

ENCORE CAPITAL GROUP INC

Form DEF 14A

April 29, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

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Filed by the Registrant    Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary proxy statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive proxy statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

ENCORE CAPITAL GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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4) Date Filed:

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ENCORE CAPITAL GROUP, INC.  
350 Camino De La Reina, Suite 100, San Diego, CA 92108  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 20, 2019

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To Our Stockholders:

We cordially invite you to attend the 2019 annual meeting of stockholders of Encore Capital Group, Inc. Our annual meeting will be held at the JW Marriott Essex House, 160 Central Park South, New York, New York 10019, on June 20, 2019, at 8:00 a.m. Eastern time.

The annual meeting is being held for the following purposes:

1. To elect nine directors, each for a term of one year;
2. To approve, in a non-binding vote, the compensation of our named executive officers;
3. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;
4. To approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 50,000,000 to 75,000,000; and
5. To transact such other business that may properly come before the meeting.

As resolved by our Board of Directors, stockholders of record at the close of business on April 22, 2019 are entitled to notice of and to vote at the annual meeting or any postponement or adjournment thereof.

We have enclosed a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which includes our audited consolidated financial statements.

This proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, are available at [www.proxyvote.com](http://www.proxyvote.com).

Your vote is important. Whether or not you plan to attend the meeting in person, please submit your vote as soon as possible using one of the voting methods described in the attached materials. Submitting your voting instructions by any of these methods will not affect your right to attend the meeting and vote in person should you so choose.

By Order of the Board of Directors,

Ashish Masih  
President and Chief Executive Officer  
April 29, 2019  
San Diego, California

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ENCORE CAPITAL GROUP, INC.  
350 Camino De La Reina, Suite 100  
San Diego, CA 92108  
858-309-6442

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PROXY STATEMENT

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This proxy statement relates to the 2019 annual meeting of stockholders of Encore Capital Group, Inc. (“Encore” or the “Company”), to be held at the JW Marriott Essex House, 160 Central Park South, New York, New York 10019, on June 20, 2019 at 8:00 a.m. Eastern time, or at such other time and place to which the annual meeting may be adjourned or postponed. The enclosed proxy is solicited by our Board of Directors (our “Board”), and is first being mailed and/or made available on or about April 29, 2019 to stockholders entitled to vote at the meeting.

**QUESTIONS ABOUT THE MEETING**

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including (1) the election of nine directors, (2) the approval, by non-binding vote, of the compensation of our named executive officers, (3) the ratification of the selection of BDO USA, LLP as our independent registered public accounting firm and (4) an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 50,000,000 to 75,000,000. In addition, representatives of BDO USA, LLP will be given an opportunity to make a statement and to respond to questions regarding the audit of our consolidated financial statements.

Who is entitled to vote?

Only stockholders of record at the close of business on the record date, April 22, 2019, are entitled to receive notice of the annual meeting and to vote the shares that they held on that date at the meeting, or any postponement or adjournment of the meeting.

At the close of business on the record date, April 22, 2019, there were 30,966,649 outstanding shares of our common stock, each of which is entitled to cast one vote.

Who can attend the meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Others may attend the meeting at our discretion. If you have any questions or wish to obtain directions to attend the annual meeting and to vote in person, please call our Investor Relations representative, at 858-309-6442.

What constitutes a quorum?

The presence at the meeting, in person or represented by proxy, of a majority of the outstanding shares of common stock entitled to vote on the record date will constitute a quorum, which will permit us to hold the annual meeting and conduct business. Proxies received but marked as abstentions, withheld votes and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting. Abstentions include shares present in person but not voting and shares represented by proxy but with respect to which the holder has abstained from voting. Broker non-votes occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power on that item and has not received instructions from the beneficial owner.

How do I vote by proxy before the meeting?

Before the meeting, you may vote your shares in one of the following three ways if your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company:

By internet at [www.proxyvote.com](http://www.proxyvote.com);

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By telephone at 1-800-690-6903; or

By mail, if you received a printed copy of the proxy materials, by completing, signing, dating and returning the enclosed proxy card in the postage paid envelope provided.

Please refer to the proxy card for further instructions on voting via the internet and by telephone. Please follow the directions on your proxy card carefully. If your shares are held in a brokerage account in the name of a bank, broker or other nominee (this is called “street name”), then you are the beneficial owner of the shares and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. You have the right to direct your bank or broker on how to vote the shares in your account, and your ability to vote by telephone or via the internet depends on the voting procedures used by your broker. You may receive a separate voting instruction form with this proxy statement, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the internet or telephone.

May I vote my shares in person at the meeting?

Yes. You may vote your shares at the meeting if you attend in person, even if you previously submitted a proxy card or voted by internet or telephone. Whether or not you plan to attend the meeting, however, we encourage you to vote your shares by proxy before the meeting. Please note that if your shares are held in “street name” and you wish to vote at the meeting, you will not be permitted to do so unless you first obtain a legal proxy issued in your name from the broker, bank or nominee that holds your shares.

What if I submit a proxy and then change my mind?

You may revoke your proxy at any time before it is exercised:

By filing with the Corporate Secretary of Encore a notice of revocation at the address shown on the first page of this proxy statement;

By sending in another duly executed proxy bearing a later date; or

By attending the meeting and casting your vote in person.

What are the Board’s recommendations for how I should vote my shares?

If you sign and return your proxy card with voting instructions, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you sign and return a proxy card but do not fill out the voting instructions on the proxy, the persons named on the proxy card will vote in accordance with the recommendations of our Board. The Board recommends that you vote your shares as follows:

Proposal 1 – FOR the election of the nominated slate of directors for a term of one year.

Proposal 2 – FOR, in a non-binding vote, the compensation of our named executive officers (often called the “Say-On-Pay Vote”).

Proposal 3 – FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019.

Proposal 4 – FOR an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 50,000,000 to 75,000,000.

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

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What vote is required to approve each item?

**Election of Directors.** Directors shall be elected by a plurality of the votes cast, meaning that the nine nominees who receive the most votes will be elected to our Board. With respect to the election of directors, you may vote “For All,” “For All Except” or “Withhold All” for the nominees for the Board. A properly executed proxy marked to withhold authority with respect to the election of one or more directors will have no effect on the proposal to elect the directors other than that it will be counted for purposes of determining whether there is a quorum present at the annual meeting. Notwithstanding the foregoing, we have adopted a Majority Voting Policy that is described on page 11 of this proxy statement.

**Amendment of our Certificate of Incorporation.** The proposal regarding an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock requires the affirmative vote of the majority of shares voting for or against the amendment at the annual meeting. Abstentions and broker non-votes will not be counted as votes cast and will not be counted in determining the number of shares necessary for approval.

**Other Items.** For each other item, the affirmative vote of the majority of the shares voting for or against, represented in person or by proxy, on the item will be required for such item’s approval, meaning that a majority of votes cast must be voted “For” the proposal for it to be approved. With respect to any proposal other than the election of directors, you may vote “For,” “Against” or “Abstain.” A properly executed proxy marked “Abstain” with respect to any such matter will not be voted and will not be counted in determining the number of shares necessary for approval, although it will be counted for purposes of determining whether there is a quorum.

**Effect of Broker Non-Votes.** If you hold your shares in “street name” through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon.

Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such “broker non-votes” will, however, be counted in determining whether there is a quorum.

**Who pays for the cost of this proxy solicitation?**

We will bear the cost of solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding common stock. In addition to the solicitation of proxies by mail, our officers, directors and employees may solicit proxies in person, by telephone or by facsimile, none of whom will receive additional compensation for those services.

**How many annual reports and proxy statements are delivered to the same address?**

If you and one or more of our other stockholders share the same address, it is possible that only one annual report and proxy statement was delivered to your address unless we have received contrary instructions from one or more of the stockholders. This is known as “householding.” Any registered stockholder who wishes to receive separate copies of an annual report or proxy statement at the same address now or in the future may: (1) call Encore at 858-309-6442 or toll free at 1-800-579-1639 or (2) mail a request to receive separate copies to: Encore Capital Group, Inc., 350 Camino De La Reina, Suite 100, San Diego, CA 92108, Attention: Corporate Secretary, and we will promptly deliver the annual report and/or proxy statement to you. Stockholders who own our common stock through a broker and who wish to receive separate copies of an annual report and proxy statement should contact their brokers directly. Stockholders currently receiving multiple copies of an annual report and proxy statement at a shared address and who wish to receive only a single copy in the future may direct their request to the same phone number or address listed above.

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## CORPORATE GOVERNANCE

## Board Meetings and Committees

The Board met 18 times during 2018 and otherwise acted by unanimous written consent. In 2018, each incumbent director attended at least 75% of the aggregate number of meetings of the Board and meetings of committees of the Board on which he or she served, in each case held during such director's period of service.

In 2018 the Board had five standing committees: the Audit Committee; the Compensation Committee; the Consumer Experience and Compliance Committee ("CECC"); the Nominating and Corporate Governance ("NCG") Committee; and the Risk and Information Security Committee ("RISC"). The members of our Board, the composition of the Board's standing committees and the number of meetings held in 2018 are reflected in the table below.

Name Board Audit Compensation CECC<sup>(1)</sup> NCG RISC<sup>(1)</sup>

Ash Gupta

Wendy G. Hannam

Michael P. Monaco

Laura Newman Olle<sup>(2)</sup>

Francis E. Quinlan

Norman R. Sorensen

Richard J. Srednicki

Richard P. Stovsky<sup>(2)</sup>

Ashish Masih

Number of Meetings	18	10	6	4	5	4
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Chair	Member					
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(1) As discussed below in the section titled "2019 Board Committee Structure," in 2019 the CECC was combined with the RISC to form a newly constituted Risk Committee.

