximately $44.1 million of which were held at our Cabot subsidiary), our access to capital markets, and availability under our credit facilities.

Our future cash needs will depend on our acquisitions of portfolios and businesses.

## Item 3 – Quantitative and Qualitative Disclosures About Market Risk

*Foreign Currency Exchange Rates.* At June 30, 2014, 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, 2013.

*Interest Rates.* At June 30, 2014, 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, 2013.

## 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***

Except as disclosed in the following paragraph, there was no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We continue to monitor and test Cabot's system of internal control over financial reporting as part of management's annual evaluation of internal control over financial reporting in 2014. We completed the Marlin Acquisition during the first quarter of 2014. As part of management's annual assessment of internal control over financial reporting, beginning in 2015, Marlin's system will be evaluated.

## 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, 2013 and “Part II, Item 1A—Risk Factors” in our subsequent Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.

### Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

***Issuer Repurchases of Equity Securities***

The following table presents information with respect to purchases of common stock of the Company during the three months ended June 30, 2014, by the Company or an “affiliated purchaser” of the Company, as defined in Rule 10b-18(a)(3) under the Exchange Act :

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1] | Maximum Number of Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Publicly Announced Plans or Programs |
|---|---|---|---|---|
| April 1, 2014 to April 30, 2014 | — | $ — | — | $ — |
| May 1, 2014 to May 31, 2014 | 400,000 | 42.04 | 400,000 | 33,178,915 |
| June 1, 2014 to June 30, 2014 | — | — | — | — |
| Total | 400,000 | $ 42.04 | 400,000 | $ 33,178,915 |

(1) On April 24, 2014, we publicly announced that our Board of Directors had authorized a stock repurchase program for the Company to purchase $50.0 million of our Company’s common stock. This column discloses the number of shares purchased pursuant to the program during the indicated time periods.

## Item 5 - Other Information

***Acquisition of Atlantic Credit & Finance, Inc. and Amendments to Credit Documents***

On August 1, 2014, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with Atlantic Credit & Finance, Inc. ("Atlantic") and the sellers named therein. Pursuant to the Purchase Agreement, the Company acquired all of the outstanding equity interests of Atlantic for approximately $70.0 million in cash (the "Acquisition"). Atlantic acquires and liquidates consumer finance receivables originated and charged off by national financial institutions. At the closing of the Acquisition, the Company made additional payments totaling approximately $126.1 million to retire certain indebtedness and other obligations of Atlantic. The Company financed the acquisition through borrowings under the Restated Credit Agreement and cash on hand.

On August 1, 2014, the Company amended the Restated Credit Agreement to, among other things, (i) modify the permitted investment provisions in the Restated Credit Agreement to allow investments of up to $205 million for the purpose of consummating the Acquisition, (ii) increase the Company's ability to incur additional unsecured or subordinated indebtedness from $450 million to $750 million, (iii) increase the basket of investments permitted in unrestricted subsidiaries from $200 million to $250 million, and (iv) add a basket to allow for investments in certain Propel subsidiaries of $200 million. On August 1, 2014, the Company amended the Second Amended and Restated Senior Secured Note Purchase Agreement dated as of May 9, 2013 (as amended, the "Note Purchase Agreement") by and between the Company, on the one hand, and The Prudential Insurance Company of America, Pruco Life Insurance Company, Prudential Retirement Insurance and Annuity Company and Prudential Annuities Life Assurance Corporations, on the other hand, for purposes of aligning the covenants in the Note Purchase Agreement with the modified covenants in the Restated Credit Agreement. Refer to Note 10, "Debt" in the notes to our condensed consolidated financial statements for a detailed description of the current terms of the Restated Credit Facility and the Note Purchase Agreement.

The foregoing summary of the Purchase Agreement and the amendments to the Restated Credit Agreement and the Note Purchase Agreement do not purport to be complete and are qualified in their entirety by reference to the complete text of the documents, copies of which will are filed as exhibits to this Quarterly Report on Form 10-Q.

***Appointment of Michael P. Monaco to the Board of Directors***

On August 6, 2014, the Company's Board of Directors, upon the recommendation of the Board's Nominating and Corporate Governance Committee, appointed Michael P. Monaco to the Board, effective immediately. The Board has affirmatively determined that Mr. Monaco qualifies as independent director under the NASDAQ listing standards. In addition, Mr. Monaco was appointed to the Audit and Risk Committee and Compensation Committee of the Board.

Mr. Monaco is a Senior Managing Director at CDG Group, LLC, and his past experience includes his service as Chairman and Chief Executive Officer of Accelerator, LLC and as the Executive Vice President and Chief Financial Officer of the American Express Company.

For his service as a non-employee director, Mr. Monaco will be eligible for the same retainer fees as other non-employee directors. He will also receive an initial equity award of $50,000 in shares of Company common stock, consistent with the Company's compensation program for non-employee directors.

**Item 6 – Exhibits**

| | |
|---|---|
| 2.1 | Stock Purchase Agreement, dated August 1, 2014, by and among Encore Capital Group, Inc., the sellers party thereto, Atlantic Credit & Finance, Inc. and Richard Woolwine as the sellers' representative (filed herewith) |
| 4.1 | First Supplemental Indenture, dated March 14, 2014, by and among Cabot Financial (Luxembourg) S.A., Cabot Financial Limited, Cabot Credit Management Limited, as guarantor, and Citibank, N.A., London Branch, as trustee (filed herewith) |
| 4.2 | Third Supplemental Indenture, dated May 19, 2014, by and among Cabot Financial (Luxembourg) S.A., Cabot Financial Limited, Citibank, N.A., London Branch, as trustee, and the guarantors party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on May 20, 2014) |
| 4.3 | Second Supplemental Indenture, dated May 19, 2014, by and among Cabot Financial (Luxembourg) S.A., Cabot Financial Limited, Citibank, N.A., London Branch, as trustee, and the guarantors party thereto (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on May 20, 2014) |
| 4.4 | Third Supplemental Indenture, dated May 19, 2014, by and among Marlin Intermediate Holdings plc, Cabot Financial Limited, The Bank of New York Mellon, London Branch, as trustee, and the guarantors party thereto (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on May 20, 2014) |
| 10.1 | Amendment No. 1 to Second Amended and Restated Credit Agreement, dated August 1, 2014, 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) |
| 10.2 | Amendment No. 3, dated August 1, 2014, 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 | The following financial information from the Encore Capital Group, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Statements of Financial Condition; (ii) Condensed Consolidated Statements of Income; (iii) Condensed Consolidated Statements of Comprehensive Income; (iv) Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Condensed Consolidated Financial Statements |

**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/ Paul Grinberg

Paul Grinberg
Executive Vice President,
Chief Financial Officer and Treasurer

Date: August 7, 2014

**Exhibit 2.1**

# STOCK PURCHASE AGREEMENT

BY AND AMONG

ENCORE CAPITAL GROUP, INC.

(AS "ENCORE"),

THE SELLERS PARTY HERETO,

(COLLECTIVELY, AS THE "SELLERS"),

ATLANTIC CREDIT & FINANCE, INC.

(AS THE "COMPANY"),

AND

RICHARD WOOLWINE

(AS THE "SELLERS' REPRESENTATIVE"),

DATED AS OF AUGUST 1, 2014

Table of Contents

Schedules:

| | |
|---|---|
| Schedule 1 | Sellers; Ownership of Shares |
| Schedule 2.3(a) | Indebtedness to be Repaid |
| Schedule 2.4(b)(iii) | Remaining Security Interests |
| Schedule 2.4(b)(iv) | Certain Required Consents |
| Schedule 2.4(b)(ix) | Remaining Related Party Contracts |
| Schedule 2.5(a)(iii) | Loans to Sellers |
| Schedule 6.5 | Employee Offerees |
| Schedule 10.3(e) | Indemnification by the Sellers — Specified Proceeding |

Disclosure Schedule

Exhibits:

| | |
|---|---|
| Exhibit A | Form of Escrow Agreement |
| Exhibit B | Form of Release Agreement |
| Exhibit C | Form of Transition Services Agreement |
| Exhibit D | Form of Amendment to Account Servicing Agreement |
| Exhibit E-1 | Receivable File |
| Exhibit E-2 | Receivable File Data Elements |
| Exhibit E-3 | Chain of Title File |

# STOCK PURCHASE AGREEMENT

**THIS STOCK PURCHASE AGREEMENT** (this "Agreement") is made and entered into as of August 1, 2014, by and among Encore Capital Group, Inc., a Delaware corporation ("Encore"), Atlantic Credit & Finance, Inc., a Virginia corporation (the "Company"), the undersigned holders of the equity interests therein, each of whom is identified on Schedule 1 attached hereto (each, a "Seller" and, collectively, the "Sellers"), and Richard Woolwine, as the Sellers' Representative. Encore, the Company, each Seller and the Sellers' Representative may be referred to herein, collectively, as the "Parties" and, individually, as a "Party."

## RECITALS

WHEREAS, the Sellers own, beneficially and of record, all of the issued and outstanding shares of equity interests of the Company, which as of the date hereof consists of 90,000 shares of Common Stock, no par value per share (collectively, the "Common Shares") and 12,273 shares of Class B Common Stock, no par value per share (collectively, the "Class B Shares" and, together with the Common Shares, the "Shares"), each as set forth opposite the Sellers' names on Schedule 1.

WHEREAS, the Company owns, beneficially and of record, all of the issued and outstanding limited liability company interests of (i) Atlantic Credit & Finance Special Finance Unit, LLC, a Virginia limited liability company ("SFU"), (ii) Atlantic Credit & Finance Special Finance Unit III, LLC, a Virginia limited liability company ("SFU III"), (iii) ACF Medical Services, Inc., a Virginia corporation ("ACF Medical") and (iv) Virginia Credit & Finance, Inc., a Virginia corporation ("Virginia Credit"). The Company, SFU, SFU III, ACF Medical, Virginia Credit and each Subsidiary of any of the foregoing are sometimes referred to herein, individually, as an "Acquired Company" and, collectively, as the "Acquired Companies."

WHEREAS, the Acquired Companies, collectively, are engaged in the business of (i) purchasing, holding, maintaining, collecting and/or servicing charged-off consumer receivables and (ii) providing related services (collectively, the "Business").

WHEREAS, Encore desires to purchase from the Sellers, and the Sellers desire to sell to Encore, all of the Shares upon the terms and subject to the conditions set forth in this Agreement.

WHEREAS, the SFU III has, on or prior to the date hereof, entered into the NCEP Purchase Agreement (as defined below); and

WHEREAS, the Sellers desire to appoint Richard Woolwine as the Sellers' Representative to represent their interests and act on their behalves in connection with all matters relating to this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements hereinafter set forth, and for other consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

## ARTICLE 1

## DEFINITIONS

"Affiliate" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California or the Commonwealth of Virginia.

"Business Permit" means each permit, license, certificate, accreditation or other authorization of a Governmental Authority required for the conduct of the Business.

"Cash" means cash and cash equivalents (including amounts held in depositary accounts with financial institutions, certificates of deposit, treasury bills and treasury notes).

"Change of Control Payments" means any severance or other payment or bonus or other amount which becomes due or is otherwise required to be paid by an Acquired Company or any predecessor entity to any member, owner, manager, officer, employee or consultant (or former member, owner, officer, employee or consultant) arising out of, relating to or resulting from this Agreement, the consummation of the transactions contemplated by this Agreement, including any claim for any change in control payment, transaction bonus, severance payment or any entitlement to the Purchase Price (or any portion thereof or interest therein), based on any obligation or liability arising or existing prior to the Closing, even if further contingent on a cessation of employment or the provision of additional services, plus any payroll Taxes of any Acquired Company attributable to such compensation.

"Charter Documents" means: (i) the articles or certificate of incorporation and the bylaws of a corporation; (ii) the partnership agreement and any statement of partnership of a general partnership; (iii) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (iv) the limited liability company agreement, operating agreement and the certificate of organization of a limited liability company; (v) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (vi) any amendment to any of the foregoing.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Contract" means any Contract to which any Acquired Company is a party or by which any Acquired Company is bound or to which any properties or assets of any Acquired Company are subject.

"Company Transaction Expenses" means all unpaid or unsatisfied Liabilities of the Acquired Companies for costs and expenses incurred by or on behalf of the Acquired Companies or the Sellers in connection with the preparation, execution and performance of this Agreement and the other agreements contemplated hereby and the transactions contemplated hereby and thereby, including all brokerage/investment banking fees and expenses and all fees and expenses of legal, accounting and other professional advisors and representatives.

"Contract" means any contract, agreement, indenture, evidence of Indebtedness, note, bond, loan, instrument, lease, sublease, mortgage, license, sublicense, franchise, obligation, commitment or other arrangement, agreement or understanding, whether express or implied and whether written, oral or otherwise.

"Employee Benefit Plans" means: (i) "employee benefit plans," as such term is defined in Section 3(3) of ERISA, whether or not funded and whether or not terminated, (ii) personnel policies and (iii) fringe or other benefit or compensation plans, policies, programs and arrangements, whether or not subject to ERISA, whether or not funded and whether or not terminated, including stock bonus or other equity compensation, deferred compensation, pension, severance, retention, change of control, bonus, vacation, travel, incentive, and health, disability and welfare plans, policies, programs or arrangements.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and all rules and regulations promulgated thereunder.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Governmental Authority" means any federal, state, local or foreign governmental or quasi-governmental entity or municipality or subdivision thereof or any authority, department, commission, board, bureau, agency, court, tribunal or instrumentality, or any applicable self-regulatory organization.

"Indebtedness" means, without duplication, the aggregate amount of (i) all indebtedness of one or more Acquired Companies for borrowed money, or with respect to deposits or advances of any kind to any Acquired Company, together with all prepayment premiums, penalties and accrued interest thereon and other costs, fees and expenses payable in connection therewith (including indebtedness evidenced by or incurred pursuant to promissory notes, bonds, debentures, term loans, revolving credit facilities, senior subordinated notes or other similar instruments), (ii) all Liabilities of any Acquired Company upon which interest charges are customarily paid (excluding trade accounts payable), (iii) all Liabilities of one or more Acquired Companies for any earnout, contingent payment, deferred payment or other amount payable in respect of an Acquired Company's acquisition of the assets, loans, securities or business of another Person prior to the Closing Date, (iv) all Liabilities of one or more Acquired Companies for accrued but unpaid dividends or other amounts payable to one or more Sellers (or their Affiliates), (v) all indebtedness of one or more Acquired Companies under derivatives, swap or exchange agreements, together with all prepayment premiums, penalties and accrued interest thereon, and in each such case all breakage costs, unwind costs, fees, termination costs, redemption costs, expenses and other charges with respect to any of

the foregoing, (vi) all obligations of one or more Acquired Companies created or arising under any conditional sale or other title retention agreement with respect to property acquired by any Acquired Company (whether or not the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (vii) all obligations of any Person (whether or not an Acquired Company) secured by any Security Interest on any properties or assets of any Acquired Company (even if an Acquired Company has not assumed or become liable for the payment of such indebtedness), (viii) all obligations under leases that have been or must be, in accordance with GAAP, recorded as capital leases in respect of which one or more Acquired Companies is liable as lessee, (ix) all Liabilities of one or more Acquired Companies under securitization or receivables factoring arrangements or transactions, (x) any amounts owed with respect to drawn letters of credit issued for the account of any Acquired Company, (xi) all Company Transaction Expenses, (xii) all Change of Control Payments and (xiii) all Liabilities of any third party of the types described above that are guaranteed, by means of a guaranty agreement or any other arrangement having the economic effect of a guaranty, directly or indirectly, by one or more Acquired Companies.

"Intellectual Property" means all (i) patents, patent applications, patent disclosures, and improvements thereto, (ii) trademarks, service marks, trade dress, logos, trade names, company names and registrations, and applications for registration thereof, (iii) internet domain names (including www.atlanticcreditfinance.com) and internet websites and webpages (including those displayed on third party websites), including all data, content, graphics design, website layout, website architecture, software, code and other intellectual property relating thereto, (iv) copyrights and registrations and applications for registration thereof, (v) mask works and registrations and applications for registration thereof, (vi) computer software (including the object code and/or source code therefor), data and documentation, (vii) trade secrets and confidential business information (including ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, manufacturing and production processes and techniques, research and development information, software products in development, drawings, specifications, designs, plans, proposals, technical data, copyrightable works, financial, marketing, and business data, pricing and cost information, business and marketing plans, and customer and supplier lists and information) and (viii) copies and tangible embodiments thereof (in whatever form or medium).

"IRS" means the Internal Revenue Service.

"Knowledge of the Sellers" means the knowledge of any Seller, after due inquiry of the employees of the Acquired Companies who are responsible for the matter in question and diligent investigation of any item disclosed by such person(s).

"Law" means, as of any time, any foreign, federal, state, local or other law or governmental requirement of any kind, and the rules, regulations, permits, licenses and Orders promulgated thereunder, or any notice or demand letter issued, entered, promulgated or approved thereunder, or any other interpretation of any of the foregoing applicable, as of such time, to the Acquired Companies, the Receivables or Serviced Receivables of the Acquired Companies or the operation of the Business.

"Liability" means any liability or obligation (whether known or unknown, whether absolute or contingent, whether direct or indirect, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"Loss" means any damage, obligation, payment, cost, expense, injury, judgment, settlement, penalty, fine, interest, Tax or other loss (whether known or unknown, whether absolute or contingent, whether direct or indirect, whether liquidated or unliquidated, and whether due or to become due), including the cost and expense of defending and prosecuting any and all Proceedings and complying with any and all Orders relating thereto, expenses of preparation and investigation thereof and reasonable attorneys', experts', consultants' and accountants' fees in connection therewith.

"Material Adverse Change" means any change, event or occurrence that individually or in the aggregate (taking into account all other such changes, events or occurrences) has had, or would be reasonably likely to have, a material adverse effect upon the assets, business, operations, financial condition or prospects of the Business or the Acquired Companies, taken as a whole, other than any such change, event or occurrence resulting from (i) changes in general economic conditions or the securities, credit or financial markets in general, in each case, generally affecting the industries in which the Business is conducted, (ii) changes affecting the industries in which the Business is conducted, or (iii) any acts of terrorism or war (other than any of the foregoing that causes any damage or destruction to or renders unusable any facility or property of any Acquired Company), except, in the case of foregoing clause (i) or clause (ii), to the extent such changes or developments referred to therein would reasonably be expected to have a disproportionate impact on the Business or the Acquired Companies, taken as a whole.

"NCEP Purchase Agreement" means that certain Purchase and Sale Agreement, dated as of July 31, 2014, by and between NCEP, LLC, a Nevada limited liability company, and SFU III.

"Order" means (i) any order, judgment, decree, decision, ruling, writ, assessment, charge, stipulation, injunction or other determination of any foreign, federal, state, local or other court, regulatory agency, department or commission or other Governmental Authority of any kind having competent jurisdiction to render such, (ii) any settlement agreement entered into in connection with the settlement, dismissal or other resolution of any Proceeding and (iii) any arbitration award entered by an arbitrator having competent jurisdiction to render such.

"Ordinary Course of Business" means the ordinary course of business of the Business, consistent with its past custom and practice (including with respect to quantity and frequency), but excluding any action or omission that constitutes (or, with the passage of time, the giving of notice by any Person or the happening of any other event, would constitute) a breach of any Contract or warranty, a tort, an infringement of any right of any other Person, or a violation of Law.

"Permitted Security Interests" means (i) Security Interests for current real or personal property Taxes that are not yet due and payable, (ii) workers', carriers' and mechanics' or other similar Security Interests incurred in the Ordinary Course of Business, none of which relate to any

disputed matter, liability or obligation and that do not materially detract from the value or use of the property encumbered thereby, and (iii) Security Interests that are immaterial in character, amount and extent and that do not materially detract from the value or materially interfere with the current or currently proposed use of the properties they affect.

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

"Proceeding" means any charge, complaint, action, suit, litigation, proceeding, hearing, investigation, assessment, subpoena, civil investigative demand, claim or demand, or any notice of any of the foregoing, of or in any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction, or before any arbitrator or any other Governmental Authority, or the levying of any penalty or fine by any of the foregoing.

"Receivables" means any consumer accounts and related receivables owned by the Acquired Companies.

"Related Party" means (i) any Seller, (ii) any Affiliate of any Seller (other than an Acquired Company) or any other Person in which any Seller has a direct or indirect economic interest, (iii) any director, manager, agent, representative, officer or employee of, or Person having a direct or indirect economic interest in, an Acquired Company, of any Seller or of any Affiliate of any Seller or any other Person in which any Seller has a direct or indirect economic interest and (iv) any family member (meaning such person's spouse, grandparents, parents, siblings, lineal descendants and such person's parents' siblings and the lineal descendants and spouses of any of the foregoing) of any of the foregoing who is a natural person.

"Security Interest" means any adverse claim, mortgage, security interest, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge, preference, priority or other security agreement, option, warrant, attachment, right of first refusal, preemption, conversion, put, call or other claim or right, restriction on transfer, or preferential arrangement of any kind or nature whatsoever (including any restriction on the transfer of any assets), any conditional sale or other title retention agreement and any financing lease involving substantially the same economic effect as any of the foregoing.

"Serviced Receivables" means any consumer accounts and related receivables serviced by the Acquired Companies on behalf of another Person.

"Tax" or "Taxes" means (i) any and all federal, state, local and foreign taxes, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes or other tax of any kind whatsoever, whether disputed or not, together with all interest, penalties and additions imposed with respect thereto; (ii) any liability for the payment of any item described in clause (i) as a result of being a member of an affiliated, consolidated, combined or

unitary group for any period, including pursuant to Treasury Regulations Section 1.1502-6 or any analogous or similar state, local or foreign Law; (iii) any liability for the payment of any item described in clause (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under any agreements or arrangements with any other Person with respect to such item; or (iv) any successor liability for the payment of any item described in clause (i), (ii) or (iii) of any other Person, including by reason of being a party to any merger, consolidation, conversion or otherwise.

"Tax Return" means any and all reports, returns (including information returns), declarations, or statements relating to Taxes, including any schedule or attachment thereto and any related or supporting workpapers or information with respect to any of the foregoing, including any amendment thereof filed with or submitted to any Taxing Authority in connection with the determination, assessment, collection or payment of Taxes or in connection with the administration, implementation or enforcement of or compliance with any legal requirement relating to any Tax.

"Taxing Authority" means, with respect to any Tax, the Governmental Authority that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such Governmental Authority, including the IRS.

"Transaction Documents" means this Agreement and each of the other agreements and instruments contemplated hereby to be executed on the date hereof or on the Closing Date by a Seller, the Sellers' Representative, an Acquired Company, Encore and/or any of their respective Affiliates. The Transaction Documents include the Escrow Agreement and the Release Agreements.

"Treasury Regulations" means the income Tax regulations, including temporary regulations, promulgated under the Code, as those regulations may be amended from time to time. Any reference herein to a specific section of the Treasury Regulations shall include any corresponding provisions of succeeding, similar, substitute, proposed or final Treasury Regulation.

