

PORTFOLIO RECOVERY ASSOCIATES INC
Form DEF 14A
April 19, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Exchange Act of 1934 (Amendment No. _)

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 Pursuant to §240.14a-12

PORTFOLIO RECOVERY ASSOCIATES, 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:

(2) Aggregate number 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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

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Portfolio Recovery Associates, Inc.

130 Corporate Boulevard

Norfolk, VA 23502

April 19, 2013

LETTER FROM THE BOARD OF DIRECTORS TO OUR STOCKHOLDERS

Each of us takes special pride this year in acknowledging the leadership of Portfolio Recovery Associates, Inc. (PRA) and its U.S. and U.K. employees who helped the Company deliver yet another year of record results in 2012. As a result, PRA stock significantly outperformed the leading stock indices as well as the Company's peers, ending 2012 with a 58% return.

As you know, our role as members of your Board of Directors is to continue to maintain the high standards of governance, ethics and transparency that you've come to expect of PRA. And we remain accessible and accountable to each of you. As we do each year, this letter outlines some of the steps that the Board has taken to ensure that in 2012 we acted responsibly and appropriately to protect the integrity and long-term security of the Company.

We note that with increasing federal and state regulatory scrutiny over financial institutions, PRA must remain focused on compliance. We believe PRA's employees are adhering to the highest standards in the debt collection industry. The Board continues to do its part to ensure that governance concerns are promptly and meaningfully addressed, and continues to review governance policies so that PRA serves the best interests of the Company's stockholders at all times.

The following are highlights from our activities and initiatives in 2012, which can be found in greater detail in our proxy statement:

Compliance Oversight: The Consumer Financial Protection Bureau began its supervision of larger consumer debt collectors in 2013. While PRA has always maintained a strong focus on compliance, the Board believed it was prudent to dedicate additional resources in 2012 to this effort, creating a separate Compliance Department. The objective of PRA's Compliance Department is to assist the Company in maintaining the highest standards of integrity and ethical conduct, while maintaining its focus on compliance with the variety of laws and regulations that have an impact on our business. This department has direct and regular access to the Board of Directors.

Risk Oversight: In 2012, the Risk Management Group continued on its agenda to formally document known risks, assess the sufficiency of risk identification, and recommend the appropriate manner in which to control or mitigate those risks. In addition, the Compensation Committee, as part of reviewing the Company's compensation programs, considered the potential impact such programs have on incentivizing the Company's officers and directors to take risks.

Strategic Guidance: It is the Board's responsibility to provide strategic guidance to management on the long-term direction and sustainability of the Company. The Company's record results are a testament to the strategic and operational goals established for 2012. We remain pleased with the focus that management places on long-term growth in earnings as opposed to short-term quarterly results. We believe this strategy continues to benefit the Company and its stockholders.

Engaging with our Stockholders: PRA provides a variety of channels to communicate and engage with our stockholders including the annual report, quarterly reports, news releases, presentations at the annual meeting of stockholders, and one-on-one as well as group meetings at industry and investor conferences. Management also holds conference calls following the public disclosure of quarterly earnings. These calls are accessible to the public and remain archived for seven days at the Company's website. In 2012, we once again sought an annual advisory vote to approve named executive officer compensation (which is also referred to as a Say on Pay vote). Stockholders who participated in the Say on Pay vote in 2012 indicated their satisfaction with our approach to executive compensation. We hope you continue to fully understand and value our approach to named executive officer compensation and

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provide your endorsement when voting your proxy.

Talent Management and Succession Planning: We believe that PRA has a strong team of talented leaders, and we go to great lengths to recruit and retain top executives. We are actively involved in oversight of the Company's talent management strategies and

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programs. While succession planning is a component of the Nominating and Corporate Governance Committee's Charter, each year the full Board participates in a thorough review of the succession plans for all key leadership positions. We also fully review the Company's talent management plans in support of its business strategy at least once each year. In 2012, we embarked on identifying the necessary competencies for success for Non-Employee directors and for each member of our Executive Leadership team.

We encourage your feedback and support on these or any of our other initiatives, and we invite you to send your ideas and suggestions to Judith Scott, EVP, General Counsel and Secretary of PRA, at jsscott@portfoliorecovery.com. Or, if you would prefer to write to us via postal mail, our contact information can be found in the section of the Proxy Statement entitled Communication with Directors.

As always, we are committed to serving you, our stockholders, and we thank you for your continued support.

Steven D. Fredrickson

David N. Roberts

Penelope W. Kyle

James M. Voss

John H. Fain

John E. Fuller

Scott M. Tabakin

The Board of Directors

Portfolio Recovery Associates, Inc.

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Portfolio Recovery Associates, Inc.
130 Corporate Boulevard
Norfolk, VA 23502

April 19, 2013

LETTER FROM THE CHAIRMAN AND CEO

Dear Fellow Stockholders:

We are pleased to invite you to the Annual Meeting of Stockholders on May 30, 2013 at our Corporate Headquarters located at 130 Corporate Boulevard, Norfolk, Virginia 23502 at 12:00 p.m. local time. We look forward to your attendance at the meeting and we encourage you to complete, sign and date the enclosed proxy card to vote your shares or vote your shares on the Internet, whether or not you are planning to attend.

Every stockholder's vote is important and valued by the Company. We are making an effort to improve our outreach to stockholders by providing more information about our Company. We hope that you will find our Proxy Statement to be easy-to follow, and that it will aid in your ability to designate your proxy vote.

Once again I thank you for your commitment to the Company and I urge you to vote your shares now.

Sincerely,

Steven D. Fredrickson
Chairman and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

OF PORTFOLIO RECOVERY ASSOCIATES, INC.

Date: May 30, 2013
Time: 12:00 p.m. Local Time
Place: Portfolio Recovery Associates, Inc.
Riverside Commerce Center

130 Corporate Blvd

2nd Floor

Norfolk, VA 23502

The enclosed Proxy Statement describes the proposals which will be on the ballot at the Annual Meeting of Stockholders of Portfolio Recovery Associates, Inc., and any adjournments or postponements thereof, as well as other important information about the Company. The proposals for which your vote is being solicited are:

1. Election of Directors to serve three year terms;
2. Approval, on a non-binding advisory basis, of the compensation of our Named Executive Officers;
3. Ratification of the appointment of KPMG LLP as the Company's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2013;
4. Approval of the Company's 2013 Omnibus Incentive Plan;
5. Approval of the Company's 2013 Non-Equity Incentive Plan; and
6. Such other matters as may properly come before the Annual Meeting or any adjournments thereof.

Stockholders of record as of the close of business on April 4, 2013 are entitled to receive notice of, and to vote at, the Annual Meeting. Included in these materials are the Proxy Statement; the Company's 2012 Annual Report to Stockholders, which includes the Company's audited consolidated financial statements for the fiscal year ended December 31, 2012; this Notice of the Company's 2013 Annual Meeting; and your Proxy Card. These materials are first being mailed to stockholders on or about April 19, 2013, and are also available online at the Company's website at www.portfoliorecovery.com.

By Order of the Board of Directors,

Judith Scott
EVP, General Counsel and Corporate Secretary

April 19, 2013

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SUMMARY OF KEY ELEMENTS OF PROXY STATEMENT

2013 Proxy Summary

The following is a summary of information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider, and you should read the entire Proxy Statement carefully before voting.