In August 2018, Mr. Stovsky was appointed to the Board, the Audit Committee and RISC. Also in August 2018, as a result of the addition of Mr. Stovsky, the Board appointed Ms. Olle to the Compensation Committee and removed her from the Audit Committee.

Our Board has adopted written charters for each of its standing committees and each of those written charters is available on our website at [www.encorecapital.com](http://www.encorecapital.com). Click on "Investors," then "Corporate Governance" and then the respective committee charters. The standing committees each assess the adequacy of their charters annually.

Information contained on our website is not incorporated by reference in, or considered to be a part of, this proxy statement.

Audit Committee. We have a standing Audit Committee that is responsible for assisting the Board in oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company.

Among other things, the Audit Committee has the authority and responsibility under its charter to:

- appoint our independent auditors and regularly review their performance and internal control procedures and material issues raised by our independent auditors;

- approve audit and non-audit services and fees;

- review and approve the internal audit function, including the charter, the effectiveness of internal audit, the internal audit plan, and results of internal audits as they relate to finance and accounting;

- review and evaluate our financial statements, accounting principles and system of internal controls regarding finance and accounting;

- review and evaluate reports from the independent auditors concerning all critical accounting policies and practices used by the Company;

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establish procedures for receiving and responding to complaints or concerns regarding our internal controls or other auditing matters;

support the Board by primarily overseeing those risks that may directly or indirectly affect the Company's financial statements, including the areas of financial reporting, internal controls and compliance with public reporting requirements;

review and approve related person transactions; and

consider other appropriate matters regarding our financial affairs.

Compensation Committee. The Compensation Committee is responsible for discharging the responsibilities of the Board with respect to the compensation of our executive officers, administering our equity-based plans and periodically reviewing compensation and equity-based plans, with authority to adopt such plans.

Among other things, the Compensation Committee has the authority and responsibility under its charter to:

periodically review and approve our policies on executive compensation, benefits and perquisites, including incentive cash compensation plans, or other forms of executive incentives;

annually review and, as required, vote in executive session to set the compensation, benefits and perquisites of the Chief Executive Officer ("CEO"), who serves as our principal executive officer;

annually review and, as required, vote in executive session to set the compensation, benefits and perquisites of all executive officers to satisfy the Compensation Committee that there is equity in the compensation practices and general integrity in conforming to approved plans and policies;

review and evaluate the compensation and benefits for non-employee directors and, if appropriate, recommend changes to the Board; and

consider, approve and administer our incentive compensation plans and equity-based plans in which directors, the CEO, other executive officers and other employees and key consultants may be participants.

The Compensation Committee may delegate any of its responsibilities to subcommittees or any committee member, except that it shall not delegate its responsibilities for any matters that involve executive or director compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) by virtue of being approved by a committee of "outside directors" or is intended to be exempt from Section 16(b) under the Securities Exchange Act of 1934 pursuant to Rule 16b-3 by virtue of being approved by a committee of "non-employee directors."

The Compensation Committee may delegate its responsibilities with respect to the administration of the incentive compensation, equity compensation, deferred compensation, and employee pension and welfare benefit plans to the Company's officers and employees, as consistent with applicable law, who may also utilize the services of third-party administrators, record keepers, consultants, and other service providers.

The Compensation Committee sets performance goals and objectives for the executive officers, evaluates their performance with respect to those goals, sets the executive officers' compensation based upon the evaluation of their performance and approves all employment and severance related agreements with such executives. In evaluating executive officer compensation, the Compensation Committee may retain the services of compensation consultants and considers recommendations from the CEO with respect to goals and compensation of the other executive officers.

The Compensation Committee also periodically reviews compensation for non-employee directors.

The CEO is not present when the Compensation Committee reviews and establishes the compensation, benefits and perquisites of the CEO. Although the CEO generally makes recommendations to the Compensation Committee with respect to executive compensation decisions, including base salaries, cash incentive bonuses and equity-based awards, the Compensation Committee has in the past determined compensation, benefits or perquisites that were different from those recommended by the CEO.

The Compensation Committee approves all grants of equity-based awards to executives. The Board and the Compensation Committee has delegated authority to the CEO to approve grants of equity awards to non executive employees, subject to share and grant date fair value limitations and subject to continued oversight by the Compensation Committee. Equity award grants to executives are determined based on a periodic review by the Compensation





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Committee regarding appropriate incentives, with recommendations typically originating from the CEO based on each executive's individual performance, consistent with the criteria established in the long-term incentive program adopted by the Compensation Committee.

The Compensation Committee has the specific authority to hire outside advisors and consultants in its discretion at our expense. The Compensation Committee engaged Frederic W. Cook & Co., Inc. ("FW Cook") to provide comprehensive executive compensation consulting advice. A more detailed description of FW Cook's activities for the Compensation Committee is provided in the Compensation Discussion and Analysis section of this proxy statement.

Consumer Experience and Compliance Committee. In 2018 we had a standing Consumer Experience and Compliance Committee that assisted the Board in fulfilling its oversight responsibilities over our compliance policies and practices, and ensuring an appropriate consumer experience as envisioned in our Consumer Bill of Rights. As discussed below in the section titled "2019 Board Committee Structure," in 2019 the CECC was combined with RISC to form a newly constituted Risk Committee. In 2018 the CECC had oversight over matters of non-financial compliance, with emphasis on those areas that define the consumer experience, primarily for our U.S focused operations. These areas included our overall compliance programs, policies and procedures; significant legal or regulatory compliance exposure; and material reports or inquiries from government or regulatory agencies.

Among other things, the CECC had the authority and responsibility under its charter to:

- monitor, review and approve our Compliance Management System ("CMS") framework, including compliance-related controls, assessment processes, staffing, audit plans, CMS reporting and compliance policies;
- ensure that our CMS is maintained in a manner that is suitable, effective and proportionate to the nature, scale, and complexity of the risks involving consumers inherent in our business, considering, among other things, industry risk profiles and regulatory requirements;
- review with our Chief Compliance Officer or other members of management as appropriate (1) results of internal audits related to compliance reviews and any significant findings, (2) periodic reports regarding an assessment of internal controls, and (3) reports concerning any difficulties encountered during compliance audits;
- review with our Chief Compliance Officer or other members of management as appropriate material reports or inquiries from government or regulatory agencies that raise potentially significant issues regarding regulatory compliance and consumer experience, and overseeing management's response to those reports or inquiries;
- review with our Chief Compliance Officer or other members of management as appropriate the status of compliance with federal and state laws and regulations and internal policies, procedures and controls; and
- oversee the processes by which we train or otherwise communicate compliance obligations to key stakeholders, including employees, agents, affiliates, and key third-party vendors.

Nominating and Corporate Governance Committee. The function of the Nominating and Corporate Governance Committee is to consider and recommend qualified candidates for election as directors of the Company, to make recommendations to the Board regarding the size and composition of the Board and to develop and recommend to the Board matters related to corporate governance.

Among other things, the NCG Committee has the authority and responsibility under its charter to:

- make recommendations to the Board concerning the size and composition of the Board;
- identify, screen and evaluate proposed candidates for the Board;
- to the extent deemed appropriate, retain third party search firms or other advisors to identify and evaluate director nominee candidates;
- recommend to the Board nominees to fill vacancies on the Board;
- annually review the Board committee structure and recommend to the Board for its approval directors to serve as members of each committee;

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- recommend to the Board a process to review the effectiveness of the Board and its members, and to oversee that review process;
- develop and recommend to the Board a succession plan for the CEO role, and periodically to review that succession plan;
- make recommendations to the Board regarding governance matters, including, but not limited to, the Company's certificate of incorporation, bylaws, and the charters of the Board's other committees; and
- develop, oversee, and periodically update as necessary, an orientation program for new directors and a continuing education program for current directors.

Prior to each annual meeting of stockholders, the NCG Committee identifies nominees to serve on the Board by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. The NCG Committee or the Board decides whether to nominate a member for re-election based on considerations, including, but not limited to, the value of continuity of service by existing members of the Board and the desired size and composition of the Board. The NCG Committee may from time to time identify new nominees for the Board based on the desired skills and experience of a new nominee considering the criteria described below. Current members of the NCG Committee, the Board and management are polled for suggestions as to individuals meeting the desired criteria. Third party search firms or other advisors may also be retained to identify qualified individuals.

The NCG Committee has not set specific minimum qualifications or criteria for nominees and we do not have a formal diversity policy. The NCG Committee evaluates the entirety of a nominee's credentials and considers a broad range of factors in evaluating prospective director nominees, including the following:

- the appropriate size of the Board;
- a candidate's knowledge, skills and experience, including experience in business, finance, technology, credit, strategy, asset and capital allocation, accounting or administration, considering prevailing business conditions, the needs of the Company and the knowledge, skills and experience already possessed by other members of the Board;
- whether a candidate is "independent," as defined by NASDAQ Listing Rules and other applicable rules, and whether circumstances exist that may create the appearance of a conflict of interest;
- a candidate's familiarity with accounting rules and practices applicable to our business;
- a candidate's international business experience;
- a candidate's character, integrity and reputation for working constructively with others;
- whether a candidate has sufficient time available to devote to the duties of a director of the Company;
- the desire to assemble a Board that is strong in its collective knowledge and has a diversity of skills, viewpoints and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge and corporate governance;
- the importance of maintaining productive working relationships among the Board members and between the Board and management for the benefit of all stockholders; and
- recognition of both the considerable benefit of continuity and the fresh perspective provided by the periodic introduction of new members and retirement of current members.