"Unpaid Balance" means, with respect to any Receivable, the total outstanding unpaid balance of such Receivable as of June 30, 2014, which Unpaid Balance shall not include any interest, fees, charges or other similar amounts, if any, accrued or assessed against such Receivable subsequent to the date such Receivable was charged-off by the lender who originally granted the credit represented by such Receivable.

**Index of Terms Defined in Other Sections**

| Term | Section Reference |
|---|---|
| Acquired Company / Acquired Companies | Recitals |
| Agreement | Preamble |
| Annual Financial Statements | 3.8(a)(i) |
| ACF Medical | Recitals |
| Acquisition Transaction | 6.3(a) |
| Book 3 Lender | 2.3(c) |
| Book 3 Residual Payment | 2.3(c) |

| Term | Section Reference |
|---|---|
| Business | Recitals |
| Cap | 10.6(b) |
| Chain of Title File | 3.10(b) |
| Claim Certificate | 10.7(a) |
| Claimant | 10.7(a) |
| Class B Shares | Recitals |
| Closing | 2.4(a) |
| Closing Cash Payment | 2.4(c)(iv)(D) |
| Closing Date | 2.4(a) |
| Common Shares | Recitals |
| Company Employee Benefit Plans | 3.13(a) |
| Confidential Information | 9.3 |
| Current Financial Statements | 3.6(a) |
| Databases | 3.11(e) |
| Debt Repayment | 2.4(c)(i) |
| Derivative Securities | 3.5(a) |
| Disclosure Schedule | Article 3 |
| Employee Offer Letters | 6.5 |
| Employee Offerees | 6.5 |
| Encore | Preamble |
| Encore Indemnitees | 10.3 |
| Escrow Agent | 2.4(b)(ii) |
| Escrow Agreement | 2.4(b)(ii) |
| Escrow Amount | 2.4(c)(iv)(A) |
| Financial Statements | 3.6(a) |
| Fundamental Representations | 10.2(a) |
| Indemnified Party | 10.5(a) |
| Indemnifying Party | 10.5(a) |
| JPF | 3.9(c) |
| Latest Balance Sheet | 3.6(a) |
| Latest Balance Sheet Date | 3.6(a) |
| Leased Real Property | 3.9(b) |
| NCEP Payment | 2.4(c)(ii) |
| Owned Personal Property | 3.9(c) |
| Original Creditor | 3.10(b)(i) |
| Party / Parties | Preamble |
| Payoff Letters | 2.3(a) |
| Personally Identifiable Information | 3.11(e) |
| Post-Closing Tax Period | 11.1(a) |
| Pre-Closing Tax Period | 11.1(a) |
| Previous Seller | 3.10(b)(ii) |

| Term | Section Reference |
|---|---|
| Purchase Price | 2.2 |
| Real Property Leases | 3.8(b)(ii) |
| Receivable File | 3.10(b) |
| Required Data | 3.10(b)(iii) |
| Respondent | 10.7(a) |
| Restricted Person | 9.2(a)(ii) |
| Roanoke Assets | 7.1(g) |
| Roanoke Call Center | 6.6 |
| Roanoke Sublease | 3.9(b) |
| Seller / Sellers | Preamble |
| Seller Indemnitees | 10.4 |
| Sellers' Representative | 12.1 |
| SFU | Recitals |
| SFU III | Recitals |
| Shares | Recitals |
| SR Reserve Account | 2.4(c)(iv)(C |
| SR Reserve Amount | 2.4(c)(iv)(C |
| Statement | 11.1(a) |
| Straddle Period | 11.1(a) |
| Termination Date | 8.1(b) |
| Threshold Amount | 10.6(a)(i) |
| Virginia Credit | Recitals |

## ARTICLE 2

## PURCHASE AND SALE OF THE SHARES

2.1 Purchase and Sale of the Shares. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Sellers shall sell, assign, transfer and deliver to Encore, and Encore will purchase from the Sellers, the Shares free and clear of all Security Interests (other than restrictions on transfer under applicable securities Laws), in exchange for the Purchase Price. Encore may acquire some or all of the Shares through one or more wholly owned subsidiary corporations or limited liability companies.

2.2 Purchase Price. The aggregate purchase price for all of the Shares (the "Purchase Price") shall be an amount equal to SEVENTY MILLION DOLLARS ($70,000,000).

2.3 Pre-Closing Deliverables. No less than two (2) Business Days prior to the Closing Date, the Company and the Sellers' Representative shall deliver to Encore the following:

(a) pay-off letters duly executed by each Person to whom any Indebtedness identified on Schedule 2.3(a), whether or not due, is owed, including wire transfer instructions for the payment of such Indebtedness to each such Person and a complete

release of each Acquired Company from all liabilities and obligations with respect to such Indebtedness, effective upon the payment of the amount stated in such pay-off letter with respect to such Indebtedness at the Closing (the "Payoff Letters");

(b) a written agreement duly executed by NCEJV, LLC (the "Book 3 Lender") and the Company, in form and substance satisfactory to Encore, stating that upon the payment of the amount stated in such agreement at the Closing (the "Book 3 Residual Payment") the Book 3 Lender completely releases each Acquired Company from all Liability for further payment to the Book 3 Lender , and including wire transfer instructions for the payment of the Book 3 Residual Payment; and

(c) a statement setting forth wire transfer instructions for payment of the Closing Cash Payment to the Sellers' Representative, on behalf of the Sellers.

2.4 The Closing.

(a) Date and Location of Closing. Subject to Section 2.4(d), the closing of the transactions contemplated by this Agreement (the "Closing") shall take place by remote, electronic exchange of counterpart signature pages at the offices of Greenberg Traurig, LLP, 77 West Wacker Drive, Suite 3100, Chicago, IL, 60601 at 10:00 a.m., Eastern time, on the third (3rd) Business Day following the date on which all conditions to the Closing shall have been satisfied or waived (other than those that by their terms are not contemplated to be satisfied until the time of the Closing, but subject to the fulfillment or waiver of such conditions at the time of the Closing), or on such other date and/or time as Encore and the Sellers' Representative may mutually agree. The date on which the Closing actually occurs is referred to herein as the "Closing Date."

(b) Closing Deliveries by the Sellers. At the Closing, the Company and the Sellers shall deliver, or cause to be delivered, to Encore each of the following:

(i) Stock Certificates and Stock Powers. Stock certificates representing all of the Shares, duly endorsed in blank for transfer or accompanied by duly executed stock powers assigning the Shares in blank, and any other documents necessary to transfer to Encore good and valid title to the Shares free and clear of all Security Interests (other than restrictions on transfer under applicable securities Laws); and stock certificates or other indicia of ownership (reasonably satisfactory to Encore) evidencing that all shares of capital stock or other equity securities of each other Acquired Company are owned of record and beneficially by one or more Acquired Companies free and clear of all Security Interests (other than restrictions on transfer under applicable securities Laws);

(ii) Escrow Agreement. The Escrow Agreement by and among Encore, the Sellers' Representative and Bank of America, as escrow agent (the "Escrow Agent"), substantially in the form attached hereto as Exhibit A (the "Escrow Agreement"), duly executed by the Sellers' Representative and the Escrow Agent;

(iii) Lien Releases. Except for those Security Interests set forth on Schedule 2.4(b)(iii), duly executed written instruments releasing any Security Interest on any properties or assets of the Acquired Companies or any Security Interest on the Shares or any other equity securities of any Acquired Company, and authorizing the filing of UCC-3 termination statements (or other comparable documents) for all UCC-1 financing statements (or other comparable documents) filed in connection with any Security Interest;

(iv) Consents and Approvals. Evidence that all governmental and third-party filings, licenses, consents, authorizations, waivers and approvals (A) set forth on Schedule 2.4(b)(iv) or (B) that are required to be made or obtained for the consummation of the transactions contemplated by this Agreement or for the operation of the Business by Encore and its Affiliates after the Closing have been made or obtained, none of which shall contain any conditions or requirements that are adverse to Encore;

(v) Secretary's Certificates. A certificate executed by the Secretary of each of the Acquired Companies certifying that attached thereto are (A) a true, complete and correct copy of the Charter Documents of such Person, as in effect on the Closing Date, and, in the case of Charter Documents publicly filed in the state of formation of such Person, certified by an appropriate authority of such state, (B) true, complete and correct copies of resolutions of each such Person's board of directors, managers or other governing body authorizing the execution, delivery and performance of the Transaction Documents and the transactions contemplated thereby, which resolutions have not been modified, rescinded or revoked, and (C) specimen signatures of the officers or other signatories of such Person authorized to sign the Transaction Documents on behalf of such Person;

(vi) Closing Certificate. A certificate executed by (x) each Seller and (y) the Chief Executive Officer of the Company providing the certifications required by Sections 7.1(a) and 7.1(b) and certifying (i) that attached thereto is a true, correct and complete schedule listing, by obligee, of all Indebtedness as of immediately prior to the Closing, (ii) that any Company Transaction Expenses have previously been paid by Sellers or will be paid by Sellers simultaneously with the Closing and (iii) that the Acquired Companies have at least TWO MILLION DOLLARS ($2,000,000) in Cash as of immediately prior to the Closing;

(vii) Good Standing Certificates. For each Acquired Company, certificates issued by an appropriate authority of the jurisdiction of organization for such Person certifying as of a date no more than five (5) Business Days prior to the Closing Date that such Person is in good standing under the Laws of such jurisdiction;

(viii) Resignations. Letters executed by any director or officer (or persons holding comparable positions) of any Acquired Company, if and to the extent requested by Encore, resigning such person's positions as a director or officer (or

any comparable position) of such Acquired Company (but not such person's employment, if any, with such Acquired Company);

(ix) Termination of Certain Arrangements. Evidence in form and substance satisfactory to Encore that each Company Contract to which any Related Party is a party (other than the Company Contracts, if any, listed on Schedule 2.4(b)(ix)) has been terminated effective at or prior to the Closing, in each case, without any payment being made, or any other obligation incurred, by any Acquired Company, notwithstanding any terms of such Contracts to the contrary;

(x) Releases. Releases in the form attached hereto as Exhibit B (each, a "Release Agreement") duly executed by each director and/or officer (or persons holding comparable positions) of any Acquired Company;

(xi) FIRPTA Certificates. A certificate, in form and substance reasonably satisfactory to Encore, duly executed by each Seller certifying that such Seller is not a foreign person in accordance with the Treasury Regulations under Section 1445 of the Code;

(xii) Bank Signature Cards. Bank signature authorization cards for each bank account of each Acquired Company authorizing up to four people designated by Encore to make deposits thereto and withdraw funds therefrom;

(xiii) Updated Lists. Updated versions of all lists required to be set forth in the Disclosure Schedule pursuant to Article 3, which lists shall be true, correct and complete as of immediately prior to the Closing, provided that no such updated list shall be deemed to (A) modify the representations, warranties, covenants or agreements of the Acquired Companies or any Seller or the Disclosure Schedule, (B) modify any of the conditions set forth in Article 7, or (C) cure or prevent any misrepresentation, inaccuracy, untruth or breach of any representation, warranty, covenant or agreement set forth in this Agreement or failure to satisfy any condition set forth in Article 7;

(xiv) Transition Services Agreement. The Transition Services Agreement by and between the Company and JPF, in the form attached hereto as Exhibit C, duly executed by the Company and JPF;

(xv) Collection Agreement. The Amendment to that certain Account Servicing Agreement, dated April 11, 2013, by and between the Company and JPF, in the form attached hereto as Exhibit D, duly executed by the Company and JPF; and

(xvi) Other Documents. All other consents, certificates, documents, instruments and other items required to be delivered by the Company or any Related Party pursuant to the Transaction Documents or that are reasonably necessary to give effect to the transactions contemplated hereby or to vest in Encore

good and valid title in and to the Shares free and clear of all Security Interests (other than restrictions on transfer under applicable securities Laws).

(c) Closing Payments and Deliveries by Encore. At the Closing, Encore shall pay or deliver, or cause to be paid or delivered, each of the following:

(i) Repayment of Indebtedness. Encore shall deliver, for the payoff of the Indebtedness identified on Schedule 2.3(a), an amount equal to the payoff amount specified in each of the Payoff Letters by wire transfer of immediately available funds to the creditor's account specified therein (such amounts, collectively, the "Debt Repayment");

(ii) NCEP Purchase Agreement. Encore shall deliver, for the payment of the "Purchase Price" as defined in the NCEP Purchase Agreement on behalf of SFU III, an amount equal to TWENTY-FIVE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS ($25,150,000.00) net of net collections received by NCEP, LLC from 3/31/2014 through the close of business on the first business day prior to the Closing Date by wire transfer of immediately available funds to the account specified in the NCEP Purchase Agreement (such amount, the "NCEP Payment");

(iii) Book 3 Residual Payment. Encore shall deliver the Book 3 Residual Payment to the Book 3 Lender by wire transfer of immediately available funds to the account specified in the agreement between the Book 3 Lender and the Company delivered to Encore pursuant to Section 2.3(c);

(iv) Purchase Price. Encore shall deliver the Purchase Price as follows:

(A) Escrow Amount. Encore shall withhold from the Purchase Price and deposit with the Escrow Agent an amount equal to EIGHTEEN MILLION DOLLARS ($18,000,000) (the "Escrow Amount") to be held pursuant to the terms of the Escrow Agreement and used as a non-exclusive source for the payment and discharge of any indemnification obligations owed to the Encore Indemnitees to the extent and in the manner provided in the applicable provisions of Article 10;

(B) Sellers' Representative Reserve Amount. Encore shall deliver an amount equal to TWO MILLION DOLLARS ($2,000,000) (the "SR Reserve Amount") into an account designated by the Sellers' Representative in a written notice to Encore delivered at least one (1) Business Day prior to the Closing Date (the "SR Reserve Account"), to be held by the Sellers' Representative and used to pay the expenses of the Sellers' Representative in his capacity as the Sellers' Representative and for the payment of any Leakage Payment, if any, as further provided in Section 2.5; and

(C) Closing Cash Payment to the Sellers. Encore shall deliver an amount equal to the difference of (i) the Purchase Price, minus (ii) the Escrow Amount and minus (iii) the SR Reserve Amount (such difference, the "Closing Cash Payment"), to the Sellers' Representative on behalf of the Sellers by wire transfer of immediately available funds to the account specified pursuant to Section 2.3(c); provided that Encore shall have no liability for the payment (or non-payment) by the Sellers' Representative of the Closing Cash Payment to the Sellers or the allocation among the Sellers of the Closing Cash Payment or the payment or allocation of any other element of Purchase Price that the Sellers may be entitled to receive;

(v) Escrow Agreement. The Escrow Agreement duly executed by Encore;

(vi) Closing Certificates. A certificate executed by an executive officer of Encore providing the certifications required by Sections 7.2(a) and 7.2(b).

(d) Proceedings at Closing. The Parties agree that (i) the Debt Repayment is made earlier, and deemed to occur prior, in time than the Closing Payment, (ii) the Debt Repayment is made prior to, and deemed to occur prior to, Encore taking title to the Shares, and (iii) Encore will take title to the Shares only upon the satisfaction of the Indebtedness to be repaid by the Debt Repayment. Subject to the preceding sentence, all other proceedings to be taken and all documents to be executed and delivered by all parties at the Closing will be deemed to have been taken, executed and delivered simultaneously, and no proceedings will be deemed taken nor any documents executed or delivered until all have been taken, executed and delivered.

2.5 Locked Box Provisions.

(a) Locked Box Covenant. Notwithstanding anything herein to the contrary, including in Section 3.7 or Section 6.1, each of the Acquired Companies represents, warrants and covenants that during the period from and excluding June 30, 2014 up to and including the Closing Date:

(i) no Acquired Company has declared, authorized, paid or made to or for the benefit of any Related Party any dividend, distribution or return of capital;

(ii) no Acquired Company has transferred or surrendered any asset to, or granted any Security Interest in any asset in favor of or for the benefit of, or assumed, indemnified or incurred any obligation or liability for the benefit of, directly or indirectly, any Related Party;

(iii) no Acquired Company has waived, released or forgiven in favor of any Related Party any sum or obligation due by that Related Party to any of the Acquired Companies and neither has any Related Party failed to pay when

due any sum due to any of the Companies (other than the loans to the Sellers identified on Schedule 2.5(a)(iii));

(iv) no payment, administration or management fee, or fee of any kind has been levied by, or for the benefit of, directly or indirectly, any Related Party against any of the Acquired Companies and there has been no payment of any nature, including any payment of any management fee, service fee or similar fee of compensation of any kind by any Acquired Company to, or for the benefit of, directly or indirectly, any Related Party;

(v) no liabilities have been paid or incurred by and of the Acquired Companies in respect of the transactions contemplated by this Agreement, including any finders' fees, bonuses, brokerage or other commissions, or any advisors' fees, costs or expenses (with the exception of fees paid to McGladrey LLP, not to exceed $32,000 in the aggregate);

(vi) no Acquired Company has repaid any Indebtedness to, directly or indirectly, any Related Party;

(vii) no Acquired Company (i) breached Section 6.1 or (ii) has taken any action after June 30, 2014 and prior to the date hereof that, if taken on or after the date hereof and prior to the Closing, would have been a breach of Section 6.1; and

(viii) unless otherwise noted in this Section 2.5(a), no Acquired Company has made or entered into any agreement or arrangement to take, directly or indirectly, any action or, directly or indirectly, give effect to any of the matters described in this Section 2.5(a).

(b) Breach of Locked Box Covenants.

(i) The occurrence of any of the events described in Section 2.5(a) at or before the Closing Date but after June 30, 2014 will constitute an incident of "Leakage".

(ii) Within ten (10) days of receipt of a written notice from Encore setting forth the amount of any Losses of the Acquired Companies arising from any Leakage, such Losses shall be paid by the Sellers' Representative through a release to Encore of such amount from the SR Reserve Account by wire transfer of immediately available funds to such account as Encore may designate or, to the extent there are insufficient funds in the SR Reserve Account, directly by the Sellers' Representative by wire transfer of immediately available funds to Encore (each such payment to Encore, a "Leakage Payment"). It is agreed and understood that the Sellers' Representative shall have the right to reimbursement from the Sellers pursuant to Section 12.4 for any Leakage Payment paid to Encore (other than by release of such amount from the SR Reserve Account), but that the Sellers'

Representative's obligation to make a Leakage Payment is an independent obligation of the Sellers' Representative and is not conditioned upon the simultaneous receipt or the agreement to provide such reimbursement from the Sellers.

## ARTICLE 3

## REPRESENTATIONS AND WARRANTIES OF THE SELLERS WITH RESPECT TO THE ACQUIRED COMPANIES

As a material inducement to Encore to enter into this Agreement and to consummate the transactions contemplated hereby, each Seller hereby represents and warrants to Encore that the statements contained in this Article 3 are correct and complete as of the date of this Agreement and as of the Closing except as set forth in the disclosure schedule of the Sellers attached hereto (the "Disclosure Schedule"), which will be arranged to correspond to the numbered and lettered sections and subsection contained in this Article 3. The Parties recognize that the representations and warranties in this Article 3 which use the terms "enforceable," "realization" or words of similar meaning in the context of the Acquiring Companies' rights and remedies against a third party are limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting or relating to the enforcement of creditors' rights generally and (b) Laws relating to the availability of specific performance and/or other equitable remedies.

3.1 Organization. Section 3.1 of the Disclosure Schedule sets forth a true, correct and complete list of (a) the name of each Acquired Company, (b) the jurisdiction of organization of such Acquired Company, and (c) the names of the directors and officers (or Persons holding comparable positions) of such Acquired Company. Each Acquired Company is duly organized, validly existing and in good standing (tax and otherwise) under the Laws of its jurisdiction of organization. The Company has delivered to Encore true, correct and complete copies of the Charter Documents of each Acquired Company. No Acquired Company is in violation of, in conflict with, or in default under, its Charter Documents, and there exists no condition or event which, after notice, lapse of time or both, would result in any such violation, conflict or default.

3.2 Qualification; Due Execution; Power and Authority.

(a) Each Acquired Company is in good standing (tax and otherwise) in each other jurisdiction in which it is qualified to do business, and the jurisdictions listed in Section 3.2 of the Disclosure Schedule constitute the only jurisdictions in which the nature of such Acquired Company's business or the ownership or leasing of its properties requires such qualification, except for any failure to be so qualified or in good standing that, individually or in the aggregate, has not been and would not reasonably be expected to be materially adverse to the Acquired Companies, taken as a whole.

(b) Each Acquired Company has full legal right and all requisite power and authority to execute and deliver each of the Transaction Documents to which it is a party and to perform the transactions contemplated thereby. The execution and delivery by each Acquired Company of each of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby have been duly and validly

authorized by all necessary action on the part of such Acquired Company. This Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against it in accordance with its terms. Each of the other Transaction Documents has been duly and validly executed and delivered by the applicable Acquired Company or, when so executed and delivered, will be duly and validly executed and delivered by such Acquired Company, enforceable against it in accordance with its terms.

(c) Each Acquired Company has all corporate or comparable power and authority necessary to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

3.3 Company Records / Authority. To the extent such records exist, books containing the records of meetings of the directors, members or board of managers, as the case may be, of each Acquired Company and the stock, unit or membership interest ledger and transfer books of each Acquired Company, all of which have been previously provided to Encore, are correct and complete in all material respects and accurately reflect the record holders of all outstanding stock, units, membership interests and other equity securities issued by such Acquired Company. All material actions taken by each Acquired Company since the date of its formation have been duly authorized to the extent so required by Laws and the charter documents of such Acquired Company.

3.4 Non-contravention. The execution, delivery and performance of the Transaction Documents by the Acquired Companies, and the consummation of the transactions contemplated thereby, do not and will not, with or without notice, lapse of time or both: (i) conflict with or result in a breach or violation of the Charter Documents or any resolution of the directors, managers, stockholders or members (or comparable Persons) of any Acquired Company; (ii) require any consent, waiver, approval, declaration or authorization of, or notice to or filing with, any Governmental Authority; (iii) materially conflict with, result in a material default, material modification or termination under, give any Person a right of termination, cancellation, acceleration, suspension or revocation under, result in the loss of a material benefit or the imposition of any material obligation under, or require any material consent, waiver, approval, notice, filing, declaration or authorization under, any Company Contract or Business Permit; (iv) result in the creation or imposition of any Security Interest on the Shares or any material Security Interest on the Business or any property or asset of the Acquired Companies; (v) violate in any material respect any Law to which any Acquired Company or any of the Assets are subject or bound.