Annual Meeting of Stockholders

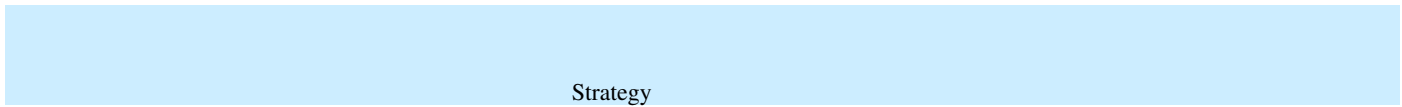
Time and Date	12:00 P.M. Eastern Daylight Time, May 30, 2013	Record Date	April 4, 2013
Place	Riverside Commerce Center, 2nd Floor 130 Corporate Boulevard Norfolk, VA 23502	Voting	Stockholders receive one vote per share of common stock owned as of the record date.

Meeting Agenda and Voting Matters

Proposal	Board Vote Recommendation	Page Reference
Election of Directors	For	4
Advisory Vote to Approve Named Executive Officer Compensation	For	18
Ratification of Independent Registered Public Accounting Firm	For	20
Adoption of 2013 Omnibus Incentive Plan	For	21
Adoption of 2013 Annual Bonus Plan	For	28

Board Nominees

Name	Age	Director Since	Principal Occupation	Experience / Qualifications	Committee Memberships			
					Independent	Audit	Compensation	Nominating & Governance
John H. Fain	64	2010	Former CEO Metro Information Services	Finance Technology Management Complex Organizations Diversity High Growth Companies Leadership Entrepreneurial	Yes	X	X	



Strategy

Finance

Financial Industry

David N. Roberts
(Lead Director)

51

2002

COO Angelo,
Gordon &
Company

Management

Political/Finance
Policies

Yes

Chair

X

Strategy

Entrepreneurial

2012 Summary Compensation⁽¹⁾

Name and Principal Position	Year	Salary	Cash Bonus	Stock Bonus	Stock Awards	Non-Equity Incentive		Total
						Plan Compensation	All Other Compensation	
Steven D. Fredrickson Chairman, President and Chief Executive Officer	2012	\$ 725,000			\$ 1,499,981	\$ 1,300,000	\$ 10,000	\$ 3,534,981
	2011	\$ 573,306			\$ 1,241,824	\$ 1,185,000	\$ 9,920	\$ 3,010,050
	2010	\$ 520,000		\$ 91,884	\$ 701,862	\$ 1,185,000	\$ 9,800	\$ 2,508,546
Kevin P. Stevenson Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Assistant Secretary	2012	\$ 375,000			\$ 449,922	\$ 950,000	\$ 10,000	\$ 1,784,922
	2011	\$ 348,960			\$ 596,073	\$ 800,000	\$ 9,920	\$ 1,754,952
	2010	\$ 312,000			\$ 300,784	\$ 800,000	\$ 9,800	\$ 1,484,645
				\$ 62,061				
Michael J. Petit President, Bankruptcy Services	2012	\$ 325,000	\$ 270,000	\$ 299,989	\$ 2,699,894	\$ 730,000	\$ 10,000	\$ 4,334,883
	2011	\$ 274,244	\$ 750,000		\$ 596,073	\$ 550,000	\$ 9,920	\$ 2,180,237
	2010	\$ 244,400		\$ 319,516	\$ 439,695	\$ 973,500	\$ 9,800	\$ 1,986,911
Neal Stern Executive Vice President, Operations	2012	\$ 325,000			\$ 399,910	\$ 670,000	\$ 10,000	\$ 1,404,910
	2011	\$ 259,221			\$ 397,357	\$ 600,000	\$ 9,920	\$ 1,266,498
	2010	\$ 228,800		\$ 46,508	\$ 300,784	\$ 600,000	\$ 9,800	\$ 1,185,892
P. Kent McCammon Executive Vice President, Strategy and Business Development	2012	\$ 300,000			\$ 299,948	\$ 355,000	\$ 10,000	\$ 964,948
	2011	\$ 249,606			\$ 397,357	\$ 500,000	\$ 9,920	\$ 1,156,883
	2010	\$ 228,800			\$ 300,784	\$ 500,000	\$ 9,800	\$ 1,078,191
				\$ 38,807				

⁽¹⁾ Please see our 2012 Summary Compensation Table as required by the SEC on page 54, including the accompanying required footnotes and narrative disclosure.

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Financial Performance: Portfolio Recovery Associates Inc. delivered another year of record growth in 2012. This growth was evident in all of our significant financial metrics including net income, EPS, revenue, and cash collections.

Financial Metric	2008	2009	2010	2011	2012	Percent Increase from 2008
Net Income (in millions)	\$ 45.4	\$ 44.3	\$ 73.5	\$ 100.8	\$ 126.6	179%
Diluted Earnings Per Share	\$ 2.97	\$ 2.87	\$ 4.35	\$ 5.85	\$ 7.39	149%
Revenue (in millions)	\$ 263.3	\$ 281.1	\$ 372.7	\$ 458.9	\$ 592.8	125%
Cash Collections (in millions)	\$ 326.7	\$ 368.0	\$ 529.3	\$ 705.5	\$ 908.7	178%

Recognition: In addition to celebrating our 10th year as a public company, in 2012 our stock (Ticker Symbol PRAA on the NASDAQ Exchange) rose 58% year-over-year, significantly outperforming the leading stock indices and industry competitors. PRA's financial performance was also recognized publicly in 2012. The company was named one of Fortune's 100 Fastest Growing Companies in 2012, one of Forbes' Top 25 Best Small Companies in America in 2012, and continued its ranking as one of Forbes' 100 Best Small Companies, which it has been named each year since 2007.

Focus on Compliance: The Consumer Financial Protection Bureau began its supervision of larger consumer debt collectors in 2013. While PRA has always maintained a strong focus on compliance, the Board believed it was prudent to dedicate additional resources to this effort in 2012, creating a separate department focused on compliance. The objective of PRA's Compliance Department is to assist the Company in maintaining the highest standards of integrity and ethical conduct, while continuing its focus on compliance with the variety of laws and regulations that have an impact on our business. This department has direct and regular access to the Board of Directors.

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Strategic Acquisitions: In January 2012, we completed the acquisition of Mackenzie Hall Holdings Limited (Mackenzie Hall), a leading UK debt collection and purchasing group based in Kilmarnock, Scotland for approximately \$51 Million. Mackenzie Hall is one of the UK's fastest-growing businesses in consumer debt recovery, and with this acquisition, PRA expanded into the global market, giving us opportunities to continue to diversify revenue and services.

In December 2012, we completed the acquisition of certain finance receivables and other operating assets of National Capital Management, LLC (NCM) for \$107 Million. With this acquisition, we increased our presence in the bankruptcy market by acquiring expertise in secured bankruptcy receivables.

Business and Government Services: In October 2012, Steven C. Roberts was hired as our President, Business and Government Services to improve sales and profitability of our Business and Government services.

COMPENSATION HIGHLIGHTS

The consistent, strong performance summarized on the previous page is reflected in the compensation that our senior executives earned in 2012, as described in the Compensation Discussion and Analysis in this Proxy Statement.

The Board awarded Steven D. Fredrickson, our CEO, incentive compensation for 2012 which was tied to business results, including a non-equity incentive plan award of \$1,300,000 and a Long-Term Equity Program incentive equity award valued at \$1,500,000. The compensation of our other senior Named Executive Officers (to whom, along with our CEO, we collectively refer as NEOs) further reflects both our strong 2012 performance and our compensation philosophy. Consistent with our executive compensation philosophy, a significant portion of both our CEO's and other NEOs' total compensation is incentive-based and at risk, as illustrated in the following graphs:

Comparing PRA to our peer group (as listed on page 40 of this Proxy Statement) on a one, three and five year basis, our percentile ranking in terms of total stockholder return significantly exceeds the percentile ranking of our CEO's target and realizable pay.