The NCG Committee assesses the effectiveness of its efforts when it evaluates the Board's composition as a part of the annual nomination process.

The NCG Committee will consider stockholder nominations for directors submitted in accordance with the procedure set forth in Section 3.14 of our Bylaws. The committee will consider each candidate equally based on the factors listed above, regardless of whether the candidate is recommended by a stockholder for election to our Board or is recommended by a member of the Board or a third-party search firm. The procedures for stockholder nominated

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director candidates provide that a notice relating to the nomination in connection with an annual meeting must be timely given in writing to: Encore Capital Group, Inc., Attention: Corporate Secretary, 350 Camino De La Reina, Suite 100, San Diego, CA 92108. To be timely, the notice must be delivered within the time period described in the “Stockholder Proposals and Nominations” section of this proxy statement. Such notice must be accompanied by the nominee’s written consent to serve if elected, must contain information relating to the business experience and background of the nominee and provide information with respect to the nominating stockholder and persons acting in concert with the nominating stockholder and otherwise comply with the requirements outlined in our Bylaws.

Risk and Information Security Committee. In 2018 we had a standing Risk and Information Security Committee that was responsible for assisting the Board in oversight of (1) internal controls designed to protect information and proprietary assets, and (2) our risk governance structure, including the Enterprise Risk Management framework, risk policies and risk tolerances. As discussed below in the section titled “2019 Board Committee Structure,” in 2019 the CECC was combined with RISC to form a newly constituted Risk Committee.

Among other things, RISC had the authority and responsibility under its charter to:

review with our Chief Information Officer and management policies pertaining to information security and cyber threats, taking into account the potential for external threats, internal threats and threats arising from transactions with third parties and vendors;

review with our Chief Information Officer our framework to prevent, detect, and respond to cyber attacks or breaches, as well as identify areas of concern regarding possible vulnerabilities and best practices to secure points of vulnerability;

review with our Chief Information Officer policies and frameworks relating to access controls, critical incident response plans, business continuity and disaster recovery, physical and remote system access, and perimeter protection of information technology assets

review with management programs to educate employees about relevant information security issues and policies with respect to information security generally;

review and approve our risk governance structure, including the Enterprise Risk Management framework, key risk policies and critical risk tolerances;

discuss with management and our Chief Risk Officer our major risk exposures and review the steps management has taken to monitor and control those exposures, including our risk assessment and risk management policies; and

review our internal audit work plan to ensure alignment with identified risks and risk governance needs.

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2019 Board Committee Structure

As part of its review of the Board committee structure, the NCG Committee recommended that the Board combine the CECC and the RISC to form a newly constituted Risk Committee that is responsible for reviewing and approving our risk governance structure, including the Enterprise Risk Management framework, key risk policies and critical risk tolerances, including risks related to both compliance and information security. The Board approved the proposed changes to the committees effective March 1, 2019. As a result the Board’s committees and membership are as follows:

Name	Board	Audit	Compensation	NCG	Risk
Ash Gupta					
Wendy G. Hannam					
Michael P. Monaco					
Laura Newman Olle					
Francis E. Quinlan					
Norman R. Sorensen					
Richard J. Srednicki					
Richard P. Stovsky					
Ashish Masih					

Chair                      Member

Other Corporate Governance Matters

**Director Independence.** The Board has determined that all members of the Board other than Mr. Masih are “independent directors” within the meaning of NASDAQ listing standards. During its independence review, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries, affiliates and significant stockholders. The Board also examined transactions and relationships between directors or their affiliates and members of the Company’s senior management or their affiliates. The Board has determined that each member of the Board’s Audit, Compensation, and NCG Committees is independent (or similarly designated) based on the Board’s application of the standards of NASDAQ, the Securities and Exchange Commission (the “SEC”) or the Internal Revenue Service (the “IRS”), as appropriate for such committee membership.

**Annual Board and Committee Evaluations.** Our Board conducts an annual self-evaluation aimed at enhancing its effectiveness. As part of the evaluation, each director completes a written questionnaire that is designed to gather suggestions for improving Board effectiveness and to solicit feedback on a range of issues, including Board operations, Board and committee structure, the flow of information from management, and agenda topics. The feedback received from the questionnaires is discussed during an evaluation session to determine what actions, if any, could further enhance the operations of the Board and its committees. Each of our standing committees also conducts its own annual self-evaluation, which includes a written questionnaire and evaluation session led by the respective committee chairs.

The NCG Committee annually appraises the framework for our Board and committee evaluation processes.

**Audit Committee Financial Expert.** The Board has determined that each of Messrs. Stovsky, Monaco, and Sorensen qualifies as an “audit committee financial expert,” as defined in SEC regulations, and also possesses the financial sophistication and requisite experience as required under NASDAQ listing standards.

**Board Leadership Structure.** The Board evaluates its leadership structure on an ongoing basis according to what the Board considers to be best for the Company at any given point in time. Currently, we separate the roles of non-executive Chairman and CEO. The Board believes that having a separate non-executive Chairman and CEO provides an effective leadership model for the Company and provides the benefit of the distinct abilities and experience of both the non-executive Chairman and CEO.

Our non-executive Chairman, Michael P. Monaco, provides overall leadership to the Board in its oversight function. Our CEO, Ashish Masih, is responsible for setting the strategic direction for the Company and the day-to-



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day leadership and overall operating performance of the Company. We believe the separation of offices ensures the independence of the Board and allows Mr. Monaco to focus on managing Board matters and Mr. Masih to focus on managing our business. Having the CEO serve on our Board ensures that the Board contains the individual most familiar with the Company's business and industry and promotes open communication between management and our directors. The CEO provides advice and recommendations to the full Board for the Board's consideration. The Board's role in the risk oversight process has no effect on its leadership structure discussed above.

**Code of Ethics.** The Board has adopted a code of ethics entitled the "Standards of Business Conduct" applicable to our directors and all employees and officers of the Company, including our principal executive officer, principal accounting officer and principal financial officer. A copy of the Standards of Business Conduct is available on our website at [www.encorecapital.com](http://www.encorecapital.com). Click on "Investors," then "Corporate Governance" and then "Standards of Business Conduct." We may post amendments to or waivers of the provisions of the Standards of Business Conduct, if any, made with respect to any of our directors and executive officers on that website, unless otherwise required by NASDAQ listing standards to disclose any waiver in a Current Report on Form 8-K. Please note that the information contained on our website is not incorporated by reference in, or considered to be a part of, this proxy statement.

**Risk Oversight.** Our management has day-to-day responsibility for identifying risks and assessing them in relation to Company strategies and objectives; implementing suitable risk mitigation plans, processes and controls; and appropriately managing risks in a manner that serves the best interests of the Company and its stockholders. While the Board has retained the responsibility for general oversight of risks and of the Company's Enterprise Risk Management ("ERM") program, the Board's standing committees support the Board by regularly addressing various risks in their respective areas of oversight.

RISC assisted the Board by overseeing and reviewing the Company's risk governance structure, including the ERM program (which includes risk tolerance), and internal controls to protect Company information and proprietary assets, and the CECC assisted by overseeing the Company's compliance policies and practices, as embodied in the Company's compliance management system. The Risk Committee will now assist with oversight of these areas. The Company's various operating subsidiaries also have general corporate governance structures and, depending on their operations and market, have also established board committees or processes to manage risk and compliance relative to their specific operations.

The Audit Committee primarily oversees those risks that may directly or indirectly affect our financial statements, including the areas of financial reporting, internal controls and compliance with public reporting requirements. The Audit Committee also assists the Board by overseeing and reviewing the internal audit function.

The Compensation Committee assists the Board in fulfilling its risk management oversight responsibilities associated with risks arising from employee compensation policies and practices.

The NCG Committee oversees risks related to corporate governance matters and processes. The committee also oversees risk related to succession planning for the Company's executives.

Each standing committee routinely provides reports to the full Board at regular meetings concerning the activities of the committee and actions taken by the committee since the last regular meeting.

**Communications with Directors.** We have not adopted a formal process for stockholder communications with the Board. Given our size, the Board does not deem it necessary to formally adopt a written policy regarding stockholder communications. Stockholders, however, can contact the Board or an individual director by writing to: Board of Directors, Encore Capital Group, Inc., 350 Camino De La Reina, Suite 100, San Diego, CA 92108, Attention: Corporate Secretary. Absent unusual circumstances or as contemplated by committee charters, communications received in writing are distributed to members of the Board as appropriate depending on the facts and circumstances outlined in the communication received.

**Outside Advisors.** The Compensation Committee has engaged FW Cook to assist it in carrying out the Company's executive compensation programs. The Compensation Committee has assessed the independence of FW Cook pursuant to SEC rules and determined that FW Cook is independent and its respective work for the Compensation Committee does not raise any conflict of interest. In addition, various committees of the Board may hire outside legal counsel from time to time to provide additional advice.





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Executive Sessions of Independent Directors. Independent Board members meet without management present following regularly scheduled Board meetings or at any other time deemed appropriate by the Board.

Policy Regarding Directors' Attendance at Annual Meetings. We encourage directors to attend our annual meeting, but we do not have a policy that requires the attendance of all directors at our annual meeting. Each of our current directors who was a director at the time attended the 2018 annual meeting.