3.5 Capitalization.

(a) Section 3.5 of the Disclosure Schedule sets forth a true, correct and complete list of (i) the authorized capital of each Acquired Company, (ii) the number of issued and outstanding shares of capital stock or other equity securities of such Acquired Company and all holders (beneficial and of record) thereof, (iii) the number of all outstanding options, warrants and other securities convertible into or exchangeable for any capital stock or other equity securities of such Acquired Company ("Derivative Securities") and the names and addresses of all holders thereof, the date of issue and a description of the material terms thereof (including, if applicable, the exercise price and vesting schedule thereof), and (iv)

each equity incentive plan (or any other plan or arrangement regarding the issuance of any capital stock or other equity securities of any Acquired Company), the number of shares issuable in respect of outstanding awards issued thereunder, and the number of shares available for future awards thereunder. All outstanding shares of capital stock or other equity securities of each Acquired Company have been duly authorized and validly issued, are fully paid and nonassessable, were offered, issued, sold and delivered in compliance with all Laws governing the issuance of securities and were not issued in violation of (or subject to) any preemptive rights (including any preemptive rights set forth in the Charter Documents of such Acquired Company), rights of first refusal or similar rights. Any shares of capital stock or other equity securities of any Acquired Company issuable upon exercise or conversion of any Derivative Securities have been duly reserved for issuance by such Acquired Company, and upon issuance thereof in accordance with the terms of the instrument governing such Derivative Securities, will be duly authorized, validly issued and fully paid and nonassessable, will have been offered, issued, sold and delivered in compliance with all Laws governing the issuance of securities and will not have been issued in violation of (or subject to) any preemptive rights (including any preemptive rights set forth in the Charter Documents of such Acquired Company), rights of first refusal or similar rights. There are no voting agreements or voting trusts with respect to any of the Shares. No Acquired Company holds any of its shares of capital stock or other equity securities in its treasury.

(b) Except as set forth in Section 3.5 of the Disclosure Schedule, (i) there are no authorized, issued, reserved for issuance or outstanding (A) shares of capital stock or other equity securities of any Acquired Company, (B) preemptive rights (including any preemptive rights set forth in the Charter Documents of such Acquired Company), rights of first refusal or similar rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, puts, calls, commitments or rights of any kind to which any Acquired Company is a party or by which any Acquired Company is bound that obligate any Acquired Company to issue, sell, repurchase, redeem or otherwise acquire any shares of capital stock or other equity securities of any Acquired Company, (C) securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of capital stock or other equity securities of any Acquired Company, or (D) shares of restricted stock or other equity or equity-related compensation with respect to any capital stock or other equity securities of any Acquired Company, or Derivative Securities or other rights that are linked to the value of any shares of capital stock or other equity securities of any Acquired Company; and (ii) there are no outstanding obligations of any Acquired Company to repurchase, redeem or otherwise acquire any shares of its capital stock or any other equity securities or to issue, deliver or sell, or cause to be issued, delivered or sold, any such shares of capital stock or other equity securities.

(c) Except for any other Acquired Company, no Acquired Company has ever had any direct or indirect subsidiaries or other predecessors, and no Acquired Company presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any Person (other than an Acquired Company), whether active or dormant, nor is any Acquired Company, directly

or indirectly, a participant in any joint venture, partnership, limited liability company, trust, association or other non-corporate entity. There are no trusts or similar entities or instruments of guardianship or custodianship, whether enforceable or not, in existence for the benefit of any Acquired Company.

(d) No Person, other than a Seller or an Acquired Company, owns, beneficially or of record, any equity securities of or any other equity interest in any Acquired Company. By acquiring the Shares at the Closing pursuant to this Agreement, Encore will acquire ownership, directly or indirectly, of all of the equity securities of, and all of the equity interests in, each of the Acquired Companies.

3.6 Financial Statements.

(a) Annual and Current Financial Statements. The Sellers have previously provided Encore with the following financial statements (collectively, the "Financial Statements"): (i) the audited consolidated balance sheets of each of the Acquired Companies as of December 31, 2011, December 31, 2012, and December 31, 2013 and the related statements of income, cash flows and changes in owners' equity for each of the fiscal years then ended and (ii) the unaudited consolidated balance sheet of the Acquired Companies as of June 30, 2014 (the "Latest Balance Sheet Date") and the related statements of income and cash flows for the six-month period then ended (collectively, the "Current Financial Statements"). The balance sheet described in Section 3.6(a)(ii) is referred to herein as the "Latest Balance Sheet."

(b) Accuracy of Financial Statements. The Financial Statements (including in all cases any notes thereto) are accurate and complete in all material respects, have been prepared from the books and records of the Acquired Companies (which books and records are accurate and complete in all material respects), have been prepared in accordance with GAAP, consistently applied throughout the periods indicated, and fairly present the financial condition and results of operations, cash flows and changes in owners' equity as at the dates of, and for the periods covered by, such Financial Statements, except that the Current Financial Statements do not include footnotes (which, if presented, would not differ materially from those included in the December 31, 2013 Financial Statements) and are subject to customary year-end adjustments (the effect of which adjustments will not, individually or in the aggregate, be materially adverse). Since the Latest Balance Sheet Date, there have been no material changes in the accounting policies of the Acquired Companies (including any change in depreciation or amortization policies or rates, or policies with respect to reserves for uncollectible accounts receivable or excess or obsolete inventory) and no revaluation of any Acquired Company's properties or assets. Section 3.6(b) of the Disclosure Schedule contains a true, correct and complete list of all Indebtedness and identifies for each item of Indebtedness the outstanding principal, the accrued but unpaid interest and any applicable prepayment or call penalty or premium.

(c) Internal Controls. The Company maintains such internal accounting controls and procedures as are necessary to provide reasonable assurance regarding the

reliability of the financial statements of the Acquired Companies (including the Financial Statements).

(d) Bank Accounts. Section 3.6(d) of the Disclosure Schedule sets forth each bank or other depositary account held in the name of each Acquired Company (including the financial institution, the account number and other relevant identifying information) and the names of each individual authorized to make withdrawals therefrom immediately prior to the Closing Date.

(e) Powers of Attorney. There are no outstanding powers of attorney executed by or on behalf of any Acquired Company or, except as set forth in Article 12 or on Section 3.6(e) of the Disclosure Schedule, any Seller with respect to the Business or any Acquired Company.

(f) Books and Records. At the Closing, all of the books and records used to create the Financial Statements will be in the possession of the Acquired Companies. The Company has delivered to Encore true, complete and correct copies of all management letters and letters to or from the Acquired Companies' accountants, if any, relating to any audit or review of the financial statements or the underlying books and records of any Acquired Company. The Company has reported to Encore in writing any fraud, whether or not material, that involves management or other employees who participate in the preparation of the Acquired Companies' financial statements or have a significant role in the maintenance of the Acquired Companies' books and records.

(g) No Undisclosed Liabilities. No Acquired Company has any Liability (nor is there any Basis for any Liability of an Acquired Company), except for (i) Liabilities set forth on the face of the Latest Balance Sheet (rather than in any notes thereto), (ii) current Liabilities that have arisen after the Latest Balance Sheet Date in the Ordinary Course of Business (none of which arose out of any Proceeding) and (iii) Liabilities arising in the Ordinary Course of Business under Company Contracts.

3.7 Recent Events. No Material Adverse Change has occurred since December 31, 2013. Without limiting the generality of the foregoing and except as set forth in Section 3.7 of the Disclosure Schedule, since December 31, 2013, no Acquired Company has:

(a) operated outside of the Ordinary Course of Business or engaged in any transaction outside of the Ordinary Course of Business;

(b) sold, leased, transferred or assigned any of its properties or assets, tangible or intangible, outside of the Ordinary Course of Business;

(c) amended, accelerated, terminated or canceled any Company Contract (or series of related Company Contracts) involving more than $25,000 annually (and no third party has accelerated, terminated or canceled any such Company Contract(s));

(d) canceled, compromised, waived or released any right or claim (or series of related rights and claims) either involving more than $25,000 or outside the Ordinary Course of Business;

(e) experienced any damage, destruction or loss (whether or not covered by insurance) to its properties or assets (other than ordinary wear and tear not caused by neglect) in excess of $25,000 in the aggregate;

(f) issued, delivered or sold or authorized or proposed the issuance, delivery or sale of any of its securities (including any debt securities and including any options, warrants, calls, conversion rights, commitments or other securities relating to such securities) or authorized or proposed any change in its equity capitalization or capital structure;

(g) changed any method or principle of accounting;

(h) entered into any transaction, arrangement or contract with, or distributed or transferred any property or other assets to, any Related Party (other than salaries and employee benefits and other transactions pursuant to any Company Employee Benefit Plan in the Ordinary Course of Business);

(i) amended or modified any Company Employee Benefit Plan in any respect, other than amendments and modifications required to comply with Law and reflected in true and complete copies of such Company Employee Benefit Plans previously provided to Encore;

(j) made or agreed to make any capital expenditures in excess of $25,000 individually, or $100,000 in the aggregate for the Acquired Companies taken as a whole;

(k) made any Tax election other than in the Ordinary Course of Business, changed any Tax election, adopted any accounting or Tax accounting method, changed any accounting or Tax accounting method, filed any Tax Return (other than any estimated Tax Return, payroll Tax Return or sales Tax Return) or any amendment to a Tax Return, entered into any closing agreement, waived or extended any statute of limitations with respect to Taxes, settled or compromised any Tax claim or assessment or consented to any Tax claim or assessment, surrendered any right to claim a refund of Taxes or taken any other similar action relating to the filing of any Tax Return or the payment of any Taxes;

(l) increased the salary of any of its officers or employees by an amount greater than five percent (5%) of such salary as of December 31, 2013, or paid any bonus to any of its officers or employees outside the Ordinary Course of Business, except as set forth in Section 3.12 of the Disclosure Schedule; or

(m) committed to any of the foregoing.

3.8 Contracts.

(a) Status of Company Contracts. Each Company Contract is (i) a valid and legally binding agreement of each Acquired Company that is party thereto and each other party to such Contract, (ii) in full force and effect and (iii) enforceable against each party thereto in accordance with its terms. There has been no breach or default by any Acquired Company or, to the Knowledge of the Sellers, by any other party (or event that with the passage of time, the giving of notice or both would constitute a breach or default) under any Company Contract that has not been cured or waived. Each Acquired Company has performed the material obligations required to be performed by it under each Company Contract and is not in receipt of any notice of termination or written claim of default under any such Company Contract. No party to any Company Contract has notified any Acquired Company or any Seller of any threat or intention to terminate or materially alter its relationship with any Acquired Company or the Business. The Sellers have previously provided to Encore a true and complete copy of all written Company Contracts, together with all amendments, waivers or other changes thereto, and a summary of the terms of all non-written Company Contracts, in each case as in effect on the date of this Agreement.

(b) Material Contracts. Section 3.8(b) of the Disclosure Schedule sets forth each Company Contract that is described in any subsection below:

(i) a Contract for capital expenditures or the purchase of materials, supplies, merchandise, equipment or other goods or services by the Acquired Companies requiring annual or aggregate payments by the Acquired Companies in excess of $25,000;

(ii) a Contract pursuant to which any Acquired Company leases real property or any interest therein (the "Real Property Leases");

(iii) a Contract pursuant to which any Acquired Company leases personal property (whether capital leases, operating leases or conditional sales agreements);

(iv) a Contract that relates to Intellectual Property, including all royalty agreements and licenses (other than licenses for commercially available "off-the-shelf" software where an Acquired Company is licensee);

(v) a Contract for employment or consulting services or relating to the termination or severance of employment or consulting services (including any Company Contract in which any Acquired Company is the beneficiary of a non-competition or similar covenant or agreement); and

(vi) a Contract or group of related Contracts to which any Acquired Company is a party or by which the Business, any Acquired Company or any of the properties or assets of the Acquired Companies are bound that would

reasonably be expected to give rise to obligations, Liabilities, revenues or benefits exceeding $25,000 in any one year.

(c) Certain Scheduled Contracts. Section 3.8(c) of the Disclosure Schedule sets forth each Company Contract that is described in any subsection below (and identifies each subsection that is applicable to such Company Contract):

(i) a Contract entered into other than in the Ordinary Course of Business;

(ii) a Contract with any Related Party (other than Company Contracts for employment or consulting services listed in Section 3.8(b)(v) of the Disclosure Schedule);

(iii) a Contract pursuant to which any Acquired Company is obligated to provide indemnification to any Person;

(iv) a Contract involving hedges or swaps (interest rate or currency), futures, derivatives or similar instruments, regardless of value;

(v) a Contract that imposes (or could by its terms impose) any material restriction on any Acquired Company with respect to its geographical area of operations or scope or type of business;

(vi) a Contract that imposes (or could by its terms impose) any exclusivity obligation in connection with any Acquired Company's sale or purchase of goods or services;

(vii) a Contract that imposes (or could by its terms impose) any non-solicitation restriction or similar restriction on any Acquired Company's ability to solicit or hire employees, consultants, agents or other Persons;

(viii) a Contract that imposes (or could by its terms impose) any confidentiality or non-disclosure covenant on an Acquired Company;

(ix) a Contract relating to a joint venture, partnership (including a partnership solely for Tax purposes) or similar entity (other than an Acquired Company's company agreement), or otherwise involving a sharing of profits or losses;

(x) a Contract providing for the payment by any Acquired Company of any earnout, contingent payment, deferred payment or other amount in respect of an Acquired Company's acquisition of the assets, loans, securities or business of another Person;

(xi) any loan or credit agreement, note, bond, mortgage, indenture, letter of credit or other similar agreement or instrument;

(xii) a Contract pursuant to which any properties or assets of any Acquired Company are subject to any Security Interest;

(xiii) a Contract relating to the direct or indirect guarantee or assumption of the obligations of any other Person, including any arrangement that has the economic effect, although not the legal form, of a guarantee;

(xiv) each Contract to which any Acquired Company is a party or by which any of its Assets are bound that, following the Closing, would bind or purport to bind Encore or any of its Affiliates (excluding the Acquired Companies); and

(xv) a Contract with a labor union or labor association, including collective bargaining agreements.

3.9 Title to and Condition of Assets and Properties.

(a) Owned Real Property. None of the Acquired Companies own or purport to own (or have ever owned) any real property.

(b) Leased Real Property. The Real Property Leases cover all of the real property leased by any Acquired Company from a third party (collectively, the "Leased Real Property"). The Leased Real Property constitutes all of the land, buildings, structures, improvements, fixtures or other interests and rights in real property that are used or occupied by the Acquired Companies in connection with the Business. The Acquired Company named as lessee under each Real Property Lease holds a valid, subsisting and enforceable leasehold interest under such Real Property Lease, with such exceptions as do not interfere in any material respect with the use made of such property in the Business. No Acquired Company has assigned, transferred, conveyed or encumbered any interest in any Real Property Leases or any of the Leased Real Property. Except for the sublease of the facility located at 3351 Orange Avenue N.E., Roanoke, Virginia 24036 by the Company, as sublessor, to the Law Offices of John P. Frye, P.C. ("JPF"), as sublessee (the "Roanoke Sublease"), no Acquired Company is a lessor, sublessor or grantor under any lease, sublease, consent, license or other instrument granting to another person or entity any right to the possession, use, occupancy or enjoyment of the Leased Real Property. All of the Leased Real Property has access to public roads and to all utilities necessary for the operation of the Business.

(c) Title to Personal Property Assets. The Acquired Companies own good and valid title to all of the Owned Personal Property and all Receivables, free and clear of all Security Interests other than Security Interests set forth in Section 3.9(c) of the Disclosure Schedule (all of which will be released at the Closing) and Permitted Security Interests. "Owned Personal Property" means all of the tangible personal property and assets of the Acquired Companies shown on the Latest Balance Sheet or acquired after the Latest Balance Sheet Date and all of the intangible personal property and assets of the Acquired Companies, in each case other than (i) tangible personal property and assets sold or otherwise disposed of for fair value to non-affiliated third parties in the Ordinary Course of Business

since the Latest Balance Sheet Date and (ii) obsolete assets discarded in the Ordinary Course of Business since the Latest Balance Sheet Date.

(d) Condition and Sufficiency of Assets. All of the Acquired Companies' buildings, improvements, fixtures, physical plant, machinery, equipment and other tangible assets are in good condition and repair, except for ordinary wear and tear not caused by neglect, have been maintained in accordance with the manufacturer specifications therefor and are useable in the Ordinary Course of Business. The Leased Real Property, the Owned Personal Property, the Receivables, the equipment that is leased by the Acquired Companies from third parties pursuant to Company Contracts set forth in Section 3.8(b)(iii) of the Disclosure Schedule and the Intellectual Property that is licensed by the Acquired Companies from third parties pursuant to Company Contracts set forth in Section 3.8(b)(iv) of the Disclosure Schedule include all of the assets, properties and rights necessary for the conduct of the Business, consistent with the past customs and practices of the Acquired Companies, and all assets, properties and rights that were used to conduct the Business since the Latest Balance Sheet Date.

3.10 Receivables; Collections of Receivables.

(a) An Acquired Company has good and marketable title to, and is the sole owner of record and holder of, each of the Receivables free and clear of all Security Interests other than Security Interests set forth on Section 3.10 of the Disclosure Schedule (all of which will be released as of the Closing).

(b) Prior to the date hereof, the Company has delivered to Encore (i) the electronic data files described on Exhibit E-1 attached hereto (the "Receivable File"), identifying each Receivable and containing, with respect to each Receivable, the data elements described on Exhibit E-2 as of June 30, 2014 and (ii) an electronic data file described on Exhibit E-3 attached hereto (the "Chain of Title File"), which states, for each Receivable, the name and address of the Original Creditor, the names and addresses of each Previous Seller, and, the dates of transfer by the Original Creditor and each Previous Seller prior to and as of June 30, 2014. All of the information contained in the Chain of Title File and the Receivable File is based on the books and records of the Acquired Companies (including the information contained in the Notes and Assumptions attached to Section 3.10 of the Disclosure Schedule) and is true, correct and complete in all material respects; provided, however, that the Required Data is true, correct and complete in all respects. For purposes of this Section 3.10:

(i) "Original Creditor" means, as to each Receivable, the lender who originally granted the credit represented by such Receivable;

(ii) "Previous Seller" means any person or entity from which an Acquired Company purchased a Receivable, or from which any other prior owner of a Receivable (other than the Original Creditor) had purchased such Receivable; and

(iii) "Required Data" means those data elements on Exhibit E-2 marked with an asterisk.

(c) The aggregate Unpaid Balance of all of the Receivables owned by the Acquired Companies is set forth in the Receivable File. Except as set forth in the Receivable File, the Unpaid Balance on each Purchased Account does not include any interest, fees or other charges accrued by any Person since charge-off.

(d) The Unpaid Balance of each Receivable (subject to changes in the amount thereof due to payments received by the Acquired Companies or its agents or representatives with respect to a Receivable on or after June 30, 2014) is the legal, valid and binding obligation of the applicable debtor, except as enforcement may be limited by bankruptcy, insolvency, receivership and other similar laws relating to or affecting creditors' rights generally.

(e) Each of the Acquired Companies and each agent, representative or servicer of any Acquired Company, including JPF, has acquired, serviced and maintained the Receivables and, to the Knowledge of the Sellers, each of the Receivables were originated, serviced, maintained by the originator thereof and each other prior owner thereof, in each case, in compliance with industry standards and all Laws, including without limitation, the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act and the Fair Credit Billing Act. In the process of acquiring the Receivables, the Acquired Companies: (i) undertook customary due diligence; (ii) obtained standard representations and warranties, including representations and warranties that the Receivables were originated, serviced, maintained and sold in compliance with Law; (iii) obtained standard indemnities for breaches of representations and warranties, and (iv) obtained assurances that the sellers of the Receivables were at the time of the Acquired Company's acquisition of the Receivables entities licensed and authorized to originate, own or service consumer accounts in all applicable locations. No Company Contract relating to the purchase of Receivables will become unenforceable by the Acquired Company that is a party thereto as a result of the consummation of the transactions contemplated by this Agreement.

(f) Each of the Serviced Receivables has been serviced by the Acquired Companies, and all activities of the Acquired Companies in respect of a Serviced Receivable have been conducted in the Ordinary Course of Business and in compliance with all Laws, including without limitation, the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act and the Fair Credit Billing Act, and in compliance with all terms and conditions of any Company Contract relating to such Serviced Receivable.

(g) All of information contained in the Receivables File and the Chain of Title File (a) constitutes the Acquired Companies' own business records regarding the Receivables and (b) accurately reflects in all material respects the information in the Acquired Companies' database. All of information contained in the Receivables File and the Chain of Title File has been kept in the regular course of the Acquired Companies' business, and was made or compiled at or near the time of the event and recorded by (or

from information transmitted by) a person (i) with knowledge of the data entered into and maintained in the Acquired Companies' business records or (ii) who caused the data to be entered into and maintained in the Acquired Companies' business records. It is the regular practice of the Acquired Companies' business to maintain and compile such data.

(h) Since April 7, 2014, no Acquired Company has purchased any Receivables (other than pursuant to existing forward flow agreements) that have an expected purchase multiple (*i.e.* estimated remaining collections divided by purchase price) of less than 1.8 times. Section 3.10(h) of the Disclosure Schedule sets forth each purchase of Receivables by the Acquired Companies since April 7, 2014.

3.11 Intellectual Property.

(a) Title. The Acquired Companies own or have the right to use all Intellectual Property necessary for the operation of the Business as currently conducted. No current or former employee, agent, consultant or contractor has asserted any claims, in writing or orally, to any such Intellectual Property.

(b) No Infringement. The Acquired Companies have not interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, and neither the Acquired Companies nor any of their respective directors, managers, officers and employees with responsibility for Intellectual Property matters has ever received any charge, complaint, claim, or notice alleging any such interference, infringement, misappropriation, or violation. To the Knowledge of the Sellers, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of the Acquired Companies.

(c) Owned Intellectual Property. Section 3.11(c) of the Disclosure Schedule identifies (i) each patent, trademark registration or copyright registration that has been issued to any Acquired Company, (ii) each pending patent application or application for trademark or copyright registration that any Acquired Company has made and (iii) each license, agreement or other permission that any Acquired Company has granted to any third party with respect to Intellectual Property (together with any exceptions). The Sellers have previously provided to Encore correct and complete copies of all such patents, registrations, applications, licenses, agreements, and permissions (as amended to date) and all other written documentation evidencing ownership and prosecution (if applicable) of each such item. With respect to each item of Intellectual Property that any Acquired Company owns, (A) an Acquired Company possesses all right, title, and interest in and to the item, (B) the item is not subject to any Order and (C) no Proceeding is pending or, to the Knowledge of the Sellers, threatened that challenges the legality, validity, enforceability, use, or ownership of the item.

(d) Licensed Intellectual Property. Section 3.11(d) of the Disclosure Schedule identifies each item of Intellectual Property that any third party owns and that any Acquired Company uses pursuant to any license, sublicense, agreement or permission (except that "off-the-shelf" software purchased for use in the day-to-day operations of the

Business need not be so identified). The Sellers have previously provided to Encore correct and complete copies of all such licenses, sublicenses, agreements and permissions (as amended to date). With respect to each such item of third party Intellectual Property (including any such "off-the-shelf" software), (i) the license, sublicense, agreement or permission covering the item is (and will continue to be on substantially identical terms immediately following the Closing) legal, valid, binding, enforceable and in full force and effect, (ii) the license, sublicense, agreement or permission covering the item (and to the Knowledge of the Sellers, the underlying item of Intellectual Property) is not subject to any outstanding Order and (iii) no Proceeding is pending or, to the Knowledge of the Sellers, threatened that challenges the legality, validity, or enforceability of the license, sublicense, agreement or permission covering the item (and to the Knowledge of the Sellers, the underlying item of Intellectual Property).