	One Year	Three Years	Five Years
Total Stockholder Return ¹	93rd Percentile	86th Percentile	64th Percentile
CEO Target Pay ²	55th Percentile	35th Percentile	36th Percentile
CEO Realizable Pay ³	70th Percentile	51st Percentile	43rd Percentile

(1) As of December 31, 2012; assumes reinvestment of dividends.

(2) CEO target pay is based on compensation information reported in the most recently filed proxy statements of the Company's 2012 compensation peer companies listed on page 40 of this proxy statement; target pay was calculated as the sum of (a) annual base pay, (b) target bonus, (c) grant date fair value of stock options, (d) grant date fair value of stock awards and (e) target long-term cash awards.

(3) CEO realizable pay is based on compensation information reported in the most recently filed proxy statements of the Company's 2012 compensation peer companies listed on page 40 of this proxy statement; realizable pay was calculated as the sum of (a) annual base pay, (b) actual bonus, and for long-term incentive awards granted during the measurement period, (c) intrinsic value of stock options as of December 31, 2012, (d) value of restricted stock as of the vesting date or December 31, 2012, if not vested, (e) performance shares earned or target shares if the performance period ends after December 31, 2012 (based on the stock price at the vesting date or December 31, 2012, if not vested), (h) earned performance cash awards or target values if the performance period ends after December 31, 2012.

Further detail on the total compensation for our CEO and all other NEOs can be found in the Compensation Discussion and Analysis and the corresponding tables and narratives in this Proxy Statement.

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STOCKHOLDER ACTIONS

Described below are the proposals that are included on the enclosed proxy card and will be on the ballot at the Annual Meeting, and any adjournments or postponements thereof.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Bylaws provide for the annual election of Directors. The Company's Bylaws also provide that the number of Directors shall be determined by the Board, which is currently set at seven Directors in three classes. At the Annual Meeting, the term of the class of directors consisting of John H. Fain, John E. Fuller and David N. Roberts will expire, and the names of John H. Fain and David N. Roberts will be placed on the ballot for re-election. John E. Fuller will not be seeking re-election. To be elected as a Director, a nominee must receive the affirmative vote of a plurality of the votes cast. In an uncontested election, any nominee for Director who receives a greater number of withheld votes than for votes is required to tender his or her resignation for consideration by the Nominating and Corporate Governance Committee of the Board of Directors.

PROPOSAL 2

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Company will again be presenting a proposal which gives stockholders the opportunity to approve, on a non-binding advisory basis, the compensation of its NEOs as described in the Proxy Statement. The affirmative vote of a majority of the shares of common stock presented, in person or by proxy, at a meeting at which a quorum is present, is required to approve the compensation of the Company's NEOs as disclosed in the Proxy Statement. Under Delaware law, abstentions are counted as shares present and entitled to vote at the meeting. Therefore, abstentions will have the same effect as a vote against the advisory vote to approve. While this vote is advisory in nature and therefore will not bind the Company to take any particular action, the Compensation Committee of the Board will continue to consider the results from this year's and future advisory votes regarding executive compensation.

PROPOSAL 3

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ratification of the appointment of the Company's independent registered public accounting firm for the year ending December 31, 2013 requires the affirmative vote of a majority of the shares of common stock presented, in person or by proxy, at a meeting at which a quorum is present. Under Delaware law, abstentions are counted as shares present and entitled to vote at the meeting. Therefore, abstentions will have the same effect as a vote against the ratification of the Company's independent registered public accounting firm. The Audit Committee evaluates the performance of the Company's independent registered public accounting firm each year and determines whether to reengage the current audit firm or consider other audit firms. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' technical expertise and their knowledge of the Company's global operations and industry.

PROPOSAL 4

APPROVAL OF 2013 OMNIBUS INCENTIVE PLAN

The Board of Directors has approved, subject to stockholder approval, an Omnibus Incentive Plan. The 2013 Omnibus Incentive Plan as proposed is attached as [Appendix A](#) to this Proxy Statement. The purpose of the 2013 Omnibus Incentive Plan is to allow the Company to provide key employees incentives in the form of long-term compensation awards, such as stock options, deferred stock units and restricted stock. Approval of the 2013 Omnibus Incentive Plan requires the affirmative vote of a majority of the shares of common stock represented, in person or by proxy, at a meeting at which a quorum is present.

PROPOSAL 5

APPROVAL OF 2013 NON-EQUITY INCENTIVE PLAN

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The Board of Directors has approved, subject to stockholder approval, the 2013 Annual Non-Equity Incentive Plan (the 2013 Non-Equity Incentive Plan). Pursuant to our 2013 Non-Equity Incentive Plan, we may provide annual performance-incentive bonuses to our NEOs. Non-equity incentive awards paid, if any, are tied to the achievement of certain pre-defined financial and other business performance goals. The 2013 Non-Equity Incentive Plan is a mechanism to provide annual incentive compensation tied to performance and to preserve the deductibility of this compensation in accordance with Section 162(m) of the Internal Revenue Code and related regulations. The 2013 Non-Equity Incentive Plan as

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proposed is attached as Appendix B to this Proxy Statement. Approval of the 2013 Non-Equity Incentive Plan proposal requires the affirmative vote of a majority of the shares of common stock represented, in person or by proxy, at a meeting at which a quorum is present. Abstentions and broker non-votes will not be counted in determining the number of votes cast for this proposal.

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PROXY STATEMENT

This proxy statement (the *Proxy Statement*) is furnished in connection with the solicitation of proxies by the Board of Directors (the *Board*) of Portfolio Recovery Associates, Inc. (which we refer to as PRA or the Company, and which includes Portfolio Recovery Associates, Inc. and its subsidiaries) in connection with the Annual Meeting of Stockholders scheduled for May 30, 2013, at 12:00 noon local time at PRA's Corporate Headquarters located at Riverside Commerce Center, 130 Corporate Blvd, 2nd Floor, Norfolk, Virginia 23502. These proxy materials are first being furnished to stockholders on or about April 19, 2013.

VOTING INSTRUCTIONS AND INFORMATION

Who May Vote

Each holder of the approximately 16,959,150 shares of the issued and outstanding shares of the Company's common stock at the close of business on April 4, 2013 (the *Record Date*) will be entitled to receive a notice of the Annual Meeting, and to attend and vote at the Annual Meeting. Such persons are considered *holders of record* and will be entitled to cast one vote per share owned for each proposal to be considered at the Annual Meeting.

Matters to be Presented

We are not aware of any matters to be presented at the meeting other than those described in this Proxy Statement. If any matters not described in the Proxy Statement are properly presented at the meeting, the proxies will use their own judgment to determine how to vote your shares. If the meeting is adjourned or postponed, the proxies can vote your shares at the adjournment or postponement as well.

Costs of Proxy Solicitation

The Company will bear the entire cost of this proxy solicitation, including its preparation, assembly, printing, as well as the mailing of this Proxy Statement, the proxy card, the Notice of Internet Availability of Proxy Materials and any additional solicitation materials sent by the Company to stockholders. In addition, proxies may be solicited by directors, officers and regular employees of the Company who will not receive any additional compensation for such solicitation by mail, email, facsimile, telephone or personal contact.

Attending the Annual Meeting

If you plan to attend the Annual Meeting and wish to vote your shares in person, you will be asked to present valid government-issued photo identification, such as a driver's license, in order to gain admission. If you are a holder of record, you will need to bring with you your proxy card or other documentation showing that you owned shares of the Company's common stock on the Record Date. You will not be able to vote your shares at the Annual Meeting without a proxy card or such other documentation. If you require special assistance due to a disability or other reasons, please notify the Corporate Secretary in writing at 140 Corporate Blvd, Norfolk, Virginia 23502, Attention: Judith Scott, EVP, General Counsel and Corporate Secretary, or by email at jsscott@portfoliorecovery.com.