Majority Voting Policy. The Company has adopted a Majority Voting Policy, which states that in an uncontested election (i.e., an election where the only nominees are those recommended by the Board), any nominee for director who receives a greater number of votes "withheld" from election than votes "for" such election shall promptly tender a resignation to the Board for consideration.

The NCG Committee shall promptly consider the resignation offer and recommend to the Board action with respect to the tendered resignation, which may include (1) accepting the resignation, (2) maintaining the director but addressing the underlying cause of the "withheld" votes, (3) determining not to renominate the director in the future, (4) rejecting the resignation or (5) any other action the NCG Committee deems to be appropriate and in the best interest of the Company. In considering what action to recommend with respect to the tendered resignation, the NCG Committee will take into account all factors deemed relevant, including without limitation, any stated reasons why stockholders "withheld" votes for election from such director, the length of service and qualifications of the director whose resignation has been tendered, the overall composition of the Board, the director's contributions to the Company, the mix of skills and backgrounds of the directors and whether accepting the tendered resignation would cause the Company to fail to meet any applicable requirements of the SEC or the NASDAQ Stock Market.

The Board will act on the NCG Committee's recommendation no later than 90 days following certification of the stockholder vote.

Following the Board's decision on the NCG Committee's recommendation, the Company will promptly disclose the Board's decision with respect to the tendered resignation and will provide a description of the process by which the decision was reached in a Current Report on Form 8-K filed with the SEC.

Except in certain special circumstances, any director who tenders a resignation pursuant to this provision shall not participate in the NCG Committee review and recommendation process or the Board's consideration regarding the action to be taken with respect to the tendered resignation.

To the extent that one or more directors' resignations are accepted by the Board, the NCG Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

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(PROPOSAL NO. 1)

## General

Our Board currently consists of nine members, each with a term expiring at the 2019 annual meeting. The NCG Committee of the Board has recommended, and the Board has nominated, the following incumbent directors for election at the 2019 annual meeting: Michael P. Monaco, Ash Gupta, Wendy G. Hannam, Laura Newman Olle, Francis E. Quinlan, Norman R. Sorensen, Richard J. Srednicki, Richard P. Stovsky and Ashish Masih.

If any nominee named below is unable or declines to serve as a director, the Board may change the number of seats on the Board or may designate an alternate nominee to fill the vacancy. If a substitute nominee is named, the proxy holders will vote the proxies held by them for the election of such person, unless contrary instructions are given. We are not aware of any nominee who will be unable or will decline to serve as a director. The term of office for each person elected as a director continues until the next annual meeting of stockholders or until his or her successor has been elected and qualifies.

## Required Vote

Subject to the Majority Voting Policy described above, if a quorum is present and voting, the nine nominees receiving the highest number of votes will be elected to the Board.

The Board of Directors recommends a vote FOR the election of each of the director nominees.

## Director Nominees

Set forth below is certain biographical information about each of our nominees to the Board.

Name	Age	Position(s)
Michael P. Monaco	71	Non-Executive Chairman and Director
Ashwini (Ash) Gupta	66	Director
Wendy G. Hannam	59	Director
Laura Newman Olle	66	Director
Francis E. Quinlan	70	Director
Norman R. Sorensen	73	Director
Richard J. Srednicki	71	Director
Richard P. Stovsky	61	Director
Ashish Masih	53	President, Chief Executive Officer and Director

**MICHAEL P. MONACO.** Mr. Monaco has served as a director since August 2014. He served as a Senior Advisor to FTI Consulting, Inc. from July 2017 to April 2018. He served as the Senior Managing Director at CDG Group, LLC, a New York-based firm specializing in restructurings, mergers and acquisitions and crisis and turnaround management from 2002 until CDG Group, LLC was acquired by FTI Consulting, Inc. in July 2017. He previously served as Chairman and Chief Executive Officer of Accelerator, LLC, a provider of outsource services, from 2000 to 2002. He served as a Vice Chairman of Cendant Corporation from 1996 to 2000. In addition, Mr. Monaco served as the Executive Vice President and Chief Financial Officer of the American Express Company from 1990 to 1996. He was previously a director of iPayment, Inc., a leader in the payment processing industry, and the International Securities Exchange. Mr. Monaco also previously served as a director of I.D. Systems, Inc., a publicly traded company, from 2002 to June 2014. Mr. Monaco is also a Certified Public Accountant. His additional qualifications to serve on the Board include experience in public company accounting, risk management, disclosure, and financial system management, leadership experience in the financial services industry, and service as a public company director.

**ASH GUPTA.** Mr. Gupta has served as a director since September 2015. Mr. Gupta retired from American Express Company in March 2018 after 40 continuous years of service as an executive officer, including serving as President - Global Credit Risk & Information Management from 2016 to 2018. Previously, he was the company's Chief

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Risk Officer and was instrumental in successfully guiding American Express through the Great Recession. He is currently, a board member and chair for Corridor Platforms Inc., and a board member for Nova Credit. In addition, he is a board advisor to MAPR technologies, H2O.ai, Biz2Credit, Nexus Venture Partners, Advent International (deal advisor) and Global Consulting firm Oliver Wyman. Mr. Gupta earned an MBA from Columbia University and a bachelor's degree in Engineering from Indian Institute of Technology (IIT), Delhi. He serves on the non-profit board of Big Brothers Big Sisters of New York and on the advisory board of South Asian Youth Action (SAYA!). Mr. Gupta's qualifications to serve on the Board include his significant experience as an executive officer of a public international finance company and his experience related to risk and information management.

WENDY G. HANNAM. Ms. Hannam has served as a director since September 2015. Ms. Hannam retired from Scotiabank, an international Canadian bank and a leading financial services provider in North America, Latin America and parts of Asia, in 2014. Ms. Hannam joined Scotiabank in 1983 and held positions of increasing responsibility, most recently as Executive Vice President, International Retail Banking from 2009 to 2012 and Executive Vice President, Latin America from 2012 until she retired. Ms. Hannam holds an MBA from the University of Toronto. She is also a graduate of the Advanced Management Programme at the European Institute of Business (INSEAD) and the ICD-Rotman Directors Education Program. She serves on the Independent Review Committee of BMO Asset Management Inc, and on the board of the Royal Conservatory of Music. Ms. Hannam was named one of Canada's 100 Most Powerful Women 2007-2010, and was named to the Latinvex Top 100 Business Women in Latin America in 2013. Ms. Hannam's qualifications to serve on the Board include her substantial experience in international financial services and operations in regulated industries.

LAURA NEWMAN OLLE. Ms. Olle has served as a director since February 2014. Ms. Olle retired from Capital One Financial Corporation, a publicly traded bank holding company specializing in credit cards, home loans, auto loans, banking and savings products, in 2007, where she served as Chief Enterprise Risk Officer. She joined Capital One in 1999 as Senior Vice President of Information Technology Systems Development. Prior to Capital One, Ms. Olle served as Senior Vice President of Information Systems and Services at Freddie Mac. She has also previously held key information technology positions at the Marriott Corporation and worked as a management consultant at Arthur Young and Company. Ms. Olle serves as a board member of Morgan Stanley Private Bank (MSPBNA). Ms. Olle is a former Certified Public Accountant. Ms. Olle's qualifications to serve on the Board include broad experience developing and overseeing enterprise risk management, interacting with regulatory authorities and information technology programs at complex financial institutions.

FRANCIS E. QUINLAN. Brigadier General Francis E. Quinlan, United States Marine Corps (Ret.) has served as a director since September 2011. Mr. Quinlan has practiced law for over thirty years, most recently at Newmeyer & Dillion LLP since May 2011. Before entering the practice of law, he was an agent with the Federal Bureau of Investigation. As a Marine reserve officer, he performed active duty in command positions at the Squadron, Air Group, Air Wing, Marine Expeditionary Force levels of the United States Marine Corps, and in Joint Force billets with United States Transportation Command and US Central Command. He has served as a board director and chairman of the audit committee of Irvine Company LLC since September 2002, is a former member of the Board of Directors of the California State Compensation Insurance Fund and was the Fund's founding audit committee chairman; was the chairman of the audit committees of Santa Fe Trust, Inc. and its sister company, Independent Trust Company of America, LLC and continues as a member of the board of the latter after merger. Prior to joining the Encore board he served on the audit committee of Convoke Systems, Inc., an entity that provides software services to the debt buying industry. He is Emeritus General Counsel and former audit committee chairman of the Marine Corps University Foundation, Inc. Board of Trustees and recently joined the Board of Directors of the Marines' Memorial Association, Inc. of San Francisco and serves on its audit committee. In addition, Mr. Quinlan is a member of the executive committee of the University of California, Irvine Cybersecurity Research and Policy Institute as well as that university's Law School Board of Visitors. Mr. Quinlan holds a Master of Laws in Taxation, has represented major financial institutions in matters ranging from governance and compliance to cybersecurity and has conducted and directed complex financial, tax, Foreign Corrupt Practices Act, internal fraud and national security investigations in his civilian and military careers. His additional qualifications to serve on the Board include financial forensic accounting training with the Federal Bureau of Investigation, completion of information operations, cybersecurity and

inter-agency professional schools at the national level and corporate network security programs involving multi-national enterprises.