(e) Databases; Personally Identifiable Information. Section 3.11(e) of the Disclosure Schedule describes in reasonable detail all databases of Personally Identifiable Information of debtors with respect to Receivables owned or used by the Acquired Companies in connection with the operation of or otherwise relating to the Business (the "Databases"), and the nature and quantity of data contained therein. Following the Closing, the Databases will have at least the same functionality as exists immediately prior to the Closing. Except for use in collection activities in the Ordinary Course of Business and in compliance with Law, none of the Acquired Companies have sold, assigned, leased, transferred, permitted the use of or otherwise disclosed to any Person any information contained in any of the Databases, including any Personally Identifiable Information, and all information contained in the Databases has been collected, used and maintained in accordance with all applicable privacy Laws. The Closing will not violate any privacy policy applicable to any Personally Identifiable Information contained in the Databases at the time such Personally Identifiable Information was collected. For purposes hereof, "Personally Identifiable Information" means information that can be used to identify or contact a Person, which may include their first and last name, physical address, e-mail address and telephone number.

3.12 Employees. Section 3.12-A of the Disclosure Schedule lists the name and address of each officer and employee of an Acquired Company, together with their date of hire, current job title or relationship to such Acquired Company, the annual salary or hourly wage paid by the Acquired Companies to such person (and the date and amount of their last increase in salary or wages) and the amount of bonus, if any, paid to such person during the most recently completed fiscal year of the Acquired Companies. The Acquired Companies are, and have always been, in compliance in all material respects with all Laws respecting terms and conditions of employment, including applicant and employee background checking, immigration Laws, discrimination Laws, verification of employment eligibility, employee leave Laws, classification of workers as employees and independent contractors, wage and hour Laws, and occupational safety and health Laws. Section 3.12-B of the Disclosure Schedule lists the name and business address of each independent contractor engaged by an Acquired Company in the conduct of the Business, together with their date of engagement, nature of services provided by them to the Acquired Companies and the periodic compensation payable to them by the Acquired Companies (or if such compensation is not payable

in respect of any period of time, the aggregate compensation actually paid to them by the Acquired Companies during the most recently completed fiscal year of the Acquired Companies and during the current fiscal year through June 30, 2014. There are no Proceedings pending or, to the Knowledge of the Sellers, reasonably expected or threatened, between any Acquired Company, on the one hand, and any or all of its current or former employees or independent contractors, on the other hand (including any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract, improper classification of workers or interference with actual or prospective economic advantage). There are no claims pending (or, to the Knowledge of the Sellers, reasonably expected or threatened) against any Acquired Company under any workers' compensation or long-term disability plan or policy. No Acquired Company is party to any collective bargaining agreement or other labor union contract nor, to the Knowledge of the Sellers, are there any activities or proceedings of any labor union to organize any employees of the Acquired Companies. Neither the Business nor any Acquired Company is, or has ever been, subject to any labor strike, work slowdown or stoppage, lockout or similar action by its employees. The Acquired Companies have provided or paid all employees with all wages, benefits, relocation benefits, stock options, bonuses and incentives and all other compensation that became due and payable in accordance with the payroll practices of the Acquired Companies in the Ordinary Course of Business through the date of this Agreement. No Acquired Company has instituted any "freeze" of, or delayed or deferred the grant of, any cost-of-living or other salary adjustments for any of its employees.

3.13 Employee Benefits.

(a) Section 3.13(a) of the Disclosure Schedule contains an accurate and complete list of all Employee Benefit Plans (i) maintained or sponsored by any Acquired Company, (ii) contributed to by any Acquired Company or to which any Acquired Company is obligated to contribute or (iii) with respect to which any Acquired Company has any liability or potential liability (whether direct or indirect, including all Employee Benefit Plans contributed to, maintained or sponsored by each member of the controlled group of companies, within the meaning of Sections 414(b), (c) and (m) of the Code, of which any Acquired Company is a member to the extent such Acquired Company has any liability or potential liability with respect to such Employee Benefit Plans). The Employee Benefit Plans disclosed or required to be disclosed in Section 3.13(a) of the Disclosure Schedule are referred to collectively herein as the "Company Employee Benefit Plans."

(b) There are no plans or agreements that would prevent any Acquired Company from withdrawing from any "employee pension benefit plan" (within the meaning set forth in ERISA Sec. 3(2)) that is contributed to by an Acquired Company without any further obligation or liability. Except for the continuation coverage requirements of Section 4980B of the Code or Part 6 of Subtitle B of Title I of ERISA or applicable state continuation coverage Law, no Acquired Company has obligations or potential liability for benefits to employees, former employees or their respective dependents following termination of employment or retirement under any Company Employee Benefit Plan, whether or not terminated, that provides health, life insurance, accident or other "welfare-type" benefits to

current or future retirees, current or future former employees, or current or future former independent contractors, their spouses, dependents, or other beneficiaries.

(c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or in conjunction with any other event such as termination of employment or other service) (i) result in or cause any payment (whether of separation, severance or termination pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution or increase in benefits with respect to any Company Employee Benefit Plan or any current or former director, manager, officer, employee or other service provider of any Acquired Company, or give rise to any obligation to fund any such payment or benefit, (ii) limit the ability of the Acquired Companies to amend or terminate any Company Employee Benefit Plan or (iii) result in any payment or benefit that will or may be made that will be characterized as an "excess parachute payment," within the meaning of Section 280G of the Code. None of the Company Employee Benefit Plans obligates any Acquired Company to pay separation, severance, termination or similar benefits (whether or not resulting from the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby).

(d) With respect to each Company Employee Benefit Plan, all required payments, premiums, contributions, reimbursements or accruals for all periods ending prior to or as of the Closing shall have been made or properly accrued for on the Financial Statements. No Company Employee Benefit Plan has any unfunded liabilities.

(e) Each Company Employee Benefit Plan and all related trusts, insurance contracts and funds have been maintained, funded and administered in compliance in all material respects with its terms and all Laws, including ERISA and the Code. No Acquired Company and no trustee or administrator of any Company Employee Benefit Plan, or other person has engaged in any transaction with respect to any Company Employee Benefit Plan that could subject any Acquired Company or any trustee or administrator of such Company Employee Benefit Plan, or any party dealing with such Company Employee Benefit Plan, to any Tax or penalty (whether civil or otherwise) imposed by ERISA or the Code. No Proceedings with respect to the Company Employee Benefit Plans (other than routine claims for benefits) or any fiduciary or other person dealing with such Company Employee Benefit Plans are pending or, to the Knowledge of the Sellers, threatened and there are no facts that could reasonably give rise to or reasonably be expected to give rise to any such Proceedings.

(f) No underfunded "defined benefit plan," as such term is defined in Section 3(35) of ERISA, has been, during the six (6) years preceding the Closing Date, transferred out of the controlled group of companies (within the meaning of Sections 414(b), (c) and (m) of the Code) of which any Acquired Company is a member or was a member during such six-year period.

(g) No Seller, no Acquired Company and no officer, director, manager, employee or agent of any Acquired Company has made any statements, whether oral or written, regarding the Company Employee Benefit Plans or other compensation or benefit

arrangements to be maintained (or not to be maintained) by the Acquired Companies after the Closing that will result in additional liability to the Acquired Companies or Encore, whether direct or indirect, in excess of any existing liability of the Acquired Companies as of the immediately prior to the Closing.

(h) Each Company Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code, and each trust (if any) forming a part thereof, has either received a favorable determination letter from the IRS as to the qualification under the Code of such Company Employee Benefit Plan and the tax-exempt status of such related trust, or the applicable remedial amendment period for seeking such a determination has not expired. The Sellers have delivered to Encore a copy of the most recent such determination letter and nothing has occurred since the date of such determination letter that could reasonably be expected to adversely affect the qualification of such Company Employee Benefit Plan or the tax-exempt status of such related trust.

(i) With respect to each Company Employee Benefit Plan, the Sellers have provided Encore with true, complete and correct copies, to the extent applicable, of (i) all documents pursuant to which the Company Employee Benefit Plans as currently in effect are maintained, funded and administered, (ii) the two most recent annual reports (Form 5500 series) filed with the IRS (with attachments), (iii) the two most recent financial statements, and (iv) all governmental rulings, determinations, and opinions (and pending requests for rulings, determinations or opinions).

(j) No Acquired Company has any Liabilities of the kind required to be disclosed pursuant to SFAS No. 106 or SFAS No. 112.

(k) No Company Employee Benefit Plan is, or provides benefits that are, subject to Section 409A of the Code.

3.14 Legal Compliance; Permits.

(a) Generally. The Acquired Companies are, and have been at all times since January 1, 2010, in compliance with all Laws (including: consumer protection Laws; unfair, deceptive or abusive acts or practices Laws; or any debt collection Laws). Except as set forth on Section 3.15 of the Disclosure Schedule, no Proceeding has been filed, commenced, threatened in writing or, to the Knowledge of the Sellers, otherwise threatened against any Acquired Company alleging any violation of any Law. Except as set forth on Section 3.15 of the Disclosure Schedule, neither any Acquired Company nor any predecessor entity has ever been charged with (or, to the Knowledge of the Sellers, has been or is now under investigation with respect to) any possible violation of any Law relating to the Business, its business practices, its employment practices or the safety of working conditions in its facilities, or its employee pension or welfare benefit plans. The Acquired Companies have timely filed all material reports, data and other information required to be filed with governmental authorities under Laws.

(b) Permits. Section 3.14(b) of the Disclosure Schedule sets forth a complete and correct list of each Business Permit, including the identity of the governmental authority issuing the Business Permit and the expiration date, if any, thereof. The Acquired Companies possess all Business Permits and all Business Permits are valid, in full force and effect and will continue to be in full force and effect immediately after the Closing; provided that the Acquired Companies or Sellers will provide to Encore, prior to Closing or as otherwise mutually agreed upon all information or other assistance required by Encore to obtain all consents required to assign, transfer or issue the Business Permits to Encore and Encore will be responsible for the assignment, transfer or issuance of Business Permits with or from the appropriate Governmental Authority. The Acquired Companies are in material compliance with the terms and conditions of all Business Permits and there has been no material violation by any Acquired Company (or event that with the passage of time, the giving of notice or both would constitute a violation) of any Business Permit that has not been cured or waived. No Acquired Company has received any notice of non-compliance, revocation or termination of any Business Permit or notice of any allegation, dispute or other event that would reasonably be expected to adversely affect the rights of the Acquired Companies under any such Business Permit.

(c) Environmental. The Acquired Companies are, and have always been, in compliance in all material respects with all applicable environmental Laws that affect the Business or any properties or assets of any Acquired Company, and no Proceeding has been filed, commenced or, to the Knowledge of the Sellers, threatened against any Acquired Company alleging any such violation. Neither any Acquired Company nor any predecessor entity has ever been charged with (or, to the Knowledge of the Sellers, has been or is now under investigation with respect to) any possible violation of any environmental Law. Except for the items on Section 3.14(c) of the Disclosure Schedule, no Acquired Company has received any notice from any Person (including any governmental authority or the current or prior owner or operator of any property owned or leased by an Acquired Company) with respect to (i) any violation or failure to comply with any environmental Law, (ii) any obligation for any Acquired Company to undertake or bear the cost of any environmental remediation or (iii) any harm to the environment at any property owned or leased by an Acquired Company or otherwise used by an Acquired Company in connection with the Business, including off-site disposal sites. The Acquired Companies have timely filed all material reports, data and other information required to be filed with governmental authorities under applicable environmental Laws. Neither the Acquired Companies nor their respective properties or assets are subject to any Order pursuant to any environmental Law or in connection with hazardous materials or substances. No Acquired Company has disposed of, released (meaning any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment, without giving effect to any thresholds on quantity or time in any environmental Law) or placed any hazardous materials or substances on, under or at any property owned or leased by an Acquired Company or otherwise used by an Acquired Company in connection with the Business. To the Knowledge of the Sellers, the Acquired Companies do not have any environmental Liabilities and none of the properties and assets of the Acquired Companies are subject to any lien arising under or pursuant to any environmental Laws.

3.15 Litigation. Section 3.15 of the Disclosure Schedule sets forth each instance in which any Acquired Company (a) is subject to any unsatisfied Order, (b) is a party to any Proceeding, (c) has been threatened in writing or, to the Knowledge of Sellers, otherwise threatened to be made a party to any Proceeding or (d) has been a party to any other Proceeding at any time since January 1, 2011 in which (i) the amount in controversy exceeded $10,000 or (ii) equitable relief was sought against an Acquired Company, but, in each case, other than collection Proceedings instituted with respect to the Receivables by an Acquired Company in the Ordinary Course of Business and related counter-claims, to the extent not material to the Business.

3.16 Taxes.

(a) All Tax Returns that are required to be filed on or before the date hereof for, by, on behalf of or with respect to each Acquired Company have been timely filed in accordance with Law with the appropriate Taxing Authority on or before the date hereof, and any recipient, payer, borrower or other third party copies of any such Tax Returns required to be delivered to any third party on or before the date hereof have been timely delivered in accordance with Law to the appropriate third parties on or before the date hereof. All such Tax Returns and the information and data contained therein have been properly and accurately compiled and completed under Laws and properly reflect, under Laws, all liabilities and obligations for Taxes for the periods covered by such Tax Returns. All Taxes due and owing under Laws by each Acquired Company (whether or not shown to be due and payable on any Tax Return) have been paid in full. Except as set forth on Section 3.16(a) of the Disclosure Schedule, no Acquired Company and no Person on behalf of any Acquired Company has requested any extension of time within which to file any Tax Return, which Tax Return has not been filed.

(b) Except as set forth on Section 3.16(b) of the Disclosure Schedule, (i) no Acquired Company is under audit or examination by any Taxing Authority with respect to any Tax, no notice of such an audit or examination has been received by any Acquired Company, there are no matters under discussion with any Taxing Authority with respect to Taxes and, to the Knowledge of the Sellers, no audits, investigations or claims for or relating to Taxes are threatened against any Acquired Company; (ii) no issues relating to Taxes of any Acquired Company were raised by the relevant Taxing Authority in any completed audit or examination that can reasonably be expected to recur in a later taxable period; (iii) the Sellers have delivered to Encore copies of all examiners' or auditors' reports, notices of proposed adjustments or similar correspondence received by any Acquired Company or any Seller from any Taxing Authority and (iv) there currently exists no proposed assessment of Taxes against any Acquired Company.

(c) Except as set forth on Section 3.16(c) of the Disclosure Schedule, all Tax Returns filed by each Acquired Company with respect to Tax years through the Tax year ended December 31, 2010 have been examined and closed by the appropriate Taxing Authority (and no deficiencies were asserted as a result of any such examinations that have not been resolved and fully paid) or are Tax Returns with respect to which the applicable period for assessment and collection under Laws, after giving effect to extensions or waivers,

has expired, and, with respect to all other Tax Returns, no Acquired Company has agreed to any extension or waiver of the statute of limitations applicable to any Tax, or agreed to any extension of time with respect to a Tax assessment or deficiency, which period (after giving effect to such extension or waiver) has not yet expired.

(d) Section 3.16(d) of the Disclosure Schedule lists all federal, state, local, and foreign Tax Returns filed with respect to each Acquired Company for taxable periods ended on or after December 31, 2010, and indicates those Tax Returns that have been audited. Copies of all federal, state, local and foreign Tax Returns of each Acquired Company for all taxable periods ending on or after December 31, 2010, have been provided to Encore. Except as set forth on Section 3.16(d) of the Disclosure Schedule, no power of attorney granted by any Acquired Company with respect to any Taxes is currently in force.

(e) No Acquired Company is a party to, bound by nor has any obligation under any Tax allocation agreement, Tax sharing agreement, Tax indemnity obligation or similar written or unwritten agreement, arrangement, understanding or practice with respect to Taxes, including any advance pricing agreement, closing agreement, compromise, ruling or other agreement with any Taxing Authority that relates to the assessment or collection of Taxes.

(f) Except for liens for property Taxes not yet due and payable, there are no Security Interests for unpaid Taxes on the assets of any Acquired Company and no claim for unpaid Taxes has been made by any Taxing Authority that could give rise to any such Security Interest.

(g) No Acquired Company (i) is, or ever has been, a member of an "affiliated group" of corporations within the meaning of Section 1504 of the Code and (ii) has any liability for Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law), or as a transferee or successor, by contract or otherwise.

(h) Each Acquired Company has withheld or collected and paid over to the appropriate Taxing Authority all Taxes required by Law to be withheld or collected, including withholding of Taxes pursuant to Sections 1441 through 1464, 3401 through 3406, 6041 and 6049 of the Code and similar provisions under any state, local or foreign Law, and each Acquired Company has properly received and maintained any and all certificates, forms and other documents required by Law for any exemption from withholding and remitting any Taxes.

(i) No Acquired Company is a party to any agreement, contract, arrangement or plan, individually or in the aggregate, that has resulted, or could result, upon the consummation of the transactions contemplated by this Agreement, in (i) the payment of "excess parachute payments" within the meaning of Section 280G of the Code, or (ii) an obligation to indemnify, gross-up or otherwise compensate any Person, in whole or in part, for any excise Tax under Section 4999 of the Code that is imposed on such Person or any other Person.

(j) No Acquired Company has distributed securities of another Person, or has had its securities distributed by another Person, in a transaction that was purported or intended to be governed by Section 355 of the Code.

(k) Each Acquired Company has disclosed on applicable Tax Returns all positions taken therein that could give rise to a "substantial understatement of income tax" within the meaning of Section 6662 of the Code. No Acquired Company has engaged in any transaction described as a "reportable transaction" in Treasury Regulations Section 1.6011-4(b), including any transaction that is the same or substantially similar to a transaction that the IRS has determined to be a Tax avoidance transaction or that the IRS has identified through a notice, Treasury Regulation or other form of published guidance as a "listed transaction," as such term is defined in Treasury Regulations Section 1.6011-4(b)(2).

(l) No Acquired Company owns a direct interest in real estate that as a result of the consummation of the transactions contemplated by this Agreement would result in the imposition of any realty transfer Tax or similar Tax.

(m) The Sellers have provided to Encore true, accurate and complete copies of all written memoranda or opinions of advisors relating or pertaining to any Tax of the Acquired Companies.

(n) Each of SFU and SFU III is, and at all times since its formation or organization and prior to and at the Closing has been, classified as a disregarded entity for U.S. federal Tax purposes (and state, local, and foreign Tax purposes where applicable), and no election has been or will be filed, no action has been or will be taken and no failure to act has occurred or will occur, in each case prior to the Closing, that would result in SFU or SFU III being classified at the Closing as an entity that is not a disregarded entity for U.S. federal Tax purposes (and state, local, and foreign Tax purposes where applicable).

(o) No Acquired Company will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any:

(i) change in the method of accounting for a taxable period ending on or prior to the Closing Date;

(ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) executed on or prior to the Closing Date;

(iii) intercompany transaction or excess loss account described in the Treasury Regulations promulgated pursuant to Section 1502 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law);

(iv) installment sale or open transaction disposition made on or prior to the Closing Date; or

(v) prepaid amount received on or prior to the Closing Date.

(p) No claim has ever been made by any governmental authority in a jurisdiction where any of the Acquired Companies does not file Tax Returns that any of the Acquired Companies is or may be subject to taxation by that jurisdiction and there is no Basis for any such claim to be made.

(q) None of the Acquired Companies has ever acquired or owned any interest in any entity classified as a corporation for U.S. federal Tax purposes under Treasury Regulations Sections 301.7701-2 and 301.7701-3 (and state, local, and foreign Tax purposes where applicable).

3.17 Insurance. Section 3.17 of the Disclosure Schedule lists each insurance policy and self-insurance program maintained by each Acquired Company (excluding Company Employee Benefit Plans). The policies of insurance maintained by each Acquired Company cover such risks, and are in such amounts and with such deductibles and exclusions, as are reasonable for the business transacted by such Acquired Company and for its respective properties and assets. All such insurance policies are in full force and effect, and no Acquired Company is in default with respect to its obligations under any of such insurance policies (including with respect to the payment of premiums), and no event has occurred that, with notice or the lapse of time or both, would constitute such a default or permit termination, modification or acceleration under such policy. Except for the items on Section 3.17 of the Disclosure Schedule, no Acquired Company and no Seller has received any written notice from or on behalf of any insurance carrier issuing policies relating to or covering any Acquired Company, the Business or their respective properties or assets that there has been or will be a cancellation or non-renewal of, or any material premium increase with respect to, any existing policies. There is no material claim by any Acquired Company pending under any such insurance policy as to which coverage has been questioned, denied or disputed by the underwriters of such policy. To the extent that any Acquired Company self-insures any of its properties or risks, such self-insurance protects against such casualties and contingencies and at such levels as are in accordance with reasonable business practices.

3.18 Illegal or Improper Payments. Neither the Acquired Companies, nor any of their respective predecessor entities (if any), nor any of their respective owners, Affiliates, managers, officers, employees, nor any other Person acting on the behalf of an Acquired Company, has ever:

(a) made any illegal political contributions;

(b) been involved in the disbursement or receipt of company funds outside of the Acquired Companies' normal internal control systems of accountability;

(c) made or received payments, whether direct or indirect, to or from foreign or domestic governments, officials, employees or agents for purposes other than the satisfaction of lawful obligations, or been involved in any transaction that has or had as its intended effect the transfer of funds or assets in the manner described; or

(d) been involved in the improper or inaccurate recording of payments and receipts on the accounting books of the Acquired Companies or any other matters of a similar nature involving disbursements of any Acquired Company's funds or assets.

3.19 Related Party Transactions. No Related Party (a) is a party to any Company Contract or any other Contract that pertains to the Business or (b) has any interest in any property used in or pertaining to the Business, other than (i) Contracts for employment set forth in Section 3.8(b)(v) of the Disclosure Schedule, (ii) Contracts listed in Section 3.19 of the Disclosure Schedule and (iii) salaries, expense reimbursement and Company Employee Benefit Plans in respect of employment in the Ordinary Course of Business.

3.20 Brokers' Fees. No Seller and no Acquired Company has any Liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

3.21 Disclosure. The representations and warranties made by the Sellers in this Agreement and in the schedules to this Agreement (including the Disclosure Schedule), when read together, do not contain any untrue statement of a material fact, and do not omit to state any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which made, not misleading.

## ARTICLE 4

## REPRESENTATIONS AND WARRANTIES OF THE SELLERS WITH RESPECT TO THEMSELVES

As a material inducement to Encore to enter into this Agreement and to consummate the transactions contemplated hereby, each Seller and the Sellers' Representative hereby represents and warrants to Encore that the statements contained in this Article 4 are correct and complete as to such Seller as of the as of the date of this Agreement and as of the Closing.

4.1 Organization. If such Person is not a natural person: (i) such Person is duly organized, validly existing and in good standing (tax and otherwise) under the Laws of the jurisdiction where such Person is organized, (ii) such Person is duly authorized and qualified to do business in each jurisdiction in which the nature of such Person's business or the ownership or leasing of its properties requires such qualification, (iii) such Person is not in violation of, in conflict with, or in default under, its Charter Documents, and (iv) there exists no condition or event which, after notice, lapse of time or both, would result in any such violation, conflict or default.