If your shares are held by a broker, bank or other similar organization, bring one of the following with you to the Annual Meeting: the proxy card; the Notice of Internet Availability of Proxy Materials; any voting instruction form that is sent to you; or your most recent brokerage statement or a letter from your broker, bank or other similar organization indicating that you beneficially owned the shares of common stock as of the Record Date. We can use this information to verify your beneficial ownership of common stock in order to admit you to the Annual Meeting. If you intend to vote at the Annual Meeting, you also will need to bring to the Annual Meeting a proxy from your broker, bank or other similar organization that authorizes you to vote the shares that the holder of record holds for you in its name.

Revoking Your Proxy

You may change or revoke your proxy at any time before it is voted at the Annual Meeting by sending a written notice of revocation of your proxy to the Corporate Secretary so that it is received before the completion of voting at the Annual Meeting. You can also attend the Annual Meeting and vote in person, unless you are a beneficial owner, without a legal proxy. Your attendance at the Annual Meeting will not in and of itself revoke your proxy. In order to revoke your proxy, you must also notify the Corporate Secretary of your intent to vote in person, and then vote your shares at the Annual Meeting. If you require assistance in changing or revoking your proxy, please contact the Corporate Secretary at 140 Corporate Blvd, Norfolk, Virginia 23502, Attention: Judith Scott, EVP, General Counsel and Corporate Secretary or by email at jsscott@portfoliorecovery.com.

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Quorum and How Votes Are Counted

A quorum is required to transact business at the Annual Meeting. A majority of holders of the issued and outstanding shares of common stock of the Company entitled to vote, who are represented in person or by proxy, will constitute a quorum. Abstentions and broker non-votes are included in determining whether a quorum is present, which are explained below. Continental Stock Transfer and Trust Company has been appointed by the Board to act as the inspector of election. The inspector of election will tabulate the votes cast by proxy or in person at the Annual Meeting, and will determine whether or not a quorum is present. In the event that a quorum is not present, the Annual Meeting will likely be adjourned or postponed in order to solicit additional proxies.

Voting Your Proxy

Shares represented by proxy will be voted as directed on the proxy form and, if no direction is given, will be voted as follows:

1. **FOR** the election of each of the Director nominees;
2. **FOR** the approval, on a non-binding advisory basis, of the compensation of the Company's NEOs;
3. **FOR** the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2013;
4. **FOR** the approval of the Company's 2013 Omnibus Incentive Plan;
5. **FOR** the approval of the Company's 2013 Annual Non-Equity Incentive Plan; and
6. In the best judgment of the persons named in the proxies, with respect to any other matters that may properly come before the meeting.

Broker Non-Votes

Brokers, banks or other similar organizations holding shares in street name for customers who are beneficial owners of such shares are prohibited from voting such customers' shares on non-routine matters in the absence of specific instructions from such customers. The absence of a specific instruction is commonly referred to as a broker non-vote. If your shares are held in street name, it is critical that you vote or provide specific instructions to your broker, bank or similar organization if you want your vote to count. The ratification of the selection of KPMG LLP as the Company's independent registered public accounting firm is considered a routine matter. Therefore, the organization that holds your shares may vote on this matter without instructions from you and no broker non-votes will occur with respect to this matter. On the other hand, the election of directors, the approval, on a non-binding advisory basis, of the compensation of the Company's NEOs, the approval of our 2013 Omnibus Incentive Plan and the approval of our 2013 Non-Equity Incentive Plan are all considered non-routine matters. If you hold your shares through a bank, broker or other similar organization, the organization may not vote your shares on these non-routine matters absent specific instructions from you and absent specific instructions, the shares held by such organization are not counted as shares present and entitled to be voted with respect to such non-routine matters. Therefore, broker non-votes will exist with respect to such non-routine matters but will have no impact on the outcome of such non-routine matters.

If you received more than one proxy card, you may hold shares in more than one account. To ensure that all of your shares are voted, you must sign and return each card that you receive. Alternatively, if you vote online via the Internet, you will need to vote once for each proxy card you receive. As a holder of common stock of the Company, you are always invited to attend the Annual Meeting and vote your shares in person.

How to Vote

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You are entitled to cast one vote per share owned as of the Record Date for each proposal to be considered at the Annual Meeting. You may vote online, by mail or in person at the Annual Meeting.

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Voting By Mail

If you do not expect to attend the Annual Meeting in person, and choose to vote on the proposals on the agenda by mail, simply complete the proxy card, sign and date it, and return it in the postage-paid envelope provided. If you are a stockholder whose shares are held in street name (i.e., in the name of a broker, bank or other similar organization), you may obtain a proxy, executed in your favor, from the record holder. You may sign the proxy card and return it to the Company, or you may direct the record holder of your shares to vote your proxy in the manner you specify. Further, if your shares are held in street name, you must communicate your instructions respecting the voting of your shares to the record holder, or your broker will be prohibited from voting your shares. Voting by mail will not affect your right to vote in person if you decide to attend the Annual Meeting; however, if you wish to revoke your proxy, you must first notify the Corporate Secretary of your intent to vote in person, and must actually vote your shares at the Annual Meeting.

Voting and Viewing Proxy Materials via the Internet

Under rules approved by the Securities and Exchange Commission (SEC), the Company is furnishing proxy materials on the Internet in addition to mailing paper copies of the materials to each stockholder of record. Instructions on how to access and review the proxy materials on the Internet can be found on your proxy card and on the Notice of Internet Availability of Proxy Materials which is sent to stockholders who hold their shares in street name (i.e. in the name of a broker, bank or other similar organization). Voting over the Internet will not affect your right to vote in person if you decide to attend the Annual Meeting; however, if you wish to revoke your proxy, you must first notify the Corporate Secretary of your intent to vote in person, and vote your shares at the Annual Meeting. In addition, stockholders may request proxy materials in printed form by mail or electronically by email on an ongoing basis. This process provides stockholders with needed information in a timely manner, while conserving natural resources and lowering the costs of printing and distributing proxy materials.

Voting Results

The results of voting at the Annual Meeting will be filed with the SEC within four business days after the Annual Meeting and will be available on the SEC's website www.sec.gov or on our website www.portfoliorecovery.com. If the final results are not available at that time, we will provide preliminary voting results in a Form 8-K and will provide the final voting results in an amendment to the Form 8-K as soon as they are available.

Board Recommendations

THE BOARD RECOMMENDS THAT YOU VOTE:

FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES;

FOR THE APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION OF OUR NEOs;

FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2013;

FOR THE APPROVAL OF THE COMPANY'S 2013 OMNIBUS INCENTIVE PLAN; AND

FOR THE APPROVAL OF THE COMPANY'S 2013 ANNUAL NON-EQUITY INCENTIVE PLAN.

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PROPOSAL 1 ELECTION OF DIRECTORS

The Board currently consists of seven members in three classes. Each Director serves a three year term. One class of Directors is elected at each annual meeting of stockholders. Nominees for Director who receive the affirmative votes of a plurality of the shares represented and voting in person or by proxy at the Annual Meeting will be elected. The names of David N. Roberts and John H. Fain will be placed on the ballot for election to the Board in 2013. Mr. Roberts currently serves as Lead Director. John E. Fuller will not be seeking re-election. Accordingly, his term will effectively expire at the 2013 Annual Meeting, and if Messrs Roberts and Fain are elected, the Board will consist of six members.