NORMAN R. SORENSEN. Mr. Sorensen has served as a director since December 2011. Mr. Sorensen is the former Chairman of the International Insurance Society. Previously, he was Chairman of the International Advisory Council of Principal Financial Group. He was Chairman of Principal International, serving from 2011 to 2012, and President and CEO of International Asset Management and Accumulation of the Principal Financial Group, serving from 2001 to 2011. He had served as Executive Vice President of both Principal Financial Group, Inc. and Principal

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Life Insurance Company since 2007, as well as held several other senior management positions since 1998. Mr. Sorensen served as a senior executive of American International Group, Inc. (insurance services) from 1989 to 1997. He is also a former Chairman of DE Master Blenders. Mr. Sorensen served on the board of Insperity, Inc., a public company, from March 2015 to May 2018. Mr. Sorensen also serves as Chairman of the Board of Codere S.A., a publicly-listed Spanish company. Mr. Sorensen's qualifications to serve on the Board include his experience as an executive officer of an international financial services and asset management company, with responsibility over international operations and oversight over asset management and financial services functions and multiple divisional chief financial officers. He has also served as an executive officer of several publicly traded companies.

**RICHARD J. SREDNICKI.** Mr. Srednicki has served as a director since February 2014. Mr. Srednicki retired from JPMorgan Chase & Co., a publicly traded multinational banking and financial services holding company, in 2007 following seven years as Chief Executive Officer of Chase Card Services and a member of the JPMorgan Chase Operating and Executive Committees. Prior to Chase Card Services, he was President of the Home Services Division at Sears Roebuck & Co., President of AT&T Universal Card Services, General Manager of Citibank Germany, General Manager of Citibank Card Services USA and a Senior Product Manager at Colgate Palmolive Company. He previously served as a board member of Alliance Bank of Arizona and the Affinion Group, Inc. Mr. Srednicki's qualifications to serve on the Board include his substantial experience in the financial services industry with other highly regulated companies and service on other financial industry boards.

**RICHARD P. STOVSKY.** Mr. Stovsky has served as a director since August 2018. Mr. Stovsky retired from PricewaterhouseCoopers LLP in June 2018. Mr. Stovsky joined PwC in August 1983, and held positions of increasing responsibility, most recently as Vice Chairman. Mr. Stovsky serves on several non-profit organization Boards of Directors/Trustees including The Cleveland Orchestra, The 50 Club of Cleveland Executive Committee, The Cleveland Museum of Art Executive Committee, Bluecoats of Cuyahoga County Executive Committee and University School. Mr. Stovsky is a Certified Public Accountant. Mr. Stovsky's qualifications to serve on the Board include his experience as a certified public accountant, and his substantial experience in providing tax and overall business advice in a variety of industries.

**ASHISH MASIH.** Mr. Masih has served as a director and our President and Chief Executive Officer since June 2017. He had previously served as Executive Vice President and President of Midland Credit Management from November 2016 until June 2017, Executive Vice President, U.S. Debt Purchasing and Operations from February 2014 until November 2016 and Senior Vice President, Legal Collections Operations from 2010 until February 2014. Mr. Masih joined the Company in 2009, serving as Senior Vice President, Corporate Development. From 2001 until joining the Company, Mr. Masih was employed at Capital One Financial Corporation where he held senior roles in the Collections & Recoveries functions in the credit card business and was also chief financial officer and head of analytics for a business unit of Capital One. Prior to joining Capital One, Mr. Masih was an Associate Principal at McKinsey & Company and a Manager at KPMG Consulting. Mr. Masih earned an MBA from The Wharton School of the University of Pennsylvania, a Master of Science in Manufacturing Systems Engineering from Lehigh University and a bachelor's degree in Mechanical Engineering from the Indian Institute of Technology, New Delhi, India.

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## EXECUTIVE OFFICERS

Set forth below is certain biographical information about each of our current executive officers. Executive officers are appointed by the Board and serve at the discretion of the Board.

Name	Age	Position(s)
Ashish Masih	53	President and Chief Executive Officer
Jonathan C. Clark	60	Executive Vice President, Chief Financial Officer and Treasurer
Ryan B. Bell	40	Executive Vice President, Chief Operating Officer, Midland Credit Management
Gregory L. Call	52	Executive Vice President, General Counsel, Chief Administrative Officer and Corporate Secretary
Kenneth J. Stannard	53	Chief Executive Officer of the Cabot Credit Management Group

ASHISH MASIH. For biographical information, see Election of Directors (Proposal No. 1) above.

JONATHAN C. CLARK. Mr. Clark has served as our Executive Vice President, Chief Financial Officer and Treasurer since February 2015. Mr. Clark served as Chief Financial Officer of Midland Credit Management, Inc. (“MCM”), the Company’s domestic operating subsidiary, since October 2014. Prior to that, Mr. Clark’s most recent role was Executive Vice President and Chief Financial Officer of SLM Corporation, a publicly traded company more commonly known as Sallie Mae, where he served in such capacity from January 2011 until March 2013. Sallie Mae’s primary business was to originate, service, and collect on student loans. He previously served in various other executive capacities at Sallie Mae beginning in 2008. Prior to joining Sallie Mae, Mr. Clark served in various capacities, most recently as Managing Director, at Credit Suisse Securities (USA) LLC, an investment bank, from 2000 to 2007 after having served in various executive roles at Prudential Securities, The First Boston Corporation, and a variety of other companies during his career. Mr. Clark received his bachelor’s degree in economics from the University of Virginia in 1981 and his MBA from the Harvard Business School in 1985.

RYAN B. BELL. Mr. Bell joined the Company in September 2011 and has served in positions of increasing responsibility most recently as Executive Vice President and Chief Operating Officer of MCM. From September 2000 to August 2011, he held positions of increasing responsibility at Capital One Financial Corp. including as Director of Operations Strategy and Execution from January 2009 to August 2011. Mr. Bell earned a bachelor’s degree in Management Information Systems (graduating cum laude) from Texas A&M University and an MBA (graduating Beta Gamma Sigma) from The Cox School Business at Southern Methodist University.

GREGORY L. CALL. Mr. Call has served as Executive Vice President and Chief Administrative Officer since July 2017 and has served as our General Counsel and Secretary since September 2011. Mr. Call joined the Company in January 2010, serving as Vice President, Legal and Business Affairs. From 1999 until 2008, Mr. Call held various positions, culminating as Vice President, General Counsel, of Gateway, Inc., the computer maker and holder of one of America’s strongest consumer brands. From 1999 until joining the Company, Mr. Call was a shareholder of New Hope Legal Center, Inc. From 1994 until 1999, Mr. Call was an associate at the law firm Milbank, Tweed, Hadley & McCoy LLP, a leading international law firm, where his practice focused on complex commercial litigation and dispute resolution. Mr. Call received his bachelor’s degree in English from Brigham Young University in 1991 and his JD, with honors, from the J. Reuben Clark Law School at Brigham Young University in 1994.

KENNETH J. STANNARD. Mr. Stannard has served as Chief Executive Officer of Cabot Credit Management Limited (“Cabot”), the Company’s U.K.-based subsidiary since February 2014. From April 2012 until February 2014, Mr. Stannard served as Chief Executive Officer of Marlin Financial Group (“Marlin”) until Marlin was acquired by Cabot. From January 2007 to March 2012, Mr. Stannard held various positions at Lloyds Banking Group and HBOS plc such as Credit Cards Director, Head of Retail Savings and Head of Credit Cards. Mr. Stannard holds an MA and a BA in Engineering Science from Oxford University and an MBA from INSEAD.

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## COMPENSATION DISCUSSION AND ANALYSIS – EXECUTIVE SUMMARY

## Introduction

This CD&A is intended to provide an understanding of our compensation philosophy, objectives and practices; our compensation setting process; the elements of our executive compensation program; and the compensation of each of the following individuals, who were our Named Executive Officers (“NEOs”) for 2018:

Name	Title
Ashish Masih	President and Chief Executive Officer
Jonathan C. Clark	Executive Vice President, Chief Financial Officer, and Treasurer
Gregory L. Call	Executive Vice President, General Counsel, Chief Administrative Officer and Secretary
Kenneth J. Stannard	Chief Executive Officer of the Cabot Credit Management Group
Paul Grinberg	Former President, International (Retired January 2, 2019) <sup>(1)</sup>

On August 8, 2018, the Company entered into a transition agreement (the “Transition Agreement”) with Mr. (1)Grinberg in anticipation of his retirement on January 2, 2019. A description of the Transition Agreement is in the section titled “Paul Grinberg Transition Agreement” below.

## Performance Measures Driving 2018 Compensation and Resulting Performance Award Achievement

Adjusted EBITDA <sup>(1)</sup>	Adjusted Net Income <sup>(2)</sup>	Economic EPS <sup>(2)</sup>
\$461.6 million	\$142.2 million	\$4.98
96% of Target	34% Increase from Prior Year	23% Increase from Prior Year

## Performance-Award Achievement

KCP Payout % (of Target)	2018 Performance Stock Vesting (EPS) <sup>(3)</sup>
Weighted Average	138.5%
103.0%	Vested

Adjusted EBITDA, which is used for calculating annual KCP bonus awards is defined as net income before discontinued operations, interest income and expense, taxes, depreciation and amortization, stock-based compensation expenses, acquisition, integration and restructuring related expenses, settlement fees and related (1)administrative expenses and other charges or gains that are not indicative of ongoing operations. The definition and calculation of Adjusted EBITDA and a reconciliation to GAAP net income is included in the “Non-GAAP Disclosure” section beginning on page 48 of the Company’s Annual Report on Form 10-K, filed with the SEC on February 27, 2019.

Adjusted net income from continuing operations and adjusted earnings per share (“Economic EPS”) are non-GAAP financial measures. These metrics are used in measuring performance for certain aspects of NEO compensation. (2)The definition and calculation of these metrics and a reconciliation to GAAP metrics is included in the “Non-GAAP Disclosure” beginning on page 48 of the Company’s Annual Report on Form 10-K, filed on February 27, 2019.