4.2 Authorization of Transaction. Such Person has full legal right, power and authority to execute, deliver and perform the Transaction Documents to which it is a party, and, if such Person is a Seller, to transfer, convey and sell to Encore at the Closing the Shares to be sold by such Person hereunder.

4.3 Due Execution; Enforceability. This Agreement is, and all other Transaction Documents to which such Person is a party are, or when executed and delivered by such Person,

will be, (i) duly and validly authorized, executed and delivered by such Person, and (ii) the valid and binding obligations of such Person, enforceable against it in accordance with their respective terms.

4.4 Non-contravention. The execution, delivery and performance by such Person of the Transaction Documents to which it is a party, and the consummation of the transactions contemplated thereby, will not, with or without notice, lapse of time or both: (i) if such Person is not a natural person, conflict with or result in a breach or violation of the Charter Documents or any resolution of the directors, managers or stockholders or members (or comparable Persons) of such Person; (ii) result in the creation or imposition of any Security Interest on the Shares, the Business or on any properties or assets of the Acquired Companies; (iii) violate any Law to which such Person is subject or bound or applicable to such Person, except for any violation that would not adversely affect such Person's ability to perform such Person's obligations under this Agreement or any Transaction Document; or (iv) violate or constitute a breach of or default under any agreement to which such Person is a party or by which it is bound, except for any violation, breach or default that would not adversely affect such Person's ability to perform such Person's obligations under this Agreement or any Transaction Document.

4.5 Governmental Consent. Such Person is not required to make any declaration to or registration or filing with, or to obtain any permit, license, consent, accreditation, exemption, approval or authorization from, any governmental or regulatory authority in connection with the execution and delivery by such Person of this Agreement and the other Transaction Documents to which such Seller is to be a party or the consummation by such Person of the transactions contemplated hereby or thereby.

4.6 Litigation. No Order is in effect, and no Proceeding is pending (or, to the knowledge of such Person, threatened) by or before any governmental entity (foreign or domestic), against such Person that, individually or in the aggregate, could reasonably be expected to prevent, enjoin, or materially alter or delay any of the transactions contemplated by this Agreement.

4.7 Title to Securities. Such Seller (a) is the sole record and beneficial owner of the Shares set forth adjacent to its name in Schedule 1 attached hereto, (b) owns such Shares free and clear of all Security Interests and (c) has the sole power to vote and dispose of such securities. There are no outstanding or authorized options, warrants, rights, contracts, rights of first refusal or first offer, calls, puts, rights to subscribe, conversion rights or other agreements or commitments to which such Seller is a party, or that are binding upon such Seller, providing for the issuance, disposition or acquisition of any Acquired Company's equity securities. There are no voting trusts, proxies or any other agreements, restrictions or understandings with respect to the voting of the limited liability company interests or other equity securities of any Acquired Company to which such Seller is a party, or that are binding upon such Seller, other than as set forth in such Acquired Company's limited liability company agreement or operating agreement as previously provided to Encore. The Parties except from this representation and warranty the restrictions against the transfer of the Shares and the rights of the Sellers and the Acquired Companies to purchase the Shares upon the occurrence of certain events, all of which are expressly stated in the Acquired Companies' respective company agreements previously provided to Encore.

4.8 Interest in Purchase Price. Section 4.8 of the Disclosure Schedule sets forth the name of each record holder of equity securities of such Person. Such Person has no Liability or current intention to pay or otherwise share any portion of the Purchase Price to be received by such Person with any employee of the Acquired Companies.

4.9 Brokers' Fees. Such Person does not have any Liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Encore, any Acquired Company or any other Person (other than a Seller) could become liable or otherwise obligated.

## ARTICLE 5

## REPRESENTATIONS AND WARRANTIES OF ENCORE

As a material inducement to the Sellers to execute this Agreement and consummate the transactions contemplated hereby, Encore hereby represents and warrants to the Sellers that the statements contained in this Article 5 are correct and complete as of the date of this Agreement and as of the Closing.

5.1 Organization; Power and Authority. Encore is a corporation, duly organized, validly existing and in good standing under the Laws of the State of Delaware. Encore has full power and authority to own, lease and operate its properties and to conduct its business as currently conducted.

5.2 Authorization of Transaction. Encore has full legal right and all requisite power and authority to execute and deliver each of the Transaction Documents to which it is a party and to perform the transactions contemplated thereby. The execution and delivery by Encore of each of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby have been duly and validly authorized by all necessary action on the part of such Acquired Company.

5.3 Due Execution; Enforceability. This Agreement and the other Transaction Documents to which Encore is to be a party have been duly and validly executed and delivered by Encore or, when so executed and delivered, will be duly and validly executed and delivered by Encore. This Agreement and the other Transaction Documents to which Encore is to be a party constitute the valid and legally binding obligations of Encore, enforceable against Encore in accordance with their respective terms, except as enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting or relating to the enforcement of creditors' rights generally and (b) Laws relating to the availability of specific performance and/or other equitable remedies.

5.4 Non-contravention. Neither the execution and delivery by Encore of this Agreement and the other agreements contemplated hereby to which Encore is to be a party, nor the consummation by Encore of the transactions contemplated hereby or thereby, will (a) violate any Law, Order or other restriction to which Encore is subject, (b) violate or conflict with any provision of the Charter Documents of Encore or (c) violate or conflict with in any material respect, result in

a material breach of, constitute a material default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any authorization, consent, approval, execution or other action by or notice to any third party under any Contract or any Security Interest to which Encore is a party or by which it is bound or to which any of its assets are subject.

5.5 Governmental Consent. Encore is not required to make any declaration to or registration or filing with, or to obtain any permit, license, consent, accreditation, exemption, approval or authorization from, any governmental or regulatory authority in connection with the execution and delivery by Encore of this Agreement and the other agreements contemplated hereby to which Encore is to be a party or the consummation by Encore of the transactions contemplated hereby or thereby.

5.6 Brokers' Fees. Encore has no Liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which any Seller could become liable or obligated.

## ARTICLE 6

## PRE-CLOSING COVENANTS

6.1 Conduct of Business Pending Closing. Between the date of this Agreement and the Closing (except as expressly consented to in writing by Encore), the Sellers shall cause the Company to, and the Company shall and shall cause each other Acquired Company to, (x) conduct the Business in the Ordinary Course of Business (including by renewing the insurance policies of the Acquired Companies as and when they expire), (y) use reasonable best efforts to maintain and preserve the Business and its organization intact, retain its present officers and employees and maintain and preserve its relationships with its officers and employees, suppliers, vendors, customers, licensors, licensees, distributors, regulatory authorities, creditors and others having business relations with it, and (z) maintain the tangible properties and assets, including those held under leases, in good working order and condition, ordinary wear and tear excepted. Notwithstanding the foregoing or any other provision of the Transaction Documents, between the date of this Agreement and the Closing (except as expressly consented to in writing by Encore), the Sellers shall cause the Company not to, and the Company shall not and shall cause each other Acquired Company not to:

(a) acquire any portfolio of Receivables;

(b) change or amend any of the Charter Documents, or authorize or propose the same;

(c) issue, deliver or sell or authorize or propose the issuance, delivery or sale of any of its securities (including any debt securities and including any options, warrants, calls, conversion rights, commitments or other securities relating to such securities) or authorize or propose any change in its equity capitalization or capital structure;

(d) make any distribution in respect of its capital stock whether now or hereafter outstanding, or split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any of its securities or purchase, redeem or otherwise acquire or retire for value any of its securities;

(e) make or agree to make any capital expenditures in excess of $10,000 individually, or $25,000 in the aggregate for the Acquired Companies taken as a whole;

(f) except as required to comply with Law, (i) take any action with respect to, adopt, enter into, terminate or amend any Employee Benefit Plan or Company Employee Benefit Plan or any collective bargaining agreement, (ii) increase the compensation or benefits of, or promise any bonus to, any director, officer, employee or consultant or materially modify their terms of employment or engagement, (iii) amend or accelerate the payment, right to payment or vesting of any compensation or benefits, including any outstanding equity compensation, (iv) pay any bonus or other benefit to its directors, officers or employees (except for monthly bonuses and performance incentives to collections personnel and agents in the Ordinary Course of Business and existing payment obligations disclosed hereunder) or hire any new officers or (except in the Ordinary Course of Business) any new employees, (v) grant any awards under any bonus, incentive, equity, performance or other compensation plan or arrangement or benefit plan, including the grant of performance units or the removal of existing restrictions in any benefit plans or agreements or awards made thereunder, or (vi) take any action to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or benefit plan;

(g) sell, assign, lease, sublease, license, sublicense, pledge or otherwise transfer or dispose of or grant any option or rights in, to or under, any of its properties or assets, except for the sale of inventory in the Ordinary Course of Business, consistent with past practice;

(h) acquire or negotiate for the acquisition of any Person or business or initiate the start-up of any new business, or otherwise acquire or agree to acquire any securities or assets that are material, individually or in the aggregate, to the Acquired Companies taken as a whole;

(i) merge or consolidate or agree to merge or consolidate with or into any other Person;

(j) amend, accelerate, terminate or cancel any Company Contract (or series of related Company Contracts) involving more than $25,000 annually;

(k) enter into any other transaction, agreement or arrangement that is not negotiated at arm’s length;

(l) commence a Proceeding or settle any Proceeding, other than for routine collection in the Ordinary Course of Business;

(m) breach or violate any Law;

(n) make any Tax election other than in the Ordinary Course of Business, change any Tax election, adopt any accounting or Tax accounting method, change any accounting or Tax accounting method, file any Tax Return (other than any estimated Tax Return, payroll Tax Return or sales Tax Return) or any amendment to a Tax Return, enter into any closing agreement, waive or extend any statute of limitations with respect to Taxes, settle or compromise any Tax claim or assessment or consent to any Tax claim or assessment, surrender any right to claim a refund of Taxes or take any other similar action relating to the filing of any Tax Return or the payment of any Taxes;

(o) create or incur any Leakage; or

(p) take, or agree (in writing or otherwise) to take, any of the actions described in this Section 6.1, or any action which would make any of the representations and warranties of any Seller or the Company contained in the Transaction Documents untrue or result in any of the conditions set forth in Article 7 not being satisfied.

6.2 Information.

(a) Between the date of this Agreement and the Closing Date, the Sellers shall cause the Company to, and the Company shall and shall cause each other Acquired Company to, afford to the authorized representatives of Encore access to (i) all of the assets, real property, sites and books and records of each Acquired Company and (ii) such additional financial and operating data and other information relating to the Business and properties of the Acquired Companies as Encore may from time to time reasonably request, including access upon reasonable request to the employees, customers, vendors, suppliers and creditors of the Acquired Companies. The Sellers shall and shall cause the Company to, and the Company shall and shall cause each other Acquired Company to, cooperate with Encore and its representatives in the preparation of any documents or other material which may be required in connection with the Transaction Documents.

(b) The Company, the Sellers and Encore acknowledge and agree that the Mutual Non-Disclosure Agreement dated as of January 24, 2014 by and between Encore and the Company (the "Confidentiality Agreement") remains in full force and effect and that information provided by the Company, any Seller or any of such Seller's Affiliates to Encore, or by Encore or any of its Affiliates to the Company or any Seller, pursuant to this Agreement prior to the Closing shall be treated in accordance with the Confidentiality Agreement. If this Agreement is terminated prior to the Closing, the Confidentiality Agreement shall remain in full force and effect in accordance with its terms. If the Closing occurs, the Confidentiality Agreement, insofar as it covers information provided to Encore or its Affiliates relating to the Business or any Acquired Company, shall terminate effective

as of the Closing, but shall remain in effect insofar as it covers other information provided by or on behalf of the Company or the Sellers to Encore thereunder.

6.3 Exclusivity. From and after the date hereof until the Closing:

(a) The Sellers shall not and shall cause the Company not to, and the Company shall not and shall cause each other Acquired Company not to, and each such foregoing person shall cause its respective representatives and Affiliates not to, directly or indirectly: (i) initiate, solicit, encourage or otherwise facilitate any inquiry, proposal, offer or discussion with any party (other than Encore and its representatives, agents and Affiliates) concerning (A) any merger, liquidation, recapitalization, consolidation or other business combination involving any Acquired Company or acquisition of any capital stock or other securities of any Acquired Company, or any material portion of the assets of any Acquired Company, or any combination of the foregoing (excluding the transactions contemplated hereby), or (B) any agreement, arrangement or understanding requiring any Acquired Company or any Seller to abandon, terminate or fail to consummate any of the transactions contemplated hereby (each, an "Acquisition Transaction"), (ii) furnish any information concerning the Business (or any portion thereof) or the properties or assets of the Acquired Companies to any Person (other than Encore) or (iii) engage in discussions or negotiations with any party (other than Encore) concerning any Acquisition Transaction.

(b) The Sellers shall and shall cause the Company to, and the Company shall and shall cause each other Acquired Company to, and each such foregoing person shall cause its respective representatives and Affiliates to, (i) immediately cease any discussions or negotiations of the nature described in Section 6.3(a) that were pending, (ii) immediately notify any party with which such discussions or negotiations were being held of such termination, (iii) immediately request in writing that all Persons to whom nonpublic information concerning any Acquired Company has been distributed on or prior to the date of this Agreement return or destroy such information to the Company as soon as possible, and (iv) refrain from entering into any Acquisition Transaction.

(c) The Sellers shall and shall cause the Company to, and the Company shall and shall cause each other Acquired Company to, and each such foregoing person shall cause its respective representatives and Affiliates, to: (i) promptly advise Encore in writing of the receipt, directly or indirectly, of any inquiry, proposal or other materials, and of any discussions, negotiations or proposals relating to, an Acquisition Transaction, (ii) promptly identify the offeror, and (iii) promptly provide Encore copies of all correspondence (including any indications of interest) and proposed written agreements, arrangements or understandings with respect to any Acquisition Transaction (and a description of any proposed oral agreements with respect thereto). The Company and the Sellers shall promptly advise Encore of all subsequent communications relating to such proposal.

6.4 Notification of Certain Matters. The Sellers and the Company shall give prompt notice (and, in any event, within two (2) Business Days) to the other Parties of (a) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would or would be reasonably likely to cause any representation or warranty of the Sellers and the Company

contained herein to be untrue or inaccurate in any material respect at any time at or prior to the Closing, or which would constitute a Material Adverse Change, (b) any event which would reasonably be expected to cause any of the conditions in Article 7 not to be fulfilled, and (c) any material failure of such Party to comply with or satisfy in a timely manner any covenant, condition or agreement to be complied with or satisfied by such Party hereunder. The delivery of any notice pursuant to this Section 6.4 shall in no circumstance be deemed to (i) modify the representations, warranties, covenants or agreements hereunder of the Party delivering such notice or the Disclosure Schedule, (ii) modify any of the conditions set forth in Article 7, or (iii) cure or prevent any misrepresentation, inaccuracy, untruth or breach of any representation, warranty, covenant or agreement set forth in this Agreement or any other Transaction Document or failure to satisfy any condition set forth in Article 7.

6.5 Hiring of JPF Employees. Promptly after the date hereof, the Company shall make offers of employment to those certain employees of JPF listed on Schedule 6.5 (the "Employee Offerees"). Such offers shall be made pursuant to a form of offer letter (including confidentiality provisions or a separate confidentiality agreement attached thereto) approved by Encore in writing (the "Employee Offer Letters") and the salary and title to be offered to each such Employee Offeree shall be as is set forth opposite such employee's name on Schedule 6.5. The Company shall use its best efforts to cause the Employee Offerees to accept employment with the Company prior to the Closing Date; provided that the Company shall not offer any post-Closing consideration to the Employee Offerees for their acceptance of the offered position other than as is set forth on Schedule 6.5.

6.6 Roanoke Call Center. After the date hereof and prior to the Closing, the Company shall use commercially reasonable efforts to amend the Roanoke Sublease, pursuant to an agreement approved by Encore in writing, such that the portion of the premises subleased pursuant to the Roanoke Sublease (the "Roanoke Call Center") that was used by the Employee Offerees prior to the Closing shall no longer be subleased to JPF and shall be office space of the Company from and after the Closing.

6.7 Cause Conditions to be Satisfied; Further Assurances. Each Seller and the Company shall use reasonable best efforts to cause each of the conditions set forth in Section 7.1 to be satisfied at or prior to the Closing; provided that, in seeking to satisfy such conditions, the Sellers shall not and shall cause the Company not to, and the Company shall not and shall cause each other Acquired Company not to, (i) waive or discharge any liabilities or obligations owing to any of the Acquired Companies by any counterparty to any such Company Contract, (ii) waive any rights of any of the Acquired Companies under any such Company Contract, or (iii) amend, modify, supplement or otherwise change the terms of any such Company Contract; (b) Encore shall use reasonable best efforts to cause each of the conditions set forth in Section 7.2 to be satisfied at or prior to the Closing; and (c) each Party shall cooperate in filing all notices and obtaining all consents and approvals required by Section 2.4(b)(iv) (it being agreed that such filings and consents shall nonetheless be the responsibility of the Sellers and the Company). Without limiting the foregoing, the Sellers and the Acquired Companies shall cooperate with Encore, as requested by Encore, in order to secure or obtain the consent to the transfer of, or the issuance or grant of, any Business Permit.

## ARTICLE 7

## CONDITIONS PRECEDENT

7.1 Conditions Precedent to Obligations of Encore. The obligation of Encore to effect the Closing is subject to the satisfaction or waiver, at or before the Closing, of the following conditions:

(a) Accuracy of Representations and Warranties. Each of the representations and warranties made by any Seller or the Company in this Agreement or any other Transaction Document (i) to the extent qualified by any Material Adverse Change or other materiality (or equivalent) qualification contained in any such representation or warranty, shall be true and correct as of the date of this Agreement and as of the Closing as if made as of the Closing (except for representations and warranties made as of a specific date, which shall be true and correct as of such date), and (ii) to the extent not qualified by any Material Adverse Change or other materiality (or equivalent) qualification contained in such representation or warranty, shall be true and correct in all material respects as of the date of this Agreement and as of the Closing as if made as of the Closing (except for representations and warranties made as of a specific date, which shall be true and correct in all material respects as of such date); and Encore shall have received (x) a certificate signed by each Seller (if such Seller is a natural person) or by the Chief Executive Officer (or comparable officer) of such Seller (if such Seller is not a natural person), dated as of the Closing, to such effect and (y) a certificate signed by the Chief Executive Officer of the Company, dated as of the Closing, to such effect.

(b) Compliance with Covenants. The Company and each Seller shall have performed or complied in all material respects with all obligations, agreements and covenants contained in this Agreement or in any other Transaction Document to be performed or complied with by the Company or such Seller prior to the Closing; and Encore shall have received (x) a certificate signed by each Seller (if such Seller is a natural person) or by the Chief Executive Officer (or comparable officer) of such Seller (if such Seller is not a natural person), and (y) a certificate signed by the Chief Executive Officer of the Company, dated as of the Closing, to such effect.

(c) No Violation of Law. No Law shall be in effect, and no action, Order or Proceeding shall be instituted or threatened by or before any Governmental Authority, that (i) does or seeks to challenge, prohibit, make illegal, enjoin, restrain or prevent the consummation of the transactions contemplated hereby, (ii) does or would reasonably be expected to adversely affect the right of Encore to own the Shares or any Acquired Company or to operate the Business (or any portion thereof after the Closing), (iii) does or would reasonably be expected to require Encore or any of its Affiliates to proffer to, or agree to, sell, divest, lease, license, transfer, dispose of, hold separate or encumber any assets, licenses, operations, rights, product lines, businesses or interest therein of Encore or any of the Acquired Companies or any of their respective Affiliates, or (iv) does or would reasonably be expected to result in Encore or any of its Affiliates suffering any material adverse consequence or any material civil or criminal liability in connection with the Closing.

(d) No Material Adverse Change. There shall not have been any Material Adverse Change.

(e) Employee Offerees. At least ninety (90) of the Employee Offerees shall have accepted employment with the Company as set forth on the Employee Offer Letter with respect to such Employee Offeree.

(f) Roanoke Sublease Amendment. On terms and conditions satisfactory to Encore, the Roanoke Sublease shall have been amended such that the portion of the Roanoke Call Center that was used by the Employee Offerees prior to the Closing shall no longer be subleased to JPF and shall be office space of the Company from and after the Closing.

(g) Roanoke Assets. On terms and conditions satisfactory to Encore, JPF shall have transferred to ACF, effective as of the Closing, good and marketable title in and to all of the assets of JPF that are used by the Employee Offerees in the operation of the Roanoke Call Center (the "Roanoke Assets").

(h) No Leakage. No material amount of Leakage shall have occurred.

(i) Other Deliveries. The Company and the Sellers shall have made all other deliveries required to be made at or prior to the Closing pursuant to this Agreement, including those set forth in Section 2.3 and Section 2.4(b).

7.2 Conditions Precedent To Obligations of the Sellers and the Company. The obligation of the Company and the Sellers to effect the Closing is subject to the satisfaction or waiver, at or before the Closing, of the following conditions:

(a) Accuracy of Representations and Warranties. Each of the representations and warranties made by Encore in this Agreement or any other Transaction Document (i) to the extent qualified by any materiality (or equivalent) qualification contained in any such representation or warranty, shall be true and correct in all respects as of the date of this Agreement and as of the Closing as if made as of the Closing (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such date), and (ii) to the extent not qualified by any materiality (or equivalent) qualification contained in such representation or warranty, shall be true and correct in all material respects as of the date of this Agreement and as of the Closing as if made as of the Closing (except for representations and warranties made as of a specific date, which shall be true and correct in all material respects as of such date), other than for such failures of any representations or warranties as would not prevent the Closing from occurring; and the Sellers shall have received a certificate signed by an executive officer of Encore, dated as of the Closing, to such effect.

(b) Compliance with Covenants. Encore shall have performed or complied in all material respects with all obligations, agreements and covenants contained in this Agreement (or the Disclosure Schedule or any agreement, certificate or other

document delivered in connection herewith) to be performed or complied with by Encore prior to the Closing, and the Sellers shall have received a certificate signed by an executive officer of Encore, dated as of the Closing, to such effect.

(c) No Violation of Law. No Law shall be in effect, and no action, Order or Proceeding shall be instituted or threatened by or before any Governmental Authority, that does or seeks to challenge, prohibit, make illegal, enjoin, restrain or prevent the consummation of the transactions contemplated hereby.

(d) Other Deliveries. Encore shall have made all other deliveries required to be made at or prior to the Closing pursuant to this Agreement, including those set forth in Section 2.4(c).