Each of the nominees has consented to serve as Director if elected. We have no reason to believe that any of the current Directors will be unable or unwilling for good cause to serve. However, if any Director should become unable for any reason or unwilling for good cause to serve, proxies may be voted for another person nominated as a substitute by the Board, or the Board may reduce the number of Directors.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES.

Director Orientation, Education and Preparation

The Company conducts a formal orientation program for all new Directors, which includes one-on-one meetings with each of our executives and senior management, as well as the provision of extensive written material about the Company, its operating units and departments, and the industries in which the Company and its subsidiaries operate. Senior management reports and meetings with Directors involve operating performance overviews, strategic plans and significant financial, accounting and risk management issues. Directors visit the Company's departments and subsidiaries in order to gain additional knowledge about their operations. Further, all Directors participate as a group in ongoing continuing education through director education sessions that are held on a regular Board meeting date at least once per year. The Company also affords Directors the opportunity and funds to attend additional external director education programs. Management ensures that the Board is fully informed about the Company's business by providing regular written financial reports, reports of operations, compliance reports and updates and other relevant reports at Board meetings at least quarterly, as well as between meetings and at committee meetings. Board materials related to agenda items are provided sufficiently in advance of Board meetings to allow the Directors time to prepare for meaningful discussion. All Board members also receive comprehensive quarterly financial reports and budget briefings from the Chief Financial Officer (CFO). Members of senior management attend regular Board meetings, or portions thereof, for the purpose of participating in discussions and providing management reports on business unit operations and operational developments and risks. Directors also have access to members of management and employees of the Company between meetings and, as necessary and appropriate, may consult with and engage, at the Company's expense, independent legal, compensation, financial and accounting advisors to assist them in performing their duties to the Company and its stockholders.

Director Qualifications

The responsibility of service as a Director requires highly-skilled individuals with various qualities, skills, attributes, and professional experience. The Board believes that there are general requirements for service on the Board that are applicable to all Directors and that there are other skills and experiences that should be represented on the Board as a whole, but not necessarily by each Director. The Board and the Nominating and Corporate Governance Committee consider the qualifications of Directors and Director candidates individually and in the broader context of the Board's overall composition and the Company's current and future needs.

Qualifications for all Directors

The Board and the Nominating and Corporate Governance Committee require that each Director be a recognized person of high integrity and ethical standards with a proven record of success in his or her field. Directors (other than the CEO) should also be independent, as defined in NASDAQ Rule 5605(a)(2). Each Director must also have a familiarity with and respect for corporate governance requirements and practices as well as an appreciation for diversity. While the Board does not have a specific diversity policy, they do consider diversity of race, ethnicity, gender, age, cultural background, and professional experiences in evaluating candidates for Board membership. All Directors should have sufficient time to properly discharge the duties associated with serving as a Director and to attend and participate in Board and committee meetings. The Nominating and Corporate Governance Committee also prefers that Director candidates have intangible qualities including the ability to ask difficult questions while continuing to work collegially with the other Directors and members of management.

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In 2012, the Nominating & Corporate Governance Committee also reviewed the competencies that are most likely to make a Director candidate successful on Portfolio Recovery Associates Board. The top competencies that were identified are listed below.

Director Competencies:

Integrity and Trust	Composure
Strategic Agility	Perspective
Decision Quality	Political Savvy
Intellectual Horsepower	Patience
Business Acumen	

Following the review of competencies the Board of Directors reviewed the knowledge, skills and abilities that they also believe would be essential for a Board Member. Below are the knowledge, skills and abilities that were identified as being essential for all Board members.

Director Knowledge, Skills, and Abilities:

High integrity and ethical standards	An appreciation for diversity
A proven record of success	Strong strategic agility
Knowledge of corporate governance	Availability to prepare for and participate in Board and Committee meetings

In addition, being fully competent in management expertise, having solid leadership skills, and having advanced insight into business strategy are considered by the Board as being very important.

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Specific Qualifications, Attributes, Skills, and Experience to be Represented on the Board

The Board and the Nominating and Corporate Governance Committee have identified certain qualifications, attributes, skills, and experiences that are important to be represented on the Board as a whole, in light of the Company’s current needs and business priorities. The following table represents the characteristics that should be represented on the Board:

High Level of Financial Literacy, to include being knowledgeable and qualified to review financial statements	Business Strategy Skills	Political or Financial Sector Policy Expertise
Risk Oversight	Financial Industry Experience	Experience with High Growth Companies
Management Expertise	Sales and Marketing Experience	Entrepreneurial Spirit
Diversity	Government Experience	
Leadership Skills	Technology Experience	
	Understanding of and experience with complex public companies or like organizations	

Summary of Qualifications of Board of Directors (Active and Nominees)

The table below includes the specific qualifications, attributes, skills, and experience of each Director that led the Board to conclude that the Director is qualified to serve on the Board. While we look to each Director to be knowledgeable in these areas, an ‘X’ in the chart below indicates that the item is a specific qualification, attribute, skill or experience that the Director brings to the Board. **The lack of an ‘X’ for a particular item does not mean that the Director does not possess that qualification, attribute, skill, or experience.**

Qualification	Fain	Fredrickson	Fuller	Kyle	Roberts	Tabakin	Voss
High Level of Financial Literacy	X	X			X	X	X
Risk Oversight			X			X	X
Management Expertise	X	X	X	X	X	X	X
Diversity	X		X	X			
Leadership Skills	X	X	X	X	X	X	X
Business Strategy Skills	X	X	X	X	X	X	
Financial Industry Experience		X	X		X		X
Sales and Marketing Experience				X			

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Government Experience				X			
Technology Experience	X						
Experience with Complex Organizations	X	X		X		X	
Political or Financial Sector Policy Expertise				X	X		
Experience with High Growth Companies	X	X	X		X	X	X
Entrepreneurial Spirit	X	X	X			X	

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Table of Contents**BOARD OF DIRECTORS****Director Nominees Terms Expiring in 2013**

<i>John H. Fain</i>	Age: 64	PRA Committees:	Education:
		Audit	BS, Computer Science, University of South Carolina
	Director Since:	Compensation	
	March 2010		
	Class 2		

SKILLS AND QUALIFICATIONS

Mr. Fain has been a Director of PRA since March 1, 2010, and was elected to the Board by the Company's stockholders at the 2010 annual meeting. Mr. Fain has more than 25 years of business management experience, including service as the founder, President and Chief Executive Officer of Metro Information Services. Metro Information Services was an information technology consulting services firm which went public in 1997, and subsequently merged with Keane, Inc. in 2001. Prior to co-founding Metro Information Services, Mr. Fain developed and ran his own independent data processing consulting practice, servicing clients in multiple states. Mr. Fain is currently retired, and serves on the Investment Committee of the Hampton Roads Community Foundation and the Endowment Committee of the Virginia Beach Aquarium and Marine Science Center Foundation. Mr. Fain was appointed to the Board of Directors because of his insight with respect to the use of information technology strategies in large multi-state companies, his operational and financial expertise and his experience as a Chief Executive Officer and Director of a sizeable public company.

<i>David N. Roberts</i>	Age: 51	PRA Committees:	Education:
		Lead Director	BS, Economics, Wharton School of the University of Pennsylvania
	Director Since:	Compensation (Chair)	
	March 2002	Nominating and Corporate Governance	
	Class 2		
		Public Company Directorships in the Last Five Years:	
		AG Mortgage Investment Trust, Inc.	