Represents vesting on performance stock units granted in 2018 that were eligible to vest based on the achievement (3)of certain Economic EPS targets. Certain performance stock units that were granted in 2016 performed below Economic EPS threshold targets or a relative total stockholder return threshold target and therefore did not vest.

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2018 Elements of Compensation

The following chart describes the main elements of our 2018 compensation program.

	Base Salary	Key Contributor Plan (“KCP”) Bonus	Restricted Stock Units	Performance Equity (EPS)	Performance Equity (TSR)
Form of Compensation	Cash		Equity		
Type	Fixed	Performance-Based	Variable	Performance-Based	
Purpose	Fixed Pay	Drive Short-Term Performance	Drive Long-Term Performance, Align Management Interests with those of Stockholders and Promote Retention		
Performance Period	Ongoing	1 Year	3 Years (one-third vesting each year)		3 Years
Vesting Metrics	N/A	Financial Metric (Adjusted EBITDA) + Other Performance Goals (Strategic Initiatives, Consumer Experience and People Initiatives)	Time Vested	Financial Metric (Adjusted Earnings Per Share)	Total Stockholder Return Compared to S&P Small Cap 600 Financial Sector Index
Payment/Grant Date	Ongoing	Paid Annually in March for Prior Year Performance	Annually in March		3 Years after Grant/ Granted in March
Performance Determination	Based in part on individual performance, experience and expertise	Formulaic + Compensation Committee Discretion	Formulaic	Formulaic; Compensation Committee Verifies Performance	Formulaic; Compensation Committee Verifies Performance

Pay for Performance and Alignment with Stockholders

The elements of our compensation program are designed to deliver pay for performance and align the interests of our executives with those of our stockholders. Approximately 75% of the CEO’s compensation is “at-risk,” with value delivery tied to either the achievement of performance targets or stock price performance. Similarly, on average, 72% of the compensation of our other NEOs is “at-risk.” The mix of target direct compensation for our CEO and other NEOs is shown below:



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Key Changes for 2018 Compensation

The Compensation Committee and Company management continually seek to improve the executive compensation program to further support the execution of the our business strategy, facilitate the alignment of management's long-term interests with those of stockholders, and to reflect best pay practices. With the feedback of management and FW Cook, the Compensation Committee made the following changes for 2018:

**KCP Funding and Metric Changes.** For 2018, the Compensation Committee has refined the method for determining KCP funding by including performance measures for four categories: stockholder value, strategic initiatives, consumer experience and people initiatives and changing individual performance to be a secondary modifier. The Compensation Committee believes these changes will better align NEO pay with our global values and the successful execution of our business strategy.

**Long-Term Incentive Program Design.** For 2018 long-term equity incentive awards, the Compensation Committee determined to return to a design similar to the one used in 2016, consisting of a combination of time-vested restricted stock units ("RSUs") and performance stock units ("PSUs"), 80% of which vest based on the Company's performance against pre-established earnings per share targets and 20% of which vest based on Company's relative total stockholder return compared to other companies in the S&P SmallCap 600 Financial Sector Index.

**Compensation of Cabot CEO.** Mr. Stannard, the CEO of Cabot Credit Management Limited ("Cabot"), became an executive officer of the Company in August 2018 following the acquisition by the Company of the remaining outstanding interest in Cabot (the "Cabot Acquisition"). Prior to the Cabot Acquisition, Cabot was already a consolidated subsidiary of the Company and, as such, Mr. Stannard's compensation for the full year is included in the Summary Compensation Table. Prior to the Cabot Acquisition, Mr. Stannard's compensation was determined by the Remuneration Committee of Cabot's board (the "Cabot Remuneration Committee"). After the Cabot Acquisition, the Compensation Committee became responsible for reviewing and determining Mr. Stannard's compensation. The Compensation Committee determined to leave in place for the remainder of 2018 the bonus structure previously established by the Cabot Remuneration Committee for Mr. Stannard. Beginning in 2019, Mr. Stannard will participate in the KCP for his bonus and will receive annual equity grants with the same structure as provided to the other NEOs. Mr. Stannard's compensation structure for 2018 is described in the section titled "Kenneth Stannard Compensation" below. In the Compensation Discussion and Analysis below, when we refer to "NEOs" when discussing 2018 compensation structure, we are referring to our NEOs other than Mr. Stannard.

Key Governance and Pay Practices

We believe our executive compensation program features best practices in compensation design and governance, including:

- Emphasizing pay for performance alignment by making the majority of officer pay "at-risk;"
- Performing regular reviews of the compensation program as directed by the Compensation Committee;
- Retaining an independent compensation consultant that reports directly to the Compensation Committee;
- Maintaining stock ownership guidelines for executive officers and directors;
- Maintaining a compensation recoupment or "clawback" policy;
- Prohibiting the pledging and hedging of Company stock by executive officers and directors; and
- Not providing tax gross-ups for change in control benefits.

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“Say-on-Pay” Advisory Vote on Executive Compensation

At our 2018 annual meeting of stockholders, a non-binding, advisory vote was taken with respect to the compensation of the Company’s NEOs (commonly referred to as a “say-on-pay” vote). Approximately 97% of the votes cast were in favor of approval of our executive compensation program. We value this endorsement by our stockholders of our executive compensation program and policies, and the Compensation Committee continues to look for ways to enhance and refine our pay-for-performance executive compensation program.

We solicit a “say-on-pay” vote every year, including at this annual meeting of stockholders.

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COMPENSATION DISCUSSION AND ANALYSIS

The Company’s Compensation Philosophy and Objectives

The principal objectives of our executive compensation program are:

- Attract and retain highly-talented executive officers who possess the skills and competencies needed for us to execute our strategy and achieve our objectives;

- Encourage and reward (corporate and individual) performance, innovation and growth, without promoting undue risk;

- Motivate our executive officers to achieve both short-term and long-term goals that promote sustained stockholder value; and

- Reinforce our global values of: Integrity, Respect, Fairness, Breakthrough Results, and Collaboration.

We seek to achieve these objectives by creating a compensation program that focuses on:

- Pay for Performance: a substantial portion of executive compensation is variable or “at risk” and directly linked to both Company and individual performance;

- Market Analysis: providing total compensation that is competitive with peers to attract and retain executives with exceptional levels of experience, skills and education;

- Stockholder Alignment: aligning executives with the long-term interests of stockholders through equity-based compensation, “at-risk” compensation linked to challenging performance goals the achievement of which promote long-term stockholder value, and stock ownership guidelines; and

- Retention: establishing multi-year vesting of performance-based compensation such that an executive must remain with the company to receive value from an award.

2018 Elements of Compensation. The table below describes the primary elements of our NEOs’ compensation for 2018:

Element	Description/Role
Base Salary	Form: Cash Focus: Short-Term Type: Fixed • Base salaries are evaluated annually by the Compensation Committee and are intended to provide competitive, fixed annual cash compensation.
KCP Bonus	Form: Cash Focus: Short-Term Type: Variable - Performance Based • The KCP bonus is an annual cash bonus payable based on the Company’s achievement against pre-established targets and goals for Adjusted EBITDA, strategic initiatives, call quality scores and certain employee engagement and diversity goals as well as individual performance. All KCP payouts are subject to the satisfaction of an adjusted net income goal, established at the start of the year. • Focuses executives on the short-term results that are closely tied to longer-term stockholder value creation. • Rewards achievement of annual financial targets. Form: Equity Focus: Long-Term Type: Variable –

Time Based

- Of the 2018 annual equity grant to NEOs, 50% consists of time-based restricted stock units (“RSUs”) that vest in equal annual installments over a three-year period.
- Creates a link between compensation of executives and interests of stockholders with awards that derive value based on our stock price.
- Supports retention.
- Vesting provisions and terms promote a long-term management perspective.

Type:

Form: Equity Focus: Long-Term Performance Based

Variable -

Performance

Based

Performance Based Equity Awards

- Of the 2018 annual long-term equity grant to NEOs, 50% consists of performance stock units (“PSUs”). Of these PSUs, 80% vest annually over a three-year period based on the Company’s achievement of annual adjusted earnings per share targets established by the Compensation Committee at the beginning of each year (“EPS PSUs”) and 20% vest at the end of a three-year performance period based on the Company’s relative total stockholder return performance compared to the component companies included in the S&P SmallCap 600 Financial Sector Index (“TSR PSUs”) at the time of the grant.
- Vesting provisions and terms incentivize a long-term management focus on financial performance and stockholder value.

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How We Make Compensation Decisions

Role of the Compensation Committee. The Compensation Committee meets regularly throughout the year, although its primary decision-making occurs following the close of the fiscal year, when the Compensation Committee: (1) approves total compensation levels for our NEOs for the current fiscal year, including any adjustment to salary, target annual KCP bonus opportunities and annual equity grant values; (2) determines whether performance targets have been satisfied for performance-based equity granted during previous fiscal years; and (3) approves payments under the KCP and any other cash bonuses applicable to our executives for the previous fiscal year. As discussed above, the Compensation Committee met six times in 2018, and otherwise acted by unanimous written consent.