## ARTICLE 8

## TERMINATION

8.1 Termination. This Agreement may be terminated at any time prior to the Closing solely:

(a) by mutual written consent of Encore and the Company;

(b) by either Encore or the Company if the Closing shall not have occurred by November 26, 2014 (the "Termination Date");

(c) by either Encore or the Company, if any Governmental Authority shall have issued a final, non-appealable Order, or there shall exist any Law, in each case that prohibits, makes illegal, enjoins or prevents the consummation of the transactions contemplated hereby;

(d) by Encore (if it is not in material breach of its representations, warranties, covenants and obligations under the Transaction Documents) if there has been a breach of, or inaccuracy in, any representation, warranty, covenant or agreement of the Company and/or any Seller set forth in the Transaction Documents, which breach or inaccuracy would cause any condition set forth in Section 7.1 not to be satisfied if it remained uncured as of the Termination Date (and such breach or inaccuracy has not been cured or such condition has not been satisfied within ten (10) Business Days after the receipt of written notice thereof); or

(e) by the Company (if neither it nor any Seller is in material breach of its representations, warranties, covenants and obligations under the Transaction Documents) if there has been a breach of, or inaccuracy in, any representation, warranty, covenant or agreement of Encore set forth in the Transaction Documents, which breach or inaccuracy would cause any condition set forth in Section 7.2 not to be satisfied if it remained uncured as of the Termination Date (and such breach or inaccuracy has not been cured or such

condition has not been satisfied within ten (10) Business Days after the receipt of written notice thereof).

8.2 Effect of Termination. In the event of any termination of this Agreement pursuant to Section 8.1, this Agreement forthwith shall become void and of no further force or effect, and no Party (or any of its Affiliates or representatives) shall have any liability or obligation hereunder, except (i) the provisions of Article 1 (definitions), Article 13 (Miscellaneous) and Sections 6.2(b) (continued effect of Confidentiality Agreement) and 8.2 (effect of termination) shall survive any such termination and (ii) nothing herein shall relieve any Party from liability for fraud, intentional misrepresentation or willful breach of the Transaction Documents prior to such termination.

## ARTICLE 9

## POST-CLOSING COVENANTS

9.1 Cooperation in Litigation. In the event that a claim is asserted against Encore or any of its Subsidiaries or Affiliates (including, after the Closing, the Acquired Companies) with respect to the Business, any of the Acquired Companies or any of the transactions contemplated hereby, each Seller severally and not jointly shall (and, prior to Closing, the Sellers shall cause the Company to, and the Company shall and shall cause each other Acquired Company to) cooperate with Encore in the defense of such claim. Each Seller severally and not jointly shall (and, prior to Closing, the Sellers shall cause the Company to, and the Company shall and shall cause each other Acquired Company to) reasonably consult with Encore regarding the defense of any proceedings or litigation against the Company or any Seller relating to any of the transactions contemplated hereby.

9.2 Non-Competition, Non-Solicitation and Confidentiality.

(a) Prohibited Activities. As further consideration for the purchase and sale of the Shares and the other transactions contemplated hereby:

(i) (A) each Seller of Common Shares as set forth on Schedule 1 severally and not jointly covenants and agrees with Encore that during the period of three (3) years following the Closing Date; and (B) each Seller of Class B Shares on Schedule 1 severally and not jointly covenants and agrees with Encore that during the period of two (2) years following the Closing Date, in each case, such Seller shall not, and shall cause its Affiliates not to, directly or indirectly, for such Seller or on behalf of or in conjunction with any other Person, engage in the United States as an owner, officer, director, employee, consultant, independent contractor, subcontractor, leased employee, volunteer, temporary worker, equityholder, lender, agent or otherwise, in any business, or in developing, selling, manufacturing, distributing or marketing any product or service, that competes directly or indirectly, or is reasonably likely to compete directly or indirectly, with the Business and provided that this Section 9.2(a)(i) shall not prohibit any Seller from owning less

than three percent (3%) of the outstanding common stock of a company, the common stock of which is traded on a national stock exchange; and

(ii) each Seller severally and not jointly covenants and agrees with Encore that such Seller shall not, and shall cause its Affiliates not to, during the period of three (3) years following the Closing Date, directly or indirectly, for such Seller or on behalf of or in conjunction with any other Person (A) employ or hire away any Restricted Person or (B) solicit or communicate with any Restricted Person for the purpose or with the intent of enticing, or in a manner reasonably likely to entice, such Restricted Person away from Encore; provided that this Section 9.2(a)(ii) shall not at any time prohibit (x) any Seller from soliciting or hiring any Restricted Persons who are not management or other key employees of an Acquired Company whose employment or other service providing relationship with Encore has been terminated by Encore or (y) the placement of advertisements in publications of general circulation not directed at any Restricted Person. "Restricted Person" means any Person who is, at that time, or who has been, within twelve (12) months prior to that time, within the United States, an employee, contractor, subcontractor, consultant or sales representative of any Acquired Company.

The time periods referenced in this Section 9.2(a) shall be automatically extended with respect to a certain Seller by the number of days that such Seller and/or their respective Affiliates are found to have been in violation of the provisions of this Section 9.2(a). For purposes of this Section 9.2(a), the term "Encore" means Encore and any present or future Affiliate of Encore. Additionally, as partial consideration for the restrictive covenants provided by each Seller of Class B Shares on Schedule 1 pursuant to this Section 9.2(a), Encore agrees to cause the Company to pay to any such Seller upon such Seller's separation from the Acquired Companies (including by termination or resignation) prior to the payment of the 2014 bonus amount to such Seller, an amount equal to the accrued and unpaid 2014 bonus due to be paid to such Seller by any Acquired Company.

(b) Reasonable Restraint. Each Seller acknowledges, in connection with the restrictions set forth in Section 9.2(a)(i) that: (i) it is the intention of the Parties that the entire goodwill of the Acquired Companies and the Business be transferred to Encore as part of the transactions contemplated hereby, including the goodwill existing between the Acquired Companies, on the one hand, and their respective clients, customers, suppliers, agents, employees, consultants, and other persons under Contract or otherwise associated or doing business with them, on the other hand; (ii) that the Sellers and Encore explicitly considered the value of the goodwill to be transferred and that such goodwill is valued as a component of the consideration to be paid by Encore pursuant to the terms hereof; and (iii) that the covenants set forth in this Section 9.2 are a material and substantial part of the transactions contemplated hereby (supported by adequate consideration), and Encore's failure to receive the entire goodwill contemplated hereby would have the effect of significantly reducing the value of the Shares, the Acquired Companies and the Business to Encore.

(c) Reformation. In the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth in Section 9.2(a) are unreasonable, then it is the intention of the Parties that such restrictions be enforced to the fullest extent which the court deems reasonable and the Agreement shall thereby be reformed.

(d) Specific Performance. Each Party acknowledges that the other Parties will be irreparably harmed and that there will be no adequate remedy at law for any violation by any Party of any of the covenants or agreements contained in this Section 9.2. It is accordingly agreed that, in addition to any other remedies which may be available upon the breach of any such covenants or agreements, Encore shall have the right to injunctive relief to restrain a breach or threatened breach of, or otherwise to obtain specific performance of, each Seller's covenants and agreements contained in this Section 9.2, in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

(e) Independent Covenant. All of the covenants in this Section 9.2 shall be construed as an agreement independent of any other provision in the Transaction Documents, and the existence of any claim or cause of action of the Company or any Seller against Encore, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Encore of such covenants. The Parties expressly acknowledge that the terms and conditions of this Section 9.2 are independent of the terms and conditions of any other agreements including, but not limited to, any employment agreements entered into in connection with this Agreement. The covenants contained in Section 9.2 shall not be affected by any breach of any other provision hereof by any Party.

9.3 Confidential Information.

(a) Definition. "Confidential Information" means (i) the terms and conditions of this Agreement (including the consideration to be paid hereunder) and the course of dealing between the Parties hereunder (including any dispute between the Parties), and (ii) any trade secrets, know-how, technical data or proprietary information of any Acquired Company, including information relating to products, properties, services, processes, designs, formulas, developmental or experimental work, improvements, discoveries, plans for research or products, databases, computer programs, other original works of authorship, marketing and sales plans, business plans, proprietary lending strategies, budgets and financial information, prices and costs, customer lists, supplier lists, information regarding the skills and compensation of the employees and contractors of any Acquired Company and other non-public business information. The term "Confidential Information" includes all of the foregoing information, rights and materials, whether tangible or intangible, whether oral or in written, electronic or other form, in all stages of research and development, and whether now existing, or previously developed or created. "Confidential Information" does not include any information that is or becomes generally available to the public other than as a result, directly or indirectly, of a breach of this Section 9.3, or other legal or fiduciary obligation of confidentiality owing to Encore or any Acquired Company, by any Person that is subject to this Section 9.3.

(b) Covenant. Each Seller covenants and agrees that it will (and that it will cause each of its Affiliates, employees, agents and representatives to), at all times after the Closing, maintain the confidentiality of the Confidential Information, using procedures no less rigorous than those used to protect and preserve the confidentiality of its own proprietary information and not, directly or indirectly: (i) use, disclose or permit any other Person to have access to any Confidential Information (except in the good faith performance of any employment or contractual obligations owed to any Acquired Company or, subject to Section 9.3(c), as required by Law or legal process), (ii) sell, license or otherwise exploit any products or services that embody, in whole or in part, any Confidential Information or (iii) take any other action with respect to the Confidential Information that is inconsistent with the confidential and proprietary nature thereof.

(c) Compulsory Disclosure. If any Person that is subject to this Section 9.3 is requested or required to disclose any Confidential Information pursuant to a subpoena, court order or other similar process, such Person must provide notice to Encore of such request or requirement so that Encore may seek an appropriate protective order. In the event that no such protective order is issued and such Person is, in the opinion of its counsel, compelled to disclose such Confidential Information under pain of liability for contempt of court or other censure or penalty, such Person may disclose such Confidential Information in accordance with and for the limited purpose of compliance with such subpoena, court order or process, without liability under this Section 9.3.

9.4 Releases. Effective as of the Closing, each Seller (a) waives any and all rights of indemnification, contribution and other similar rights against the Acquired Companies (whether arising pursuant to any Acquired Company's Charter Documents, any Contract, any Law or otherwise) arising out of the representations, warranties, covenants and agreements contained in the Transaction Documents and/or out of the negotiation, execution and performance of the Transaction Documents, and agrees that any claim of any Encore Indemnitee, whether for indemnity or otherwise, may be asserted directly against all of the Sellers or any Seller (to the extent provided herein), without any need for any claim against, or joinder of, any Acquired Company and (b) forever waives, releases and discharges (and hereby agrees to cause each of its representatives to forever waive, release and discharge) with prejudice each Acquired Company and each of its officers, directors, agents and other representatives from any and all claims, rights (including rights of indemnification, contribution and other similar rights, from whatever source, whether under contract, law or otherwise), causes of action, protests, suits, disputes, orders, obligations, debts, demands, proceedings, contracts, agreements, promises, liabilities, controversies, costs, expenses, fees (including attorneys' fees), or damages of any kind, arising by any means (including subrogation, assignment, reimbursement, operation of law or otherwise), whether known or unknown, suspected or unsuspected, accrued or not accrued, foreseen or unforeseen, or matured or unmatured related or with respect to, in connection with, or arising out of, directly or indirectly, any event, fact, condition, circumstance, occurrence, act or omission that was in existence (or that occurred or failed to occur) at or prior to the Closing; provided, however, this clause (b) shall not be construed as releasing any party from its obligations otherwise expressly set forth in any Transaction Document.

9.5 Further Assurances. From time to time after the Closing Date, upon request of any Party, each Party shall execute, acknowledge and deliver all such other instruments and documents and shall take all such other actions required to consummate and make effective the transactions contemplated by the Transaction Documents; provided that Encore shall not be required to pay any further consideration or amounts therefor. Without limiting the foregoing, the Sellers and the Acquired Companies shall cooperate with Encore, as requested by Encore, in order to secure or obtain the consent to the transfer of, or the issuance or grant of, any Business Permit.

## ARTICLE 10

## INDEMNIFICATION

10.1 Risk Allocation. The representations, warranties, covenants and agreements made herein are intended, among other things, to allocate among the Parties the risks inherent in the transactions contemplated by this Agreement. With respect to any claim for indemnification under this Article 10 relating to a breach of a representation or warranty that contains a materiality qualifier (including "in all material respects" and "Material Adverse Change"), such materiality qualifier will be disregarded for purposes of determining whether a breach of such representation and warranty has occurred and for purposes of determining the amount of the Losses arising out of such breach (other than the use of "Material Adverse Change" in the first sentence of Section 3.7).

10.2 Survival.

(a) Representations and Warranties. The representations and warranties of the Sellers and Encore set forth in this Agreement, and in any certificate or instrument delivered at the Closing, shall survive the execution and delivery of this Agreement and the Closing and continue in full force and effect thereafter until the three (3) year anniversary of the Closing Date, except that (i) the representations and warranties set forth in Section 3.10 (Receivables; Collections of Receivables) and Section 3.14 (Legal Compliance; Permits) shall survive until the five (5) year anniversary of the Closing Date, (ii) the representations and warranties set forth in Section 3.13 (Employee Benefits) and Section 3.16 (Taxes) will survive until thirty (30) days after the expiration of the statute of limitations applicable thereto and (iii) the representations and warranties set forth in Section 3.1 (Organization); Section 3.2 (Qualification; Due Execution; Power and Authority); Section 3.3 (Company Records/Authority); Section 3.4 (Non-Contravention); Section 3.5 (Capitalization); Section 3.20 (Brokers' Fees); Section 4.1 (Organization); Section 4.2 (Authorization of Transaction); Section 4.3 (Due Execution; Enforceability); Section 4.4 (Non-Contravention); Section 4.7 (Title to Securities) and Section 4.9 (Brokers' Fees) (collectively, the "Fundamental Representations")will survive indefinitely. No claim for indemnification pursuant to Section 10.3 or Section 10.4 based on the breach of a representation or warranty may be asserted after the date on which such representation or warranty expires, except to the extent that such claim is based on fraud in which case it may be asserted at any time prior to the expiration of the statute of limitations applicable thereto. A claim for indemnification pursuant to Section 10.3 or Section 10.4 based on the breach of a representation or warranty that is asserted prior to the date on which such representation

or warranty expires may be maintained until such claim is finally resolved in accordance with this Article 10.

(b) Covenants. All covenants and agreements made by the Parties in this Agreement shall survive the execution and delivery of this Agreement and the Closing and continue in full force and effect thereafter for so long as such covenants remain executory in nature.

10.3 Indemnification by the Sellers. Subject to the limitations set forth in Section 10.6, from and after the Closing, the Sellers shall be obligated to indemnify, defend and hold harmless (including by reimbursement for Losses) Encore and its Affiliates (including the Acquired Companies) and their respective directors, managers, officers, employees and agents (collectively, the "Encore Indemnitees") from and against the entirety of any Loss that any Encore Indemnitee may suffer that results from, arises out of, relates to, is in the nature of, or is caused by, any one or more of the following:

(a) any misrepresentation, breach or inaccuracy of any representation or warranty contained in Article 3 or in any certificate or instrument delivered at the Closing by or on behalf of the Sellers (or any allegation by a third party that, if true, would constitute such a breach or inaccuracy);

(b) any misrepresentation, breach or inaccuracy of any representation or warranty contained in Article 4 (or any allegation by a third party that, if true, would constitute such a breach or inaccuracy);

(c) any breach or non-performance by any Seller of any covenant, agreement or undertaking contained in this Agreement or the failure of the Sellers' Representative to make any Leakage Payment when due;

(d) any Order, Proceeding, investigation, fine, penalty, restitution requirement or other action by any Governmental Authority based on any Law, (including the Consumer Financial Protection Bureau, Federal Trade Commission and each other financial institution regulator, or other regulator, or any attorney general of any state) against or in respect of any Acquired Company to the extent arising out of, directly or indirectly, any event, fact, condition, circumstance, occurrence, act or omission that was in existence (or that occurred or failed to occur) at or prior to the Closing;

(e) the Proceeding identified on Schedule 10.3(e);

(f) any and all Taxes imposed on, or pertaining or attributable to any of the Acquired Companies with respect to any Pre-Closing Tax Period and any and all Taxes allocated to a Pre-Closing Tax Period pursuant to the terms of Section 11.1 and Section 11.2, except that the following shall not be a Loss for which any Party is entitled to indemnification under any provision of this Agreement: (i) federal income taxes (exclusive of penalties and interest) assessed against the Acquired Companies for a Pre-Closing Tax Period related to any cost recovery method of accounting used by the Acquired Companies during any Pre-

Closing Tax Period up to an aggregate amount equal to the federal income tax liabilities accrued and reflected as deferred taxes on the Latest Balance Sheet and (ii) state taxes (exclusive of penalties and interest) assessed against the Acquired Companies for a Pre-Closing Tax Period related to any state tax nexus decision during a Pre-Closing Tax Period up to an aggregate amount equal to ONE MILLION SIX HUNDRED EIGHTY-THREE THOUSAND SIX HUNDRED TEN DOLLARS ($1,683,610.00) of which is a component of the "Other Liabilities" section on the Latest Balance Sheet; and

(g) any Indebtedness to the extent not (i) identified on Section 3.6(b) of the Disclosure Schedule and (ii) paid as part of the Debt Repayment; and

(h) any claim by a stockholder or former stockholder (or holder of any other equity securities) of any Acquired Company, or any other Person, seeking to assert, or based upon: (i) ownership or rights to ownership of any shares of capital stock or other equity securities of any Acquired Company; (ii) any rights of a stockholder or other equity holder (other than the rights of the Sellers to receive the Purchase Price as and to the extent set forth herein), including any option, preemptive rights or rights to notice or to vote; (iii) any rights under any of the Company's Charter Documents; or (iv) any claim that his, her or its shares or other equity securities of any Acquired Company were wrongfully repurchased, cancelled, terminated or transferred by the Company or any Person.

10.4 Indemnification by Encore. From and after the Closing, Encore shall be obligated to indemnify, defend and hold harmless (including by reimbursement for Losses) each Seller and its Affiliates and their respective directors, officers, employees and agents (collectively, the "Seller Indemnitees") from and against the entirety of any Loss that any Seller Indemnitee may suffer that results from, arises out of, relates to, is in the nature of, or is caused by, any one or more of the following:

(a) any breach or inaccuracy of any representation or warranty contained in Article 5 or in any certificate or instrument delivered at the Closing by or on behalf of Encore (or any allegation by a third party that, if true, would constitute such a breach or inaccuracy); and

(b) any breach or non-performance by Encore of any covenant, agreement or undertaking contained in this Agreement.

10.5 Matters Involving Third Parties.

(a) Notice. If any third party (including any Taxing Authority) shall make or assert a claim against any party entitled to indemnification hereunder (the "Indemnified Party") with respect to any matter that may give rise to a claim for indemnification against a party required to provide indemnification under this Article 10 (the "Indemnifying Party"), then the Indemnified Party shall notify each Indemnifying Party thereof promptly; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any liability or obligation under this

Agreement unless (and then solely to the extent) the Indemnifying Party is damaged or prejudiced thereby.

(b) Defense and Settlement of Claims. In the case of (A) any such claim described in Section 10.5(a) or (B) any claim of a third party (including any Taxing Authority) existing as of the Closing Date against any Indemnified Party with respect to any matter that may give rise to a claim for indemnification against an Indemnifying Party, in each case, pursuant to which only the recovery of a sum of money is being sought and the Indemnifying Party enters into an agreement with the Indemnified Party (in form and substance reasonably satisfactory to the Indemnified Party) pursuant to which the Indemnifying Party agrees to be fully responsible (with no reservation of any rights other than the right to be subrogated to the rights of the Indemnified Party) for all Losses relating to such claim, the Indemnifying Party may, by giving written notice to the Indemnified Party, assume the defense thereof (including any discussions or settlement negotiations with such Taxing Authority). In such case, (i) the Indemnifying Party will defend the Indemnified Party against such matter with counsel of its choice reasonably satisfactory to the Indemnified Party, subject to approval of an insurance company providing coverage for the Losses, if any, and (ii) the Indemnified Party may retain separate co-counsel at its sole cost and expense (except that the Indemnifying Party will be responsible for the fees and expenses of any separate counsel to the Indemnified Party incurred prior to the date upon which the Indemnifying Party effectively assumes control of such defense). In the event that the Indemnifying Party is not entitled to, or does not, assume control of the defense of a claim pursuant to the terms of this Section 10.5(b), the Indemnifying Party may retain separate co-counsel at its sole cost and expense to participate in such defense and, in any event, the Indemnified Party shall (A) provide the Indemnifying Party with all material information requested by such party relating to the defense of such claim, (B) confer with the Indemnifying Party as to the most cost-effective manner in which to defend such claim and (C) use its reasonable efforts to minimize the cost of defending such claim. The Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to such matter without the written consent of the Indemnifying Party (not to be withheld unreasonably), and the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to such matter without the written consent of the Indemnified Party (not to be withheld unreasonably). Notwithstanding the foregoing, if an Indemnified Party determines in good faith that there is a reasonable probability that a claim may adversely affect it or its Affiliates other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Party may, by notice to the Indemnifying Party, assume the exclusive right to defend, compromise or settle such claim, but the Indemnifying Party will not be bound by any determination of any claim so defended for the purposes of this Agreement or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

10.6 Limitations on Liability.

(a) Threshold Amount.

(i) The Encore Indemnitees shall not be entitled to indemnification under Section 10.3(a) or Section 10.3(b) unless the aggregate amount of all Losses for which indemnification under Section 10.3(a) and Section 10.3(b) is sought by the Encore Indemnitees, collectively, exceeds $250,000 (the "Threshold Amount"), at which time the Encore Indemnitees shall be entitled to indemnification for all such Losses above the Threshold Amount; provided, however, that the limitation set forth in this Section 10.6(a)(i) shall not be applicable to any Losses resulting from either (A) fraud or (B) any breach or inaccuracy (or any allegation by a third party that, if true, would constitute a breach or inaccuracy) of the Fundamental Representations or the representations and warranties set forth in Section 3.13 (Employee Benefits) or Section 3.16 (Taxes).

(ii) The Seller Indemnitees shall not be entitled to indemnification under Section 10.4(a) unless the aggregate amount of all Losses for which indemnification under Section 10.4(a) is sought by the Seller Indemnitees, collectively, exceeds the Threshold Amount, at which time the Seller Indemnitees shall be entitled to indemnification for all such Losses above the Threshold Amount; provided, however, that the limitation set forth in this Section 10.6(a)(ii) shall not be applicable to any Losses resulting from fraud.

(b) Cap. The aggregate liability of the Sellers to the Encore Indemnitees pursuant to Section 10.3(a), Section 10.3(b), Section 10.3(d) and Section 10.3(e) shall not exceed ELEVEN MILLION DOLLARS ($11,000,000) (the "Cap") and the aggregate liability of Encore to the Seller Indemnitees pursuant to Section 10.4(a) shall not exceed the Cap; provided, however, that the Cap shall not be applicable to any Losses resulting from either (i) fraud or (ii) any breach or inaccuracy (or any allegation by a third party that, if true, would constitute a breach or inaccuracy) of the Fundamental Representations or the representations and warranties set forth in Section 3.13 (Employee Benefits) or Section 3.16 (Taxes).

(c) Limited Liability of the Sellers. Notwithstanding anything to the contrary in this Agreement, a Seller shall not be liable to the Encore Indemnitees for: any Losses that any Encore Indemnitee may suffer as a result of any matter described in Section 10.3(b) or Section 10.3(c) to the extent that such matter relates to (A) the breach or inaccuracy of the representations and warranties made by or on behalf of any Seller other than such Seller or (B) the breach or non-performance by any Seller other than such Seller of any covenant, agreement or undertaking contained in this Agreement.