SKILLS AND QUALIFICATIONS

Mr. Roberts has been involved with PRA since its formation in 1996, has been a Director of PRA since 2002 and currently serves as Lead Director. As Chief Operating Officer of Angelo, Gordon & Co. and a member of its executive committee, Mr. Roberts helped to start and grow a number of the firm's businesses, including opportunistic real estate, private equity and net lease real estate, and RMBS. Currently he is the Chief Executive Officer of the firm's publicly-traded REIT, AG Mortgage Investment Trust, Inc. Mr. Roberts, through his role at Angelo, Gordon & Co., helped to guide the Company through its transition from a small private company to a major, publicly-traded company. Prior to joining Angelo, Gordon & Co., Mr. Roberts was a principal at Gordon Investment Corporation, a Canadian merchant bank, from 1989 to 1993, where he participated in a wide variety of transactions. Prior to that he worked in the Corporate Finance Department at L.F. Rothschild where he specialized in mergers and acquisitions. Mr. Roberts' qualifications to serve on the Board include his extensive knowledge of the Company and his financial expertise in business development, operations and strategic planning. Mr. Roberts is also intimately familiar with, and has a deep

understanding of the industries in which the Company does business.

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Experience of Director Term Expiring in 2013

John E. Fuller

Age: 69

PRA Committees:

Nominating and Corporate Governance

Director Since:

Compensation

March 2010

Class 2

SKILLS AND QUALIFICATIONS

Mr. Fuller has been a Director of PRA since March 1, 2010, and was elected to the Board by the Company's stockholders at the 2010 annual meeting. Mr. Fuller, who has more than twenty years of executive experience, co-founded Automotive Finance Company (AFC), an independent automobile floor plan financing company, where he served as AFC's Chief Executive Officer. Following the sale of AFC to Auto Dealers Exchange Services of America in 1994, Mr. Fuller stayed on as Chief Executive Officer for another twelve years, after which he left to start Dealer Services Corporation (DSC), which also provides financing to automobile dealers throughout the country. Mr. Fuller acted as Chairman, President and Chief Executive Officer of DSC until January, 2010. Mr. Fuller was appointed to the Board because of his business development experience and expertise, his experience as a Chief Executive Officer, Chairman and Director of companies in the financial services industry and his significant corporate leadership and knowledge of the automobile financing business. Mr. Fuller's name will not be on the ballot for re-election. Accordingly, his term as a Director of the Company will expire effective at the 2013 Annual Meeting.

Table of Contents**Experience of Directors Continuing in Office Terms Expiring in 2014**

<i>Scott M. Tabakin</i>	Age: 54	PRA Committees:	Education:
		Audit	BS Accounting, University of Illinois
	Director Since:	Compensation	
	2004		
	Class 3		

SKILLS AND QUALIFICATIONS

Mr. Tabakin has been a Director of PRA since 2004. He was a certified public accountant and has more than twenty-five years of public-company experience. He is Executive Vice President and Chief Financial Officer of ValueOptions, Inc., the nation's largest independent, privately owned behavioral health and wellness company. Mr. Tabakin served as Executive Vice President and Chief Financial Officer of Bravo Health, Inc., a privately owned managed health care company from July 2006 until the sale of the company in November 2010. From October 2003 until July 2006, Mr. Tabakin was an independent financial consultant. He served as Executive Vice President and Chief Financial Officer of AMERIGROUP Corporation, then a publicly traded (NYSE) managed health care company, from May 2001 until October 2003. From October 1992 until May 2001, Mr. Tabakin was Executive Vice President and Chief Financial Officer of Beverly Enterprises, Inc., then the nation's largest publicly traded (NYSE) provider of long-term health care. From June 1980 until October 1992, Mr. Tabakin was an executive with the accounting firm of Ernst & Young. These experiences, including his experience as a senior financial officer of large publicly traded companies, provide Mr. Tabakin with a comprehensive understanding of the complex financial and legal issues facing public companies and were all factors in our conclusion that Mr. Tabakin has made and continues to make strong contributions to the Company through his service on our Board.

<i>James M. Voss</i>	Age: 70	PRA Committees:	Education:
		Audit (Chair)	BA, Northwestern University
	Director Since:		MBA, Northwestern University
	November 2002	Public Company Directorships in the Last Five Years:	
	Class 3	AG Mortgage Investment Trust, Inc.	

SKILLS AND QUALIFICATIONS

Mr. Voss has been a Director of PRA since 2002. He has more than forty years of experience as a senior finance executive. Mr. Voss currently serves as an independent financial consultant. From 1992 through 1998, he was with First Midwest Bank as Executive Vice President and Chief Credit Officer. Prior to that, he served in a variety of senior executive roles during a twenty-four year career (1965-1989) with Continental Bank of Chicago, and was Chief Financial Officer at Allied Products Corporation (1990-1991), a publicly traded (NYSE) diversified manufacturer. Mr. Voss' combination of expertise in the areas of business and finance enables him to provide unique insight and perspective to our Board and to address complex financial issues which may be presented to our Board.

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Experience of Directors Continuing in Office Terms Expiring in 2015

<i>Steven D. Fredrickson</i>	Age: 53	Education: BS, University of Denver MBA, University of Illinois
	President, CEO and Chairman of the Board Since: March 2002 Class 1	

SKILLS AND QUALIFICATIONS

Prior to co-founding Portfolio Recovery Associates, Inc. in 1996, Mr. Fredrickson was Vice President of Household Recovery Services (HRSC) Portfolio Services Group from 1993 until 1996. At HRSC, he was ultimately responsible for portfolio sale and purchase programs, finance and accounting, and other functional areas. Prior to joining HRSC, Mr. Fredrickson spent five years with Household Commercial Financial Services where he managed a national commercial real estate workout team. He also was employed for five years as a member of the FDIC workout department of Continental Bank of Chicago, specializing in corporate and real estate workouts. Mr. Fredrickson has an MBA from the University of Illinois and a bachelor's degree from the University of Denver. He is active on the advisory Boards of GWC Warranty and CIVC Partners, and is a Director on the Board of the United Way of South Hampton Roads. He also is on the executive advisory council of the College of Business and Public Administration at Old Dominion University and is a past Board Director of the American Asset Buyers Association.

<i>Penelope W. Kyle</i>	Age: 64	PRA Committees: Nominating and Corporate Governance (Chair)	Education: BS, Guilford College of NC Post-graduate work, Southern Methodist University MBA, College of William and Mary JD, University of Virginia
	Director Since: October 2005 Class 1		

SKILLS AND QUALIFICATIONS

Ms. Kyle has been a Director of PRA since 2005. Ms. Kyle currently serves as the Chair of the Nominating and Corporate Governance Committee. Ms. Kyle is currently the President of Radford University. Prior to her appointment as President of Radford University in June 2005, she had served since 1994 as Director of the Virginia Lottery under three Virginia governors. Earlier in her career, Ms. Kyle was an attorney with the law firm McGuire Woods in Richmond, Virginia. She was later employed at CSX Corporation, where during a 13-year career, she became the company's first female officer and a vice president in the finance department. Ms. Kyle also has prior service as a Director and chairman of the audit committee of a publicly traded company. Ms. Kyle brings a unique and valuable perspective to our Board based on her distinctive background in law, business, academia and government, particularly with respect to matters relating to law and corporate governance.

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COMMITTEES OF THE BOARD OF DIRECTORS

The standing committees of the Company's Board include an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each non-employee Director serves on at least one committee of the Board. The committees of the Board regularly report on their activities and results of meetings to the full Board. Only independent non-employee Directors that have been determined by the Board to be independent as defined by the associated NASDAQ rules may serve on Board committees.

Audit Committee

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities.