Role of the Independent Compensation Consultant. Since 2015, the Compensation Committee has engaged FW Cook as its independent compensation consultant to assist in structuring and carrying out the Company's executive and non-employee director compensation programs. FW Cook:

Regularly attends Compensation Committee meetings, including meeting in executive session with the Compensation Committee;

Provides advice on the appropriateness and competitiveness of our compensation program relative to market practice, including advising the Compensation Committee on the selection of our peer group;

Consults on executive compensation trends and developments;

Consults on various compensation matters and recommends compensation program designs and practices to support our business strategy and objectives;

At the direction of the Compensation Committee, cooperates with management to compile market data and review the appropriateness of such data; and

Works with management to assess the potential risks arising from our compensation policies and practices.

Role of Management. The Compensation Committee generally solicits management's input with respect to the executive compensation program. The Chief Executive Officer and representatives from the Human Resources and Legal departments generally attend Compensation Committee meetings to make presentations/recommendations regarding, and to discuss management's viewpoint on, various compensation matters related to pay levels, program design, and related policies. The Chief Executive Officer is not present for deliberations regarding his own compensation.

Compensation Peer Group. The Compensation Committee uses a peer group to review executive pay, consider the retention value of compensation and provide a foundation for other compensation design and award decisions. The Compensation Committee engages FW Cook to assist and make recommendations relating to the periodic selection and review of companies to be included in the "Compensation Peer Group."

The following table sets forth the companies included in the 2018 Compensation Peer Group, which were identified based on industry, business complexity, revenue and market capitalization value. With respect to revenue and market capitalization value, peer companies were generally limited to those with revenue between 0.33-3.0x the Company's size and market capitalization value between 0.25-4.0x the Company size. At the time the Compensation Peer Group was approved by the Compensation Committee, it was positioned in a 25th to 75th percentile range on both measures, with revenues above the median and market capitalization value below.

Table of Contents2018 Compensation Peer Group<sup>(1)</sup>

Banc of California, Inc.	Green Dot Corporation
Black Knight, Inc.	HMS Holdings Corporation
Blackhawk Network Holdings Inc.	HomeStreet, Inc.
Bofl Holding, Inc.	LendingClub
Cathay General Bancorp	Moneygram International Inc.
Corelogic Inc.	PRA Group, Inc.
Credit Acceptance Corp.	Walker & Dunlop, Inc.
CSG Systems International, Inc.	Washington Federal, Inc.
Enova International, Inc.	Western Alliance Bancorporation
Fair Isaac Corporation	World Acceptance Corp.
FirstCash, Inc.	

Compared to the prior peer group the following companies were removed from the Company's Compensation Peer Group for 2018: Evercore Partners Inc.; ExlService Holdings, Inc.; GFI Group; MAXIMUS, Inc.; Nelnet, Inc.; OneMain Holdings Inc.; Sykes Enterprises, Incorporated; and Walter Investment Management Corp. Compared to (1) the prior peer group the following companies were added to the Company's Compensation Peer Group for 2018: Banc of California, Inc.; Black Knight, Inc.; Bofl Holding, Inc.; Cathay General Bancorp; Enova International, Inc.; Fair Isaac Corporation; FirstCash, Inc.; HMS Holdings Corporation; HomeStreet, Inc.; LendingClub; Walker & Dunlop, Inc.; Washington Federal, Inc.; and Western Alliance Bancorporation.

“Say-on-Pay” Advisory Vote on Executive Compensation. The Compensation Committee considered the results of the 2018 advisory vote and other factors in evaluating the Company's executive compensation programs as discussed herein, including the advice of FW Cook. No changes were made to the Company's executive compensation program and policies explicitly as a result of the 2018 “say-on-pay” vote.

## Overview of 2018 Compensation

## Base Salary.

Our philosophy is to pay base salaries that are commensurate with the NEO's experience and expertise, taking into account, among other things, the recommendation of our independent compensation consultant, FW Cook, and competitive market data for executives with similar roles and responsibilities. The Compensation Committee reviews each NEO's base salary annually considering general market salary data, an assessment of corporate performance, as well as individual performance of each NEO.

Name	Base Salary at December 31, 2017	Base Salary at December 31, 2018	% Increase
Ashish Masih	\$ 650,000	\$ 750,000	15.4 % <sup>(1)</sup>
Jonathan C. Clark	\$ 510,000	\$ 575,000	12.7 % <sup>(2)</sup>
Gregory L. Call	\$ 400,000	\$ 400,000	— %
Paul Grinberg	\$ 600,000	\$ 600,000	— %

<sup>(1)</sup> Mr. Masih received a raise to \$750,000 from \$650,000 in March 2018 in connection with the Compensation Committee's annual review of salaries.

<sup>(2)</sup> Mr. Clark received a raise to \$535,500 from \$510,000 in March 2018 in connection with the Compensation Committee's annual review of salaries. His base salary was again increased, to \$575,000, in August 2018, in connection with his expanded role as a result of the Cabot Acquisition.

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## KCP Bonus.

KCP Bonus Overview. KCP bonus is an annual bonus plan designed to motivate and reward achievement of our short-term business goals and to attract and retain highly-talented individuals. The KCP bonus opportunity for each NEO is directly linked to both the Company's achievement of certain annual operational performance objectives, as well as to the NEO's individual performance during the applicable year. Company and individual goals are designed to incentivize management to drive strong operating performance and create stockholder value.

Determining Threshold, Target and Maximum Bonus Amounts. Each NEO's target bonus is a stated percentage of his base salary (100% of base salary for Messrs. Masih, Clark and Grinberg and 75% of base salary for Mr. Call), which is determined at the beginning of each year by the Compensation Committee taking into account, among other things, the recommendation of our independent compensation consultant, FW Cook, and competitive market data. For 2018, the threshold bonus percentage for all our NEOs was 50% of the NEO's target amount and the maximum bonus percentage for each NEO was 200% of the target amount.

Initial Performance Goal. For the 2018 KCP bonus, the Compensation Committee established adjusted net income as the initial performance hurdle for the KCP. Adjusted net income is calculated as GAAP net income from continuing operations attributable to Encore, excluding non-cash interest and issuance cost amortization relating to our convertible notes, acquisition, integration and restructuring related expenses, gain on reversal of contingent consideration, amortization of certain acquired intangible assets, and other charges or gains that are not indicative of ongoing operations, income tax effects of the adjustments and adjustments attributable to noncontrolling interest. Under the KCP, if the Company achieved \$64.3 million of adjusted net income, then the bonus plan for the NEOs would fund at the maximum percentages (i.e., 200% of target), and the Compensation Committee would then apply negative discretion to determine the actual payouts. We achieved adjusted net income of \$142.2 million, thereby exceeding our goal and funding the potential KCP bonus payments for our NEOs at maximum.

Assessing Performance for Funding and Payout: The Compensation Committee revised the 2018 KCP bonus compensation structure by adding additional performance measure categories to determine baseline funding and changing individual performance to be a secondary modifier to better align NEO pay with our global values and the successful execution of our business strategy. Below is a table of the elements of the 2018 KCP bonus and their relative weights:

Weighting	Category	Performance Measures
50%	Stockholder Value	Adjusted EBITDA <sup>(1)</sup>
20%	Strategic Initiatives	Achievement of Certain Milestones for Strategic Initiatives <sup>(2)</sup>
15%	Consumer Experience	Call Quality Score Goals <sup>(3)</sup>
15%	People Initiatives	Employee Engagement and Diversity Goals <sup>(4)</sup>

(1) Adjusted EBITDA is defined as net income before discontinued operations, interest income and expense, taxes, depreciation and amortization, stock-based compensation expenses, acquisition, integration and restructuring related expenses, settlement fees and related administrative expenses and other charges or gains that are not indicative of ongoing operations.

(2) The Compensation Committee established certain milestones for strategic initiatives related to the successful and timely implementation of technological advancements in the Company's domestic collections platforms, which the Company expects will increase collections efficiency.

(3) We believe that our interests, and those of the financial institutions from which we purchase portfolios, are closely aligned with the interests of government agencies seeking to protect consumer rights. To reinforce this principled intent, the Compensation Committee established a performance measure based on "call quality" scores, where each call is rated on a scale of 0-100% based on not only compliance with all relevant laws and regulations, but also performance against certain internal standards designed and established to, among other things, improve consumer experience.

(4) The Compensation Committee established various metrics related to employee engagement and diversity goals. The Compensation Committee believes that the established performance measures are key drivers of our success and stockholder value, drive innovation and reinforce our global values. Each of these performance measures is also

directly affected by the decisions of the NEOs. In March of 2018, the Compensation Committee established the target for Adjusted EBITDA at \$480.7 million (an increase of approximately 18% from the prior year's actual Adjusted EBITDA of \$406.6) based on the Company's 2018 budget, which had been established by the Board based on 2017 actual performance and expected growth in 2018. The Compensation Committee established the metric targets and milestones for the other performance measures based on corporate strategy and our general compensation philosophy



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and objectives. All metric targets represented increases from prior year performance. The table below presents the Company's performance in 2018 against those pre-established targets (dollar amounts in millions):

Performance Measures	Target	2018 Actual	Achievement (% of Target)	Element Funding %	Weighting	KCP Funding
Adjusted EBITDA <sup>(1)</sup>	\$480.7	\$461.6	96.0	% 90.1	% 50.0	% 45.0
Strategic Initiatives <sup>(2)</sup>			100.0	% 100.0	% 20.0	% 20.0
Call Quality Score Goals <sup>(3)</sup>	97.50	% 97.84	% 100.3	% 113.6	% 15.0	% 17.0
Employee Engagement and Diversity Goals <sup>(1)</sup>			114.2	% 171.0	% 15.0	% 25.6
						107.7 %

Under the 2018 KCP for the Adjusted EBITDA and employee engagement and diversity goal metrics, the Compensation Committee approved a 5-to-1 slope for performance above target and a 2.5-to-1 slope for performance that is below target, meaning that for every 1% the Company performs above target for an element, the funding for that element increases by 5% and, conversely, for every 1% the Company performs below target for an element, the funding for that element decreases by 2.5%. The calculation of the achievement for these metrics was formulaic based on 2018 actual performance compared to target.