(d) Disclaimer of Special Damages. Each Party waives any rights to assert or receive any indirect, consequential, special, exemplary or punitive damages suffered or incurred by such Party as a result of the breach by another Party of any of its representations, warranties or obligations hereunder. For purposes of the foregoing, actual

damages may, however, include indirect, consequential, special, exemplary or punitive damages to the extent that (a) the injuries or losses resulting in or giving rise to such damages are incurred or suffered by a third party that is not an Indemnified Party or an Affiliate of any Indemnified Party and (b) such damages are required to be paid by an Indemnified Party to a third party.

10.7 Procedures for Assertion of Claims.

(a) Claim Certificate. In connection with any claim (including any Tax claim) for reimbursement of Losses subject to indemnification under this Article 10, including any Losses attributable to matters subject to Section 10.5 that are not paid by an Indemnifying Party directly to third parties, the Party seeking reimbursement (the "Claimant") shall prepare, and deliver to the party from which reimbursement is sought (the "Respondent"), a certificate (a "Claim Certificate"): (i) stating that the Claimant has paid or sustained Losses subject to indemnification pursuant to this Article 10 and (ii) specifying in reasonable detail the Loss included in the amount so stated.

(b) Resolution of Claims. As soon as practicable following the delivery of a Claim Certificate, the Sellers' Representative and Encore shall attempt to agree upon the rights of the respective parties with respect to each claim set forth therein. If the Sellers' Representative and Encore should so agree, a written memorandum setting forth such agreement shall be prepared and signed by the Sellers' Representative and Encore, and a copy of such memorandum shall be delivered to the Claimant and the Respondent. Such memorandum and the agreements contained therein shall be final and binding on the Sellers' Representative, Encore, the Claimant, the Respondent and all other Persons having any interest therein.

(c) Failure to Resolve Objections. If the Sellers' Representative and Encore cannot agree upon the rights of the respective parties with respect to each of the claims in a Claim Certificate within thirty (30) days after delivery of the Claim Certificate (as such period may be extended only by mutual written agreement of the Sellers' Representative and Encore, by giving notice thereof to the Claimant and the Respondent), the Claimant may pursue any and all legal remedies that may be available to it.

(d) Entitlement to Indemnity. The Claimant shall be entitled to receive payment for all amounts that the Respondent (i) has agreed in writing to pay, (ii) is obligated to pay pursuant to a written memorandum between the Sellers' Representative and Encore pursuant to Section 10.7(b) or (iii) has been found liable to pay pursuant to a final order of a court of competent jurisdiction.

(e) Payment of Claims. The Respondent shall pay all amounts to which a Claimant is entitled promptly upon demand of the Claimant (and in any case, within five (5) Business Days after such demand) by certified check or wire transfer of immediately available funds, as the Claimant may specify.

10.8 Recourse to Escrow Amount. After a claim has been established in accordance with Section 10.5 and/or Section 10.7, and for so long as the Escrow Agreement is in full force and effect and to the extent that there are any funds held in the escrow account governed by the Escrow Agreement, an Encore Indemnitee shall make a claim for payment against the Escrow Amount in accordance with the Escrow Agreement for reimbursement of any amount that an Encore Indemnitee is entitled to receive pursuant to Section 10.7(d), and only to the extent that such entitlement is not satisfied from the Escrow Amount will such Encore Indemnitee be entitled to a direct payment pursuant to Section 10.7(e).

10.9 Exclusive Remedy. Except for claims for specific performance of the terms of this Agreement pursuant to Section 13.15 or claims based upon fraud, the indemnification provisions set forth in this Article 10 will be the sole and exclusive remedy of the Indemnified Parties with respect to any and all claims from and after the Closing relating to the subject matter of this Agreement.

## ARTICLE 11

## TAX MATTERS

11.1 Preparation of Tax Returns.

(a) In General. Except as otherwise provided in Section 11.1(b), and with respect to each Tax Return covering either (i) a Tax period or year commencing at or before and ending after the Closing Date (each, a "Straddle Period") or (ii) a Tax period ending at or before the Closing Date or a portion of any Straddle Period that ends at and includes the Closing Date (each, a "Pre-Closing Tax Period") that, in any such case, is required to be filed for, by, on behalf of or with respect to any Acquired Company after the Closing Date, Encore (A) shall prepare or cause to be prepared each such Tax Return and (B) shall determine the portion of the Taxes shown as due on such Tax Return that is allocable to a Pre-Closing Tax Period and the portion of the Taxes shown as due on such Tax Return that is allocable to the Tax period (or portion thereof) beginning after the Closing Date (each, a "Post-Closing Tax Period"), which determination shall be set forth in a statement ("Statement") prepared by Encore. Encore shall deliver a copy of such Tax Return and the Statement related thereto (including related work papers) to the Sellers' Representative for its review and approval (such approval not to be unreasonably withheld, conditioned or delayed) sufficiently in advance of the due date (including any extensions thereof) for filing such Tax Return to provide the Sellers' Representative with a meaningful opportunity to analyze and comment on such Tax Return and have such Tax Return modified before the filing of such Tax Return. With respect to each Tax Return described in this Section 11.1(a) and in Section 11.1(b), Encore and each Seller, as applicable, will join in the execution and filing of such Tax Return and other documentation as required by Law.

(b) Pre-Closing Income Tax Returns. Notwithstanding the foregoing provisions of Section 11.1(a), the Sellers' Representative shall cause to be timely prepared in a manner consistent with past practice, Law and this Agreement all Tax Returns for income Taxes with respect to the Acquired Companies for all taxable periods ending at or before

the Closing Date that are due after the Closing Date, including for those jurisdictions and Taxing Authorities that permit or require a short period Tax Return for income Taxes for the period ending at and including the Closing Date, for each of Acquired Company covering the taxable period beginning on January 1, 2014, and ending at and including the Closing Date. The Sellers shall bear the costs of the preparation of all such Tax Returns. The Sellers' Representative shall provide Encore with copies of completed drafts of each such Tax Return at least forty-five (45) days prior to the due date (including extensions) for filing thereof, along with supporting workpapers, for Encore's review and approval. Within twenty-five (25) days of such delivery, Encore shall deliver to the Sellers' Representative a written statement describing any objections to such Tax Return. If the Sellers' Representative and Encore are unable to resolve any such objection within the twenty (20) day period after the delivery of such objections, such Tax Return shall be filed as prepared by the Sellers' Representative, as adjusted to the extent necessary to reflect the resolution of any such objections mutually agreed to by the Sellers' Representative and Encore.

11.2 Straddle Period Allocation. Except as otherwise provided in the next sentence, in the case of any Straddle Period, the amount of any Taxes allocable to the Pre-Closing Tax Period portion of such Straddle Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date. In the case of any liability for any real or personal property Taxes attributable to a Straddle Period, the total amount of such Taxes allocable to the Pre-Closing Tax Period of such Straddle Period shall be the product of (a) such Tax for the entirety of such Straddle Period, multiplied by (b) a fraction, the numerator of which is the number of days for such Straddle Period included in the Pre-Closing Tax Period and the denominator of which is the total number of days in such Straddle Period, and the balance of such Taxes shall be allocable to the Post-Closing Tax Period.

11.3 Transfer Taxes. All documentary, sales, use, registration and other transfer Taxes (including all applicable real estate transfer or securities transfer Taxes) and fees incurred in connection with this Agreement or the consummation of the transactions contemplated hereby shall be paid by the Sellers.

11.4 Cooperation on Tax Matters. The Parties shall cooperate fully, as and to the extent reasonably requested by any other Party, in connection with the filing of Tax Returns, and in connection with any audit or Proceeding, including making employees available on a mutually convenient basis in connection therewith. Upon request by Encore, the Sellers shall deliver to Encore originals or copies of all books and records within the Sellers' control with respect to Tax matters pertinent to the Acquired Companies relating to any Pre-Closing Tax Period. The Parties agree to use their reasonable best efforts to obtain any certificate or other document from any Taxing Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed on any Party as a result of the consummation of the transactions contemplated by this Agreement.

11.5 Conflict. In the event of a conflict between the provisions of this Article 11 and any other provision of this Agreement, the provisions of this Article 11 shall control.

11.6 Survival; Exclusivity. Notwithstanding any provision of this Agreement to the contrary, each Party's representations, warranties, covenants, agreements, rights and obligations with respect to any Tax or Tax matter covered by this Agreement shall survive the Closing and shall not terminate until thirty (30) days after the expiration of all statutes of limitations (including any and all extensions thereof) applicable to such Tax (or the assessment thereof) or Tax matter.

11.7 Tax Treatment of Indemnity Payments. The Parties agree to treat any indemnity payment made pursuant to this Agreement as an adjustment to the Purchase Price for federal, state, local and foreign income Tax purposes.

11.8 Termination of Tax Sharing Agreements. The Sellers shall cause any and all Tax sharing or allocation agreements, intercompany agreements or other agreements or arrangements between or among one or more of the Acquired Companies and any one or more other Persons relating to any Tax matters to be terminated with respect to each of the Acquired Companies as of the Closing Date, and from and after the Closing Date, the Acquired Companies shall not be bound thereby or have any liability thereunder for any taxable period (whether past, current or future taxable periods).

## ARTICLE 12

## SELLERS' REPRESENTATIVE

12.1 Appointment and Powers. Each of the Sellers hereby appoints Richard Woolwine as such Seller's attorney-in-fact (in such capacity, the "Sellers' Representative"), with full power and authority, including power of substitution, acting in the name of and for and on behalf of such Seller to:

(a) resolve any disputes with Encore pursuant to any Leakage Payment;

(b) pursue, defend and settle any indemnification claims, whether made by or against the Sellers, pursuant to Article 10, and to do all other things and to take all other actions after the Closing that the Sellers' Representative may consider necessary or appropriate to resolve any such indemnification claims;

(c) authorize the Escrow Agent to release all or any portion of the Escrow Amount to Encore Indemnitees in satisfaction of (i) any Leakage Payment or (ii) any indemnification claims made by such Encore Indemnitees;

(d) establish a bank account in the name of the Sellers' Representative (as representative of the Sellers), at such bank as may be designated by the Sellers' Representative, and to receive and disburse from such account any payments of Purchase Price to which the Sellers may be entitled pursuant to this Agreement, including (i) the Closing Cash Payment and (ii) any release of Escrow Amount (or any portion thereof) to the Sellers' Representative (for the benefit of the Sellers) pursuant to the Escrow Agreement;

(e) resolve any other dispute with Encore over any aspect of this Agreement, including demanding and/or participating in arbitration proceedings with respect to such disputes and complying with any Orders issued in connection therewith;

(f) give and receive notices and communications that are required to be given, or that may be given, pursuant to this Agreement;

(g) negotiate, agree to and enter into any agreement (including settlements and releases), on behalf of the Sellers, to effectuate any of the foregoing, which agreements shall have the effect of binding such Sellers as if such Sellers had personally entered into such agreements; and

(h) do all other things and take all other actions under or related to this Agreement that the Sellers' Representative may consider necessary or appropriate in the judgment of the Sellers' Representative to accomplish the foregoing or for the accomplishment of any other action required by the terms of this Agreement (including actions related to Taxes and Tax matters provided for in Article 11) and to otherwise effectuate the transactions contemplated by this Agreement.

This appointment and power of attorney shall be deemed coupled with an interest and all authority conferred hereby shall be irrevocable and shall not be subject to termination by operation of law, whether by the death or incapacity or liquidation or dissolution of any Seller or the occurrence of any other event or events, and the Sellers' Representative may not terminate this power of attorney with respect to any Seller or such Seller's successors or assigns without the consent of Encore. No bond shall be required of the Sellers' Representative, and the Sellers' Representative shall receive no compensation for its services pursuant to this Agreement. Notices or communications to or from the Sellers' Representative shall constitute notice to or from each Seller.

12.2 Reliance. The Sellers' Representative may rely on and shall be protected in relying on or refraining from acting on any instrument reasonably believed to be genuine and to have been signed or presented by the proper party or parties. The Sellers' Representative shall not be liable for other parties' forgeries, fraud or false representations. By its, his or her execution of this Agreement, each Seller agrees that: (i) Encore shall be able to rely conclusively on the instructions and decisions of the Sellers' Representative as to the determination of the Purchase Price, the settlement of any claims for indemnification by Encore or the Company pursuant to Article 10 hereof, the disbursement of the Escrow Amount (or any portion thereof) pursuant to the Escrow Agreement or any other actions required or permitted to be taken by the Sellers' Representative under this Agreement or the Escrow Agreement, and no Party shall have any cause of action against Encore for any action taken by Encore in reliance upon the instructions or decisions of the Sellers' Representative; (ii) all actions, decisions and instructions of the Sellers' Representative shall be conclusive and binding upon all of the Sellers and no Seller shall have any cause of action against the Sellers' Representative for any action taken, decision made or instruction given by the Sellers' Representative under this Agreement; (iii) the provisions of this Article 12 are independent and severable, are irrevocable and coupled with an interest and shall be enforceable notwithstanding any rights or remedies that any Seller may have in connection with the transactions contemplated hereby; (iv) remedies available at law for any breach of the provisions of this Article 12 are

inadequate; therefore, Encore and the Company shall be entitled to temporary and permanent injunctive relief without the necessity of proving damages if either Encore or the Company brings an action to enforce the provisions of this Article 12; and (v) the provisions of this Article 12 shall be binding upon the representatives of each Seller, and any references in this Agreement to a Seller shall mean and include the successors to such Seller's rights hereunder, whether pursuant to testamentary disposition, the laws of descent and distribution or otherwise.

12.3 Professionals; Limitation of Liability. The Sellers' Representative shall be authorized to engage, and to rely upon the advice and opinions of, legal counsel, accountants or other administrative or professional advisors as the Sellers' Representative may deem advisable to carry out its duties under this Agreement. The Sellers' Representative shall not be liable for any act done or omitted hereunder as the Sellers' Representative while acting in good faith and in the exercise of reasonable judgment, and any act done or omitted pursuant to the advice of legal counsel, accountants or other administrative or professional advisors shall be conclusive evidence of such good faith. Each Seller agrees to hold the Sellers' Representative harmless from any loss, damage, liability or expense (including fees and disbursements of legal counsel, accountants and other professional advisors) that such Seller may sustain as a result of any action taken in good faith by the Sellers' Representative in connection with the administration of its duties under this Agreement or in connection with any dispute arising between the Sellers and Encore under this Agreement.

12.4 Reimbursement of Expenses; Indemnity for Losses. Each Seller hereby agrees to reimburse the Sellers' Representative for such Seller's pro-rata share of any out-of-pocket administrative fees, costs and expenses (including fees and disbursements of legal counsel, accountants and other professional advisors) reasonably incurred by the Sellers' Representative in connection with the administration of its duties under this Agreement. Each Seller also hereby agrees to indemnify and hold harmless the Sellers' Representative from and against such Seller's pro-rata share of any other loss, damage, liability or expense (including fees and disbursements of legal counsel, accountants and other professional advisors) that the Sellers' Representative may sustain as a result of any action taken by the Sellers' Representative without gross negligence, willful misconduct or bad faith in connection with the administration of its duties under this Agreement or in connection with any dispute arising between the Sellers and Encore under this Agreement.

## ARTICLE 13

## MISCELLANEOUS

13.1 Public Disclosure. Encore shall have editorial and timing control over the issuance of any press release or other public statement (including any announcement to employees of the Acquired Companies) regarding the terms of this Agreement and the consummation of the transactions contemplated hereby, provided that Encore will provide the Sellers' Representative with a copy of any proposed disclosure of the material terms of this Agreement, and a reasonable opportunity to comment on such disclosure, prior to the issuance of such disclosure to the public.

13.2 No Third-Party Beneficiaries. This Agreement (other than Article 10 to the extent it confers rights upon the Encore Indemnitees and Seller Indemnitees) shall not confer any

rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

13.3 Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral (including that certain letter agreement, dated April 7, 2014, by and among Encore and the Company), that may have related in any way to the subject matter hereof.

13.4 Succession and Assignment. This 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 Agreement nor any of the rights, interests or obligations of any Party under this Agreement 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; provided, however, that Encore may, without the consent of any other Party, assign this Agreement to any wholly owned subsidiary of Encore, provided that such assignee assumes the obligations of Encore hereunder and that Encore remains liable for its obligations hereunder.

13.5 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (a) when delivered, if personally delivered, (b) when receipt is confirmed by non-electronic means, if faxed (with hard copy to follow via first class mail, postage prepaid, or overnight courier), or (c) on the next Business Day after deposit with a reputable overnight courier, in each case addressed to the intended recipient as set forth below:

If to Encore (or, after the Closing, any Acquired Company):

Encore Capital Group, Inc.
3111 Camino Del Rio North, Suite 1300
San Diego, California 92108
Attention: Chief Financial Officer
Telephone: (858) 309-6904
Facsimile: (858) 309-6977

With a copy to (which shall not constitute notice):

Encore Capital Group, Inc.
3111 Camino Del Rio North, Suite 1300
San Diego, California 92108
Attention: Vice President, Legal and Corporate Affairs
Telephone: (858) 560-3586
Facsimile: (858) 309-6998

and

Greenberg Traurig, LLP
77 West Wacker Drive, Suite 3100
Chicago, IL 60601
Attention: Marc Harrison
Telephone: (312) 456-1053
Facsimile: (312) 803-1872

If to any Seller (or, prior to the Closing, any Acquired Company):

Richard Woolwine, as the Sellers' Representative
3532 Wellington Drive
Roanoke, Virginia 24014
Telephone: (540) 345-9234

With a copy to (which shall not constitute notice):

Gentry Locke Rake & Moore, LLP
10 Franklin Road S.E., Suite 800
Roanoke, Virginia 24011
Attention: Bruce Stockburger
Telephone: (540) 983-9366Facsimile: (540) 983-9400

and

Christopher Hanson
5225 Flintlock Rd
Roanoke, Virginia 24018
Telephone: (540) 588-6117

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

13.7 Governing Law. This 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.

13.8 **FORUM; WAIVER OF JURY TRIAL**.

(a) **EACH OF THE PARTIES SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN NEW YORK, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, AGREES THAT ALL CLAIMS IN RESPECT**

**OF THE ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND AGREES NOT TO BRING ANY ACTION OR PROCEEDING ARISING OUT OF, OR RELATING TO, THIS AGREEMENT IN ANY OTHER COURT. EACH OF THE PARTIES WAIVES ANY DEFENSE OF INCONVENIENT FORUM TO THE MAINTENANCE OF ANY ACTION OR PROCEEDING SO BROUGHT AND WAIVES ANY BOND, SURETY OR OTHER SECURITY THAT MIGHT BE REQUIRED OF ANY OTHER PARTY WITH RESPECT THERETO. EACH PARTY AGREES THAT SERVICE OF SUMMONS AND COMPLAINT OR ANY OTHER PROCESS THAT MIGHT BE SERVED IN ANY ACTION OR PROCEEDING MAY BE MADE ON SUCH PARTY BY SENDING OR DELIVERING A COPY OF THE PROCESS TO THE PARTY TO BE SERVED AT THE ADDRESS OF THE PARTY AND IN THE MANNER PROVIDED FOR THE GIVING OF NOTICES IN SECTION 13.5. NOTHING IN THIS SECTION, HOWEVER, SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. EACH PARTY AGREES THAT A FINAL JUDGMENT IN ANY ACTION OR PROCEEDING SO BROUGHT SHALL BE CONCLUSIVE AND MAY BE ENFORCED BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.**

(b) **WAIVER. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS 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 AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

(c) **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 AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION.**

13.9 Amendments and Waivers. No amendment or waiver of any provision of this 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.

13.10 Severability. Any term or provision of this 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 Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

13.11 Expenses. Each Party will bear its own expenses (including fees and disbursements of legal counsel, accountants, financial advisors and other professional advisors) incurred in connection with the preparation, negotiation, execution, delivery and performance of this Agreement (and each of the other agreements and instruments contemplated by or executed in connection with this Agreement) and the consummation of the transactions contemplated by this Agreement.

13.12 Construction. The Parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this 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 Agreement. The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty or covenant.

13.13 Incorporation of Exhibits and Schedules. The exhibits and schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

13.14 Number and Gender. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used herein has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

13.15 Remedies. Each of the Parties acknowledges and agrees that each other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that each other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

13.16 Offset Permitted. Encore shall have the right to set off against any of its obligations (or the obligations of any of its Affiliates) to make payment to any Seller, under this Agreement or otherwise, any amount owed to Encore (or to any of its Affiliates) by such Seller (or by any of its Affiliates) under this Agreement or otherwise.

13.17 Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any person or entity, or that such person or entity is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such person or entity.

13.18 Including. As used in this Agreement, the word "including" shall be deemed to mean "including, without limitation" and, unless otherwise expressly provided, shall not limit the words or terms preceding such word.

13.19 Non-Business Days. If any time period for giving notice or taking action hereunder expires on a day that is not a Business Day, the time period shall automatically be extended to the Business Day immediately following such day. Any reference in this Agreement to a number of days other than Business Days shall be deemed to be reference to such number of calendar days.

13.20 Counterparts. This 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 Agreement may be executed by facsimile, .PDF, photo or electronic signature and such facsimile, .PDF, photo or electronic signature shall constitute an original for all purposes.

**{Signature Pages to Follow}**

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

**ENCORE:**

**ENCORE CAPITAL GROUP, INC.**

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: EVP and CFO

**THE COMPANY:**

**ATLANTIC CREDIT & FINANCE, INC.**

By: /s/ Richard E. Woolwine
Name: Richard E. Woolwine
Title: CEO

**THE SELLERS' REPRESENTATIVE:**

/s/ Richard E. Woolwine
Name: Richard E. Woolwine
Title: CEO

**The Sellers**

**RICHARD E. WOOLWINE, III, TRUSTEE OF THE RICHARD E. WOOLWINE, III REVOCABLE TRUST U/A/D 7/7/2009**

By: /s/ Richard E. Woolwine, III
Name: Richard E. Woolwine, III
Title: Trustee

**KELLY S. WOOLWINE, TRUSTEE OF THE KELLY S. WOOLWINE REVOCABLE TRUST U/A/D 10/18/2010**

By: /s/ Kelly S. Woolwine
Name: Kelly S. Woolwine
Title: Trustee

/s/ Steven J. Woolwine
**Steven J. Woolwine**

/s/ Daryl L. Deke
**Daryl L. Deke**

/s/ Christopher W. Hanson
**Christopher W. Hanson**

/s/ Kevin D. Hudson
**Kevin D. Hudson**

/s/ Jaideep Ganguly
**Jaideep Ganguly**

**Exhibit 4.1**

**Dated March 14, 2014**

**FIRST SUPPLEMENTAL INDENTURE**

to

**INDENTURE**
**DATED AS OF AUGUST 2, 2013**

in respect of

**£100,000,000 8.375% SENIOR SECURED NOTES DUE 2020**

among

**CABOT FINANCIAL (LUXEMBOURG) S.A.**
as Issuer

**CABOT FINANCIAL LIMITED**
as Company

**CABOT CREDIT MANAGEMENT LIMITED**
as Guarantor

**CITIBANK, N.A., LONDON BRANCH**
as Trustee

and certain Guarantors named herein

**TABLE OF CONTENTS**

This FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture") dated as of March 14, 2014, among the Guarantors named in Schedule 1 hereto (together, the "New Guarantors", and each, a "New Guarantor"), CABOT FINANCIAL (LUXEMBOURG) S.A., a *société anonyme* incorporated under Luxembourg law with registered office at L-5365 Munsbach, 6, rue Gabriel Lippmann, registered with the register of commerce and companies of Luxembourg under the number B 171.125 (the "Issuer"), CABOT CREDIT MANAGEMENT LIMITED, a limited liability company organized under the laws of England and Wales ("CCM"), CABOT FINANCIAL LIMITED, a limited liability company incorporated under the laws of England and Wales (the "Company"), certain subsidiaries of the Company from time to time parties hereto and CITIBANK, N.A., LONDON BRANCH, as trustee (the "Trustee"), under the Indenture referred to below.