The Audit Committee's primary duties and responsibilities are to:

Monitor and review the integrity of the Company's financial reports and monitor and provide oversight of the Company's systems of internal controls regarding finance, accounting and legal compliance;

Engage and monitor the independence and performance of the Company's independent auditors;

Monitor the independence and performance of the Company's internal auditors; and

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

The Audit Committee shall perform any other activities consistent with its Charter, the Company's by-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

Audit Committee members shall meet the requirements of the Securities and Exchange Commission (SEC), the Nasdaq Stock Market and the Sarbanes-Oxley Act of 2002. All three members are independent and financial experts.

A copy of the charter of the Audit Committee will be mailed to any stockholder who makes a request to the Corporate Secretary at 140 Corporate Boulevard, Norfolk, Virginia 23502 Attention: Corporate Secretary, and is also available online at the Corporate Governance section of the Investor Relations page on the Company's corporate website, www.portfoliorecovery.com.

Compensation Committee

The Compensation Committee oversees the development and administration of the Company's compensation and benefits policies and programs. As described in its charter, the Compensation Committee's primary responsibilities are to:

Develop and oversee the implementation of the Company's compensation philosophy with respect to the Directors, the CEO, the other NEOs and other executives who report directly to the CEO;

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Assure that the Company's executives are compensated consistent with such compensation philosophy, internal equity considerations, market practice and the requirements of the appropriate employment and other applicable laws and regulatory bodies;

Review and recommend to the full Board the Company's Compensation Discussion and Analysis disclosure containing the Company's compensation policies and the reasoning behind such policies, as required by the SEC;

Review compensation programs and policies for features that may encourage excessive risk taking, and determine the extent to which there may be a connection between compensation and risk; and

Prepare a Compensation Committee report for the Company's annual reports and/or proxy statements.

As stated in its charter, the Compensation Committee has sole authority to retain and terminate an independent consulting firm. Pursuant to this authority, the Compensation Committee has engaged Frederic W. Cook, Co., Inc. (FW Cook) to assist in the evaluation of executive compensation. The Charter of the Compensation Committee is available on the Investor Relations page of the Company's website, and will be provided to any stockholder who sends a request to the Corporate Secretary at the Company's mailing address. No officer of the Company has

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ever served on any compensation committee or board of directors of any other company with respect to which a Director is an executive officer. For more information on the responsibilities and activities of the Compensation Committee, see the Compensation Discussion and Analysis section. The Committee's charter, which sets out its duties and responsibilities, can be found on the Investor Relations section of our website at www.portfoliorecovery.com.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee ensures that the Board has an effective corporate governance program in place by reviewing the Company's corporate governance practices and related public issues important to the Company, and making recommendations to the Board on such issues. As more fully described in its charter, the Nominating and Corporate Governance Committee is responsible for

Conducting annual reviews of the composition of all committees;

Making recommendations concerning Board dynamics;

Developing and monitoring the Company's succession plan for key positions within the Company's leadership team;

Overseeing Director education and development; and

Ensuring that the Board and its committees conduct and discuss their annual self evaluations.

The Nominating and Corporate Governance Committee is also responsible for identifying, reviewing and recommending nominees for election to the Board. In addition to considering the qualifications of candidates suggested by current Directors and by officers of the Company, they also consider any candidates who may be recommended by stockholders in accordance with Section 2.11 of the Company's By-laws and Article Five of the Company's Certificate of Incorporation. For more information on the procedures for submission of stockholder proposals, see the

Submission of Stockholder Proposals section. The Nominating and Corporate Governance Committee uses the same criteria in evaluating any candidates nominated by a stockholder, current Directors and officers of the Company.

The Nominating and Corporate Governance Committee seeks to determine whether a candidate meets the Company's general Board membership qualifications, possesses the skills required of a Director and will contribute to the diversity of talent represented on the Board. The Nominating and Corporate Governance Committee arranges and conducts personal interviews of candidates, as appropriate. In addition, the Nominating and Corporate Governance Committee will consider whether the candidate assists in achieving a mix of members that represents a diversity of backgrounds and experience, including with respect to age, gender, international background, race and specialized experience.

The Nominating and Corporate Governance Committee recommended to the Board the candidates for re-election who are included on the ballot for this Annual Meeting. Any nominee for Director who receives a greater number of votes withheld from or against his or her election than votes for his or her election shall tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will then consider the best interests of the Company and its stockholders and will recommend to the full Board the action to be taken with respect to the tendered resignation. The duties and responsibilities of the Nominating and Corporate Governance Committee are specified in its charter. The charter of the Nominating and Corporate Governance Committee, which was amended in February, 2013 is available at the Investor Relations page of the Company's website, at www.portfoliorecovery.com, and will be mailed to any stockholder who sends a request to the Corporate Secretary at the Company's mailing address.

The Company did not receive any recommendations of potential director candidates from stockholders for consideration at the 2012 Annual Meeting.

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The following table shows the current membership for each of the standing committees of the Board as of the Record Date.

Name	Committee Memberships		
	Audit	Compensation	Nominating & Corporate Governance
Steven D. Fredrickson, Chairman			
James M. Voss	Chair		
Scott M. Tabakin	X	X	
Penelope W. Kyle			Chair
David N. Roberts, Lead Director		Chair	X
John H. Fain	X	X	
John E. Fuller ⁽¹⁾		X	X
Number of Meetings in 2012	10	5	4

- ⁽¹⁾ Mr. Fuller will not serve as a director after the Annual Meeting, and, accordingly, will not be a member of the Nominating and Corporate Governance or Compensation Committees after the Annual Meeting.

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CORPORATE GOVERNANCE

PRA's Board and management are committed to strong corporate governance and sound business practices. The Company has a code of business conduct and ethics which satisfies the requirements for a code of ethics under the SEC rules and covers the members of our Board; our officers including, without limitation, our CEO and CFO; and our employees. Our code of business conduct and ethics addresses, among other items, conflicts of interest, confidentiality, fair dealing, protection and use of corporate assets, compliance with laws and the reporting of illegal or unethical behavior. The Company will disclose amendments to our code of business conduct and ethics, as well as any waivers thereof, on its website, www.portfoliorecovery.com, to the extent permissible by the rules and regulations of the SEC and the NASDAQ. There were no waivers of the code of business ethics granted in 2012.

The Company's corporate governance guidelines, code of business conduct and ethics and the charters of the committees of the Board are posted on the Investor Relations page of the Company's website, www.portfoliorecovery.com. Please note that the website does not constitute a part of this Proxy Statement. These materials are also available in print to any stockholder upon request. The Board regularly reviews committee charters and major corporate governance developments and modifies its governance principles, committee charters and key practices as warranted. Additionally, the Board conducts assessments of each of its committees and of itself. This process enhances Director, committee, and Board effectiveness. At the conclusion of the Board and committee assessments, the Board uses the information obtained to evaluate and refine its processes and committee charters, as necessary.

DIRECTOR ATTENDANCE

During 2012, the Board held 17 meetings: 5 regular and 12 special meetings. The majority of the Board attended 100% of the regular meetings of the Board in 2012. Each Director attended at least 75% of the aggregate number of meetings of the Board and committees on which he or she served during 2012. All Directors are encouraged, but not required, to attend our Annual Meeting of stockholders. All of our incumbent directors attended the 2012 Annual Meeting of stockholders with the exception of Mr. Fuller.