The Compensation Committee determined that the Company had achieved the milestones related to the successful and timely implementation of technological advancements in the Company's domestic collections platforms and determined to fund this element at 100%.

The maximum possible Call Quality Score is 100%. For performance between the target and maximum Call Quality Score, linear interpolation was utilized with a maximum element funding of 200%.

The KCP funded at 107.7% based on corporate performance. The Compensation Committee then had the ability to adjust KCP payouts based on its assessment of each executive's individual performance and contributions. The CEO's individual performance is evaluated by the Compensation Committee based on a performance review completed by all independent directors of the Board. The CEO provides the Compensation Committee with performance evaluations for each of the other executive officers, including the other NEOs. Based on these evaluations the Compensation Committee then analyzed individual performance and contributions including, for Mr. Masih, his leadership in executing the Company's business strategies in 2018, as evidenced by records for purchases, collections, revenue and earnings, the completion of the Cabot Acquisition, improvements in digital collections and other technological advancements; for Mr. Clark, his role in the Cabot Acquisition and his achievements in managing financial risk and ensuring liquidity, while delivering strong financial results; and for Mr. Call, his leadership with respect to human resources matters, legal and regulatory matters and reducing business and legal risk. Based on the analysis above, the Compensation Committee established the following KCP bonus payments to our NEOs for 2018, which resulted in a weighted average payout to NEOs of 103% of target:

Name	2018 KCP Bonus Target % (of Base Salary)	2018 KCP Bonus Target <sup>(1)</sup>	2018 KCP Actual Bonus Received	Bonus Paid as a % of Target
Ashish Masih	100.0 %	\$ 750,000	\$ 750,000	100.0 %
Jonathan C. Clark	100.0 %	\$ 549,135	<sup>(2)</sup> \$ 591,418	107.7 %
Gregory L. Call	75.0 %	\$ 300,000	\$ 323,100	107.7 %
Paul Grinberg	100.0 %	\$ 600,000	\$ 600,000	100.0 % <sup>(3)</sup>

The KCP bonus target is calculated as base salary multiplied by the KCP bonus target percentage established by the Compensation Committee for each NEO. The threshold KCP bonus percentage was 50% of target and the maximum bonus percentage for each executive was 200% of target.

The KCP bonus target is calculated based on a pro-rata salary for employees that received base salary increases during the year.

(3)

Consistent with the requirements of the Transition Agreement, Mr. Grinberg completed his duties and responsibilities in a manner consistent with his service in prior years and as such his KCP bonus will be paid at target. Pursuant to the Transition Agreement his KCP bonus will be paid in July 2019. See the section titled “Paul Grinberg Transition Agreement” below.

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## Restricted Stock Units. Performance Equity.

Our annual long-term equity incentive awards are intended to create a direct correlation between the Company's financial and stock price performance and compensation paid to our NEOs; attract, motivate, and retain our NEOs; assist in building equity ownership of our NEOs to further align their long-term interests with those of our stockholders; and reward the creation of stockholder value. Under our 2017 Incentive Award Plan (the "2017 Plan"), the Committee may grant various forms of equity awards.

The target value of annual equity awards granted to NEOs is determined by the Compensation Committee taking into account, market data, individual performance, the individual's ability to drive Company results, leadership potential and retention. Aggregate equity costs are also evaluated in the context of the dilutive effect to stockholders. Equity awards for our NEOs in 2018 were granted as a targeted mix of 50% RSUs and 50% PSUs. Of the PSUs, 80% are EPS PSUs and 20% are TSR PSUs.

In 2018, the Compensation Committee approved the grant of equity awards to our NEOs with the following targeted values:

Name	RSU <sup>(1)</sup> (#)	Target RSU (\$)	Target EPS PSU <sup>(1)(2)(3)</sup> (#)	Target EPS PSU <sup>(3)</sup> (\$)	TSR PSU <sup>(1)(2)</sup> (#)	Target TSR PSU (\$)
Ashish Masih	16,411	\$750,000	13,129	\$600,000	2,553	\$150,000
Jonathan C. Clark	10,393	\$475,000	8,315	\$380,000	1,617	\$95,000
Gregory L. Call	7,658	\$350,000	6,126	\$280,000	1,191	\$70,000
Paul Grinberg	9,299	\$425,000	7,439	\$340,000	1,446	\$85,000

Unit amounts were determined by dividing the targeted value by \$45.70 (the closing price on the date of grant) for (1) the RSUs and EPS PSUs and by \$58.75 (the fair value on the date of grant as determined under a Monte Carlo valuation in accordance with accounting rules) for the TSR PSUs.

(2) Amounts represent target shares.

Because of the accounting rules governing preparation of the Summary Compensation Table, the grant date fair value for the EPS PSUs awarded in 2018 as reported in the Summary Compensation Table are different than the target award values set forth in the table above. As discussed below, unlike the Company's previous EPS based performance awards, goals for all three years were not set at the time of grant. The EPS PSUs granted to NEOs in 2018 will vest in three annual tranches based on the achievement of Economic EPS targets established by the Compensation Committee at the beginning of each applicable year, based on the Company's Economic EPS budget (3) for that year. Under the applicable accounting rules, the Summary Compensation Table only reflects the value of grants made during the year for which applicable performance goals have been set. Only the performance goals for the 2018 fiscal year were approved at the time the PSUs were awarded in 2018. As a result, for the 2018 EPS PSUs, the Summary Compensation Table does not include the value of the PSUs that could vest with respect to fiscal 2019 or fiscal 2020. Such amounts will be included in the Summary Compensation Table for fiscal 2019 and fiscal 2020, respectively, when the performance goals are established. The target grant values set forth in the table above reflect the value of the entire 2018 PSUs, without regard for when the performance goals are established.

## Restricted Stock Units.

2018 Time-Based Restricted Stock Units. The time-based RSUs granted to NEOs on March 9, 2018 under the 2017 Plan vest in three equal annual installments on each of March 9, 2019, March 9, 2020 and March 9, 2021 subject to continued employment with the Company.

## Performance Equity.

For 2018 performance-based equity awards, the Compensation Committee determined to return to a design similar to the one used in 2016, consisting of a combination of EPS PSUs and TSR PSUs.

2018 EPS PSUs. The EPS PSUs granted to the NEOs in 2018 vest in three annual tranches based on the achievement of Economic EPS targets established by the Compensation Committee at the beginning of each applicable year (2018, 2019, 2020), based on the Company's Economic EPS budget for that year. If a threshold Economic EPS goal is

achieved during the applicable year, then at least 50% of the target EPS PSUs eligible to vest with respect to

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that year will vest, and if a certain maximum goal is achieved or exceeded during the applicable year, then 200% of the target EPS PSUs eligible to vest with respect to that year will vest.

Target Economic EPS for 2018 was \$4.83 (a 19.6% increase from prior year Economic EPS of \$4.04) and is defined as adjusted income from continuing operations attributable to Encore, which excludes non-cash interest and issuance cost amortization relating to our convertible and exchangeable notes, acquisition, integration and restructuring related expenses, settlement fees and related administrative expenses, amortization of certain acquired intangible assets and other charges or gains that are not indicative of ongoing operations.

Description	Economic EPS Target <sup>(1)</sup>	2018 Economic EPS Result	Vesting Percentage
2018 EPS PSU Grant - Tranche 1	4.83	4.98	138.5 % <sup>(1)</sup>

(1) Amount calculated based on the interpolated difference between \$4.83 (the target goal) and \$5.22 (the maximum goal).

Name	2018 PSU Grant - Tranche 1 - Target (#)	Vesting Percentage	2018 PSU Grant - Tranche 1 - Total Vesting (#)
Ashish Masih	4,376	138.5 %	6,060
Jonathan C. Clark	2,772	138.5 %	3,839
Gregory L. Call	2,042	138.5 %	2,828
Paul Grinberg	2,480	138.5 %	3,434

2018 TSR PSUs. The 2018 TSR PSUs have a performance period that runs from March 2018 through December 2020 and will cliff vest on March 9, 2021 based on continued employment through that date and the Company's three-year relative total stockholder return compared to the other companies in the S&P SmallCap 600 Financial Sector Index as of the date of grant. The Compensation Committee chose relative total stockholder return as an objective metric to evaluate our performance against the performance of other broadly similar companies and to align the interests of our NEOs with the interests of stockholders. The Compensation Committee worked with FW Cook to select the S&P SmallCap 600 Financial Sector Index for use as comparison.

Zero to 200% of the target TSR PSUs are eligible to vest, depending on the Company's relative total stockholder return percentile ranking, as set forth in the table below. No TSR PSUs vest if our relative total stockholder return performance is below the 30th percentile. In addition, if our absolute total stockholder return for the performance period is negative, the number of TSR PSUs that vests is capped at 100% of the target number of shares regardless of our percentile ranking. If our relative total stockholder return percentile ranking is above the 30th percentile and between the levels shown in the table below, the portion of the TSR PSUs that vests is linearly interpolated between the two nearest vesting percentages, as follows:

Relative Total Stockholder Return Percentile v. S&P Small Cap 600 Financial Sector Index Companies	TSR PSUs Vesting as a percentage of Target
90th or above	200 %