**RECITALS**

WHEREAS the Issuer, the Company, and the Trustee are parties to an Indenture, dated as of August 2, 2013 (as amended, supplemented, waived or otherwise modified (the "Indenture"), providing for the issuance of the Issuer's 8.375% Senior Secured Notes due 2020;

WHEREAS, pursuant to Section 4.16 of the Indenture, each New Guarantor is required to execute a Supplemental Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee and the Issuer are authorized to execute and deliver this Supplemental Indenture, including the agreement to guarantee contained herein;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantors, the Issuer, and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

**Section 1. Capitalized Terms.**

Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

**Section 2. Agreement to Guarantee.**

Pursuant to, and subject to the provisions of, Article XI of the Indenture, each New Guarantor (which term includes each other New Guarantor that hereinafter guarantees the Notes pursuant to the terms of the Indenture) hereby unconditionally and irrevocably guarantees, jointly and severally with each other New Guarantor and all Guarantors, to each Holder and to the Trustee and their successors and assigns to the extent set forth in the Indenture and subject to the provisions thereof (a) the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Issuer under the Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, or interest, premium, if any, on, the Notes and all other monetary obligations of the Issuer under the Indenture and the Notes and (b) the full and punctual performance within applicable grace periods of all other obligations of the Issuer whether for fees, expenses, indemnification or otherwise under the Indenture and the Notes (all the foregoing being hereinafter collectively called the "Guaranteed Obligations"). Each New Guarantor further agrees that the Guaranteed Obligations maybe extended or renewed, in whole or in part, without notice or further assent from such New Guarantor and that such New Guarantors will remain bound under Article XI of the Indenture, notwithstanding any extension or renewal of any Guaranteed Obligation.

The Guaranteed Obligations of each New Guarantor to the Holders of Notes and to the Trustee pursuant to the Indenture as supplemented hereby, are expressly set forth in Article XI of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee.

The obligations of each New Guarantor hereunder and under the Indenture shall be subject to the limitations set forth in Section 11.02 of the Indenture.

**Section 3. Ratification and Effect.**

Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and each Holder of Notes, by accepting the Notes whether heretofore or hereafter authenticated and delivered (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; provided, however, that each New Guarantor and each Guarantor shall be released from all its obligations with respect to this Guarantee in accordance with the terms of the Indenture, including Section 11.08 of the Indenture and upon any defeasance of the Notes in accordance with Article VIII of the Indenture.

**Section 4. Governing Law.**

**THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

**Section 5. Agent for Service; Submission to Jurisdiction; Waiver of Immunities.**

The Issuer and each New Guarantor irrevocably submit to the non-exclusive jurisdiction of any New York State or U.S. federal court located in the Borough of Manhattan in the City and State of New York over any suit, action or proceeding arising out of or relating to this Indenture and irrevocably waive any right to trial by jury in connection with any such suit, action or proceeding. The Issuer and each New Guarantor irrevocably waive, to the fullest extent permitted by law, any objection which they may have, pursuant to New York law or otherwise, to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in any inconvenient forum. In furtherance of the foregoing, the Issuer and each New Guarantor hereby irrevocably designate and appoint Corporation Service Company (at its office at 1180 Avenue of the Americas, Suite 210, New York, New York 10036-8401) as its agent to receive service of all process brought against them with respect to any such suit, action or proceeding in any such court in the City and State of New York, such service being hereby acknowledged by it to be effective and binding service in every respect. Copies of any such process so served shall also be given to the Issuer in accordance with Section 13.02 of the Indenture, but the failure of the Issuer to receive such copies shall not affect in any way the service of such process as aforesaid.

**Section 6. Counterpart Originals.**

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

**Section 7. The Trustee.**

The Trustee has entered into this Supplemental Indenture solely upon request of the Issuer and assumes no obligation hereunder. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the other parties hereto and not the Trustee.

**Section 8. Effect of Headings.**

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

**Section 9. Conflicts.**

To the extent of any inconsistency between the terms of the Indenture or the Global Notes and this Supplemental Indenture, the terms of this Supplemental Indenture will control.

**Section 10. Counterparts.**

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

**Section 11. Successors.**

All covenants and agreements in this Supplemental Indenture given by the parties hereto shall bind their successors.

*(Signature page follows.)*

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

CABOT FINANCIAL (LUXEMBOURG) S.A.
as Issuer

By: /s/ Duncan Smith
Name: Duncan Smith
Title: Director

CABOT FINANCIAL LIMITED
as Company

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

CABOT CREDIT MANAGEMENT LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN FINANCIAL GROUP LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN FINANCIAL INTERMEDIATE LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN FINANCIAL INTERMEDIATE II LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN MIDWAY LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

BLACK TIP CAPITAL HOLDINGS LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN SENIOR HOLDINGS LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN PORTFOLIO HOLDINGS LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN FINANCIAL SERVICES LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN LEGAL SERVICES LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN CAPITAL EUROPE LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MCE PORTFOLIO LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MFS PORTFOLIO LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN EUROPE I LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

MARLIN EUROPE II LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

ME III LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

ME IV LIMITED
as Guarantor

By: /s/ Christopher Ross-Roberts
Name: Christopher Ross-Roberts
Title: Director

CITIBANK, N.A., LONDON BRANCH
as Trustee

By: /s/ Andrew McIntosh
Name: Andrew McIntosh
Title: Vice President

**SCHEDULE 1**

**NEW GUARANTORS**

| Name of the Company | Registered Seat | Company Number |
|---|---|---|
| MARLIN FINANCIAL GROUP LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 7,195,881 |
| MARLIN FINANCIAL INTERMEDIATE LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 7,196,379 |
| MARLIN FINANCIAL INTERMEDIATE II LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 8346249 |
| MARLIN MIDWAY LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 8255990 |
| BLACK TIP CAPITAL HOLDINGS LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 5927496 |
| MARLIN SENIOR HOLDINGS LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 8215555 |
| MARLIN PORTFOLIO HOLDINGS LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 8,215,352 |
| MARLIN FINANCIAL SERVICES LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 4,618,038 |

| | | |
|---|---|---|
| MARLIN LEGAL SERVICES LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 6,200,270 |
| MARLIN CAPITAL EUROPE LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 4,623,224 |
| MCE PORTFOLIO LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 5892466 |
| MFS PORTFOLIO LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 5477405 |
| MARLIN EUROPE I LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 5948653 |
| MARLIN EUROPE II LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 6145019 |
| ME III LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 7255614 |
| ME IV LIMITED | Marlin House<br>16-22 Grafton Road<br>Worthing<br>West Sussex<br>BN11 1QP<br>United Kingdom | 7256706 |

**Exhibit 10.1**

AMENDMENT NO. 1 TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of August 1, 2014, 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, 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 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; and

**WHEREAS**, the Borrower has requested certain amendments to the Credit Agreement set forth herein, 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 Amendment Effective Date (as defined below), the Credit Agreement is hereby amended as follows:

(a) The preamble to the Credit Agreement is hereby amended and restated in its entirety to read as follows:

**THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT** (this "Agreement") is made and entered into as of February 25, 2014, by and among ENCORE CAPITAL GROUP, INC., a Delaware corporation (the "Borrower"), the several banks and other financial institutions and lenders from time to time party hereto (the "Lenders"), and SUNTRUST BANK, in its capacity as administrative agent for the Lenders (the "Administrative Agent"), as collateral agent for the Secured Parties, as issuing bank (the "Issuing Bank") and as swingline lender (the "Swingline Lender").

(b) Section 1.1 of the Credit Agreement is hereby amended by amending and restating in its entirety the definition of "Propel Group" to read as follows:

"'Propel Group' means the Subsidiaries of Propel Acquisition LLC."

(c) Section 1.1 of the Credit Agreement is hereby further amended by adding the following definition of "Blue Ridge Acquisition" in proper alphabetical order:

"'Blue Ridge Acquisition' means the acquisition of all of the equity interests in Atlantic Credit & Finance, Inc., a Virginia corporation, and, indirectly, each of such company's subsidiaries, which companies collectively are engaged in the business of (i) purchasing, holding, maintaining, collecting and/or servicing charged-off consumer receivables and (ii) providing related services."

(d) Section 5.1 of the Credit Agreement is hereby amended by amending and restating in its entirety subsection (j) thereof to read as follows:

"(j) As soon as practicable, and in any event within thirty (30) days after the close of each calendar month (or, in the case of (i) the final month of any of the first three calendar quarters in any calendar year, forty-five (45) days after the close of such month, and (ii) the final month of any calendar year, sixty (60) days after the close of such month), the Borrower shall provide the Administrative Agent and the Lenders with a Borrowing Base Certificate (containing a certification by an Authorized Officer that the Receivables Portfolios included in the Borrowing Base referenced in such Borrowing Base Certificate are performing, in the aggregate, at a sufficient level to support the amount of such Borrowing Base), together with such supporting documents (including without limitation (i) to the extent requested by the Administrative Agent, copies of all bills of sale and purchase agreements evidencing the acquisition of Receivables Portfolios included in the Borrowing Base and (ii) a copy of the most recent static pool report with respect to such Receivables Portfolios as the Administrative Agent reasonably deems desirable, all certified as being true and correct in all material respects by an Authorized Officer of the Borrower). The Borrower may update the Borrowing Base Certificate more frequently than as provided above and the most recently delivered Borrowing Base Certificate shall be the applicable Borrowing Base Certificate for purposes of determining the Borrowing Base at any time;"

(e) Section 7.1 of the Credit Agreement is hereby amended by deleting "$450,000,000" from subsection (n) thereof and inserting in lieu thereof "$750,000,000", such that subsection (n) reads in its entirety as follows:

"(n) Additional unsecured or subordinated Indebtedness of the Borrower or any of its Restricted Subsidiaries, to the extent not otherwise permitted under this Section 7.1; provided, however, that (i) the aggregate principal amount of such additional Indebtedness shall not exceed $750,000,000, (ii) such Indebtedness shall not mature, and shall not be subject to any scheduled mandatory prepayment, redemption or defeasance, in each case prior to five (5) years from the date of issuance of such Indebtedness and (iii) if such Indebtedness is subordinated, the terms of such subordination shall be reasonably acceptable to the Administrative Agent;"

(f) Section 7.4 of the Credit Agreement is hereby amended by amending and restating clause (v) of subsection (d) in its entirety to read as follows:

"(v) the aggregate Purchase Price for all such Permitted Acquisitions after August 1, 2014 (exclusive of up to $205,000,000 of the Purchase Price for the Blue Ridge Acquisition) shall not exceed $225,000,000;"

(g) Section 7.4 of the Credit Agreement is hereby further amended by deleting the word "and" at the end of clause (j) thereof, deleting clause (k) thereof and replacing the same with a new clause (k) and clause (l) to read in their entirety as follows:

"(k) Investments in Unrestricted Subsidiaries provided that such Investments made on or after August 1, 2014 shall not exceed in the aggregate at any time $250,000,000 less the aggregate outstanding Investments made pursuant to clause (i) of this Section 7.4; and

(l) Investments in Blocked Propel Subsidiaries, provided that such Investments made on or after August 1, 2014 shall not exceed in the aggregate at any time $200,000,000."

3. Representations and Warranties. The Borrowers 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 shall be true and correct in all respects) as of the date hereof (except for representations and warranties made with reference to an earlier 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 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.

(f) The Borrower has determined that this Amendment does not constitute a "significant modification" within the meaning of Treasury Regulations Section 1.1001-3(e).

4. Effective Date.

(a) This Amendment will become effective on the date on which each of the following conditions has been satisfied (the "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 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 at least two (2) Business Days prior to or on the Amendment Effective Date, 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, or an amendment and restatement of, 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 in connection with the execution of this Amendment.

(b) For purposes of determining compliance with the conditions specified in this Section 4, 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 4 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 Amendment Effective Date specifying its objection thereto.

(c) From and after the 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 Amendment Effective Date.

5. 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 for the Obligations.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto 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 (AS AMENDED HEREBY) RELATING TO GOVERNING LAW, JURISIDICTION 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 4 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/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President & 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/ Christopher D. Pannacciulli
Name: Christopher D. Pannacciulli
Title: Senior Vice President

**FIFTH THIRD BANK**, as Lender

By: /s/ Gregory J. Vollmer
Name: Gregory J. Vollmer
Title: Vice President

**ING CAPITAL LLC**, as Lender

By: /s/ Robert D. Miners
Name: Robert D. Miners
Title: Director

By: /s/ William James
Name: William James
Title: Managing Director

**MORGAN STANLEY BANK, N.A.**, as Lender

By: /s/ Christopher Winthrop
Name: Christopher Winthrop
Title: Authorized Signatory

**CALIFORNIA BANK & TRUST**, as Lender
By: /s/ Michael Powell
Name: Michael Powell
Title: Senior Vice President

**FIRST BANK**, as Lender

By: /s/ Tomas J. Schmidt
Name: Tomas J. Schmidt
Title: Vice President

**AMALGAMATED BANK**, as Lender

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

**MUFG UNION BANK**, **N.A.**, as Lender

By: /s/ Edmund Ozorio
Name: Edmund Ozorio
Title: Vice President

**CATHAY BANK, CALIFORNIA BANKING CORPORATION**, as Lender

By: /s/ Kenneth Xu
Name: Kenneth Xu
Title: Assistant Vice President

**CHANG HWA COMMERCIAL BANK, LTD., NEW YORK BRANCH**, as Lender

By: /s/ Jane S.C. Yang
Name: Jane S.C. Yang
Title: VP & DGM

**MANUFACTURERS BANK**, as Lender

By: /s/ Dirk Price
Name: Dirk Price
Title: Vice President

**BARCLAYS BANK PLC**, as Lender

By: /s/ Gregory Fishbein
Name: Gregory Fishbein
Title: Assistant Vice President

**RAYMOND JAMES BANK, N.A.**, as Lender

By: /s/ Jason M. Williams
Name: Jason M. Williams
Title: Assistant Vice President

**FLAGSTAR BANK**, as Lender

By: /s/ Michael J. Sheehan
Name: Michael J. Sheehan
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, NATIONAL ASSOCIATION (formally known as RBS CITIZENS, N.A.)**, as Lender

By: /s/ Megan Livingston
Name: Megan Livingston
Title: Vice President

**WESTERN ALLIANCE BANK**, as Lender

By: /s/ Chris Duranto
Name: Chris Duranto
Title: Vice President

**UBS AG, STAMFORD BRANCH**, as Lender

By: /s/ Lana Gifas
Name: Lana Gifas
Title: Director

By: /s/ Jennifer Anderson
Name: Jennifer Anderson
Title: Associate Director

**CTBC BANK CORP. (USA)**, as Lender

By: /s/ Shahid Kathrada
Name: Shahid Kathrada
Title: First Vice President

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 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 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.**

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

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 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 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.

**ASSET ACCEPTANCE RECOVERY SERVICES, LLC**
**ASSET ACCEPTANCE SOLUTIONS**
**GROUP, LLC**
**ASSET ACCEPTANCE, LLC**
**LEGAL RECOVERY SOLUTIONS, LLC**

By: ASSET ACCEPTANCE CAPITAL CORP., its Sole Manager

/s/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President, Chief Financial Officer and Treasurer

AMENDMENT NO. 3

Dated as of August 1, 2014

to

SECOND AMENDED AND RESTATED SENIOR SECURED NOTE PURCHASE AGREEMENT

Dated as of May 9, 2013

THIS AMENDMENT NO. 3 ("Amendment") is made as of August 1, 2014 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 that certain Amendment No. 1 to Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of May 29, 2013 and that certain Amendment No. 2 to Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of February 25, 2014, 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 has requested that the Noteholders agree to certain amendments with respect to the Note Agreement as provided in this Amendment;

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 amended as follows:

(a) Section 7.1.11 is amended and restated, as follows:

"7.1.11 As soon as practicable, and in any event within thirty (30) days after the close of each calendar month (or, in the case of (i) the final month of any of the first three calendar quarters in any calendar year, forty-five (45) days after the close of such month, and (ii) the final month of any calendar year, sixty (60) days after the close of such month), the Company shall provide the holders of Notes with a Borrowing Base Certificate (containing a certification by an Authorized Officer that the Receivables Portfolios included in the Borrowing Base referenced in such Borrowing Base Certificate are performing, in the aggregate, at a sufficient level to support the amount of such Borrowing Base), together with such supporting documents (including without limitation (i) to the extent requested by the Required Holders, copies of all bills of sale and purchase agreements evidencing the acquisition of Receivables Portfolios included in the Borrowing Base, and (ii) a copy

of the most recent static pool report with respect to such Receivables Portfolios as the Required Holders reasonably deem desirable, all certified as being true and correct in all material respects by an Authorized Officer of the Company). The Company may update the Borrowing Base Certificate more frequently than as provided above and the most recently delivered Borrowing Base Certificate shall be the applicable Borrowing Base Certificate for purposes of determining the Borrowing Base at any time."

(b) Section 10.4.4 is amended by amending and restating in its entirety clause (v) thereof as follows:

"(v) the aggregate Purchase Price for all such Permitted Acquisitions after August 1, 2014 (exclusive of up to $205,000,000 of the Purchase Price for the Blue Ridge Acquisition) shall not exceed $225,000,000;"

(c) Section 10.4.10 is amended by deleting the word "and" at the end thereof, deleting Section 10.4.11 and replacing the same with a new Sections 10.4.11 and 10.4.12 as follows:

"10.4.11 Investments in Unrestricted Subsidiaries, provided that such Investments made on or after August 1, 2014 shall not exceed in the aggregate at any time $250,000,000 less the aggregate outstanding Investments made pursuant to Section 10.4.9; and

10.4.12 Investments in Blocked Propel Subsidiaries, provided that such Investments made on or after August 1, 2014 shall not exceed in the aggregate at any time $200,000,000."

(d) Section 10.5.15 is amended by deleting "$450,000,000" and inserting in lieu thereof "$750,000,000", such that Section 10.5.15 reads in its entirety as follows:

"10.5.15 additional unsecured or subordinated Indebtedness of the Company or any of its Restricted Subsidiaries, to the extent not otherwise permitted under this Section 10.5; provided, however, that (i) the aggregate principal amount of such additional Indebtedness shall not exceed $750,000,000, (ii) such Indebtedness shall not mature, and shall not be subject to any scheduled mandatory prepayment, redemption or defeasance, in each case prior to five (5) years from the date of issuance of such Indebtedness, and (iii) if such Indebtedness is subordinated, the terms of such subordination shall be reasonably acceptable to the Required Holders;"

(e) Schedule B of the Note Agreement is amended to insert the following new definition in the proper alphabetical order:

""**Blue Ridge Acquisition**" means the acquisition of all of the equity interests in Atlantic Credit & Finance, Inc., a Virginia corporation, and, indirectly, each of such company's subsidiaries, which companies collectively are engaged in the business of (i) purchasing, holding, maintaining, collecting and/or servicing charged-off consumer receivables, and (ii) providing related services."

(f) Schedule B of the Note Agreement is amended to delete the definition for "Propel."

(g) Schedule B of the Note Agreement is amended to amend and restate the following existing definition:

““**Propel Group**” means the Subsidiaries of Propel Acquisition LLC.”

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 an amendment to the Credit Agreement, which shall be in form and substance reasonably satisfactory to the Required Holders, (iii) their ratable share of an amendment fee in the aggregate amount of $10,000, and (iv) such other instruments, documents and documents as are reasonably requested by the Noteholders in connection with this Amendment; and (b) the Company shall have paid, to the extent invoiced, 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) 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.

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. 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.

6. 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.

7. 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.

[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/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President and 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: Prudential Investment Management, Inc., investment manager

By: /s/ Bradford Wiginton
Vice President

**PRUDENTIAL ANNUITIES LIFE ASSURANCE CORPORATION**

By: Prudential Investment Management, Inc., investment manager

By: /s/ Bradford Wiginton
Vice President

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 3 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. 3 is dated as of August 1, 2014 (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: August 1, 2014

[Signature Page Follows]

MIDLAND CREDIT MANAGEMENT, INC.

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Chief Executive Officer, and Treasurer

PROPEL ACQUISITION LLC

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

MIDLAND PORTFOLIO SERVICES, INC.

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

MIDLAND FUNDING LLC

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

MIDLAND INDIA LLC

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

MIDLAND INTERNATIONAL LLC

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

MIDLAND FUNDING NCC-2 CORPORATION

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

MRC RECEIVABLES CORPORATION

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

PROPEL FUNDING LLC

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Treasurer

ASSET ACCEPTANCE CAPITAL CORP.

By: /s/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President, Chief Financial Officer and Treasurer

ASSET ACCEPTANCE RECOVERY SERVICES, LLC

By: ASSET ACCEPTANCE CAPITAL CORP., its Sole Manager

/s/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President, Chief Financial Officer and Treasurer

ASSET ACCEPTANCE SOLUTIONS GROUP, LLC

By: ASSET ACCEPTANCE CAPITAL CORP., its Sole Manager

/s/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President, Chief Financial Officer and Treasurer

ASSET ACCEPTANCE, LLC

By: ASSET ACCEPTANCE CAPITAL CORP., its Sole Manager

/s/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President, Chief Financial Officer and Treasurer

LEGAL RECOVERY SOLUTIONS, LLC

By: ASSET ACCEPTANCE CAPITAL CORP., its Sole Manager

/s/ Paul Grinberg
Name: Paul Grinberg
Title: Executive Vice President, Chief Financial Officer and Treasurer

**Exhibit 31.1**

**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 fulfilling 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: August 7, 2014

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Paul Grinberg, 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 fulfilling 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/ PAUL GRINBERG

**Paul Grinberg**
**Executive Vice President, Chief Financial Officer and Treasurer**

Date: August 7, 2014

**Exhibit 32.1**

**ENCORE CAPITAL GROUP, INC.**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Encore Capital Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2014 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**

August 7, 2014

/s/ PAUL GRINBERG

**Paul Grinberg**

**Executive Vice President,**
**Chief Financial Officer and Treasurer**

August 7, 2014

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.