DIRECTOR INDEPENDENCE

The Board currently consists of seven Directors, one of whom is currently employed by the Company (Steven D. Fredrickson, CEO). The Board has established guidelines which conform to the independence requirements of the NASDAQ listing standards to assist it in determining director independence. In February 2013, the Directors completed Directors' and Officers' questionnaires in accordance with current proxy disclosure requirements. These included updated information concerning their qualifications and experience, as well as any conflicts of interest, job changes, and any material transactions, relationships, and other arrangements between the Company and the Directors or immediate family members of the Directors. A Director's immediate family members include the Director's spouse, parents, children, siblings, in-laws, and anyone (other than domestic employees) who shares the Director's home. Based on the responses received and other available information, it was determined that all of the non-employee Directors of the Company lack material relationships with the Company, and are independent Directors under applicable securities law requirements and NASDAQ rules. The Board has also concluded that each of the members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee meet the NASDAQ independence tests. These determinations were made based upon a number of facts, including, but not limited to, the following:

Except for Steven D. Fredrickson, the Chairman of the Board and CEO, no Director is, or has ever been, an executive officer of the Company or employed by the Company or its subsidiaries, or has an immediate family member who is an employee or officer of the Company or its subsidiaries or has any current or past material relationships with the Company;

No Director, other than the CEO has ever received any compensation from, worked for, been retained by, or received anything of substantial value from the Company, other than Director compensation;

No Director or any member of any Director's immediate family is, or ever was, employed by the Company's independent registered public accounting firm, or ever worked on the Company's audit at any time;

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No NEO serves on the board of directors of any company that employs a Director or any member of the immediate family of a Director, none sits on a board of directors of any company at which a Director is the chief executive officer or chief operating officer, and no Director or any member of the immediate family of a Director has been an executive officer of any entity having a compensation committee on which one or more of the Company's executive officers has concurrently served;

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None of the independent Directors, their respective affiliates or members of their immediate family, directly or indirectly, has engaged in any transaction with the Company or its affiliates or has any relationship with the Company or its affiliates which, in the judgment of the Board, is inconsistent with a determination that the Director is independent;

No Director and no immediate family member of any Director is a partner or controlling stockholder, director or executive officer of any entity from which the Company purchases goods or services, or to which the Company makes charitable contributions in excess of 5% of the entity's consolidated gross revenues for that year, or \$200,000, whichever is greater; and

There is no family relationship among any of the Directors or executive officers of the Company. We do not have any related person transactions to report for fiscal year 2012.

INDEPENDENT DIRECTOR MEETINGS

Non-employee Directors meet at least quarterly in executive session without management present, as part of each regularly scheduled Board meeting. The Lead Director acts as chairman of these sessions, at which the independent Directors have the opportunity to frankly discuss management's performance.

BOARD LEADERSHIP

The structure of our Board Leadership consists of a Chairman (who is also our CEO), strong independent committee chairs and a Lead Independent Director, who is elected by the independent Directors. Our Board believes that the current Board leadership structure, in which the roles of Chairman and Chief Executive Officer are held by one person, is best for the Company and its stockholders at this time. As Chairman and Chief Executive Officer, Mr. Fredrickson is able to utilize the in-depth focus and perspective gained in running the Company to effectively and efficiently guide our Directors, while also working closely with Mr. Roberts, the Lead Director. However, the Board does review the appropriateness of this structure on a regular basis. Our Lead Director coordinates the activities of the other independent Directors to ensure strong independent oversight of management; facilitates information flow and communication by acting as a liaison between the Directors and management; chairs all meetings of the Board during executive session; and is authorized to call meetings of the independent Directors and retain any outside advisors and consultants who report directly to the Board. The Board believes that strong, independent Board leadership is a critical aspect of effective corporate governance; therefore the independent Directors meet in executive session at each regular Board meeting.

BOARD RISK OVERSIGHT

The Board, as a whole and through its committees, is responsible for overseeing PRA's risk profile and management's processes for assessing and managing risk, and management is responsible for day-to-day risk management. The Board recognizes that the Company faces a broad range of risks, including financial, regulatory, operational, political, reputational, governance, and legal, that may affect the Company's ability to execute corporate strategies and fulfill business objectives. The Board operates within a climate of transparency and uninhibited dialog with senior management. Consistent with this approach, senior management attends the regular meetings of the Board and routinely reports on their activities. These reports include risk considerations and discussions concerning actions and strategies for monitoring, managing and mitigating any risks identified. The Board meets regularly to discuss the strategic direction of the Company; a consideration of key risks is essential to the Company's strategic planning process. The Company's Risk Management Group documents known risks, assesses the sufficiency of risk identification, and recommends the appropriate manner in which to control or mitigate those risks. This group provides quarterly risk management reports to the Audit Committee.

Certain important categories of risk are assigned to committees that review, evaluate and receive management reports on risk. These include the following:

The Audit Committee is responsible for direct oversight of the Company's Risk Management Group. The Company's Risk Management Group provides the Audit Committee with quarterly risk management updates. Additionally, the Audit Committee receives quarterly reports from the Company's CFO and the Company's external auditors on financial risks, compliance with reporting requirements, and internal controls. The Audit Committee also receives quarterly reports from the Company's Director of Internal Audit on the results of internal audit testing; and

The Compensation Committee takes measures to prevent the Company's compensation programs and incentives from leading to decisions that encourage or promote excessive risk-taking.

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The Compensation Committee, with assistance from FW Cook, has reviewed the Company's compensation policies and practices for all employees, including our NEOs, as they relate to risk management practices and risk-taking incentives, and has determined that there are no risks arising from these policies and practices that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee considers that our compensation programs incorporate several features which promote the creation of long-term value and reduce the likelihood of excessive risk-taking by our employees. These features include: (i) a balanced mix of cash and equity, annual and longer-term incentives, and types of performance metrics, (ii) the ability of the Compensation Committee to exercise negative discretion over all incentive program payouts, (iii) performance targets for incentive compensation that include objective Company goals and allow for individual levels of achievement toward those goals, (iv) time-based vesting of long-term equity program awards that encourages long-term retention, (v) a bonus pool for the majority of non-executive employees that is capped at an amount equal to a percentage of each employee's annual base pay and (vi) executive stock ownership guidelines to further align executives with the Company's stockholders.

COMMUNICATION WITH DIRECTORS

Stockholders may communicate with members of the Board by transmitting their correspondence by mail, email or facsimile. All such communications should be sent to the attention of the Corporate Secretary, at the address specified below:

Judith Scott

Executive Vice President, General Counsel and Secretary

Portfolio Recovery Associates, Inc.

Riverside Commerce Center

140 Corporate Boulevard

Norfolk, VA 23502

jsscott@portfoliorecovery.com

Fax: 757-321-2518

The Company's confidential toll-free hotline may be used by any stockholder who prefers to raise a concern to the Board in a confidential or anonymous manner by dialing 1-800-290-1650. All telephone calls to the Company's confidential hotline are referred to the Chairman of the Audit Committee, who is responsible for ensuring that such matters are appropriately investigated.

Communications received from stockholders to one or more Directors will be collected and organized by the Corporate Secretary and forwarded to the Chairman of the Board, or if addressed to an identified Independent Director, to that Director, as soon as practicable. Communications that are abusive, in bad taste or that present safety or security concerns may be handled differently. If multiple communications are received on a similar topic, the Corporate Secretary may forward only representative correspondence or summaries. The Corporate Secretary will determine whether any communication addressed to the entire Board as a whole should be properly addressed by the entire Board, or by a committee of the Board. If a response to the communication is warranted, the content and method of the response will be coordinated with the Company's General Counsel.

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POLICIES FOR APPROVAL OF RELATED PERSON TRANSACTIONS

The Company requires disclosure of any relationships and transactions in which the Company, its Directors, its executives or their immediate family members are participants, and conducts a review of transactions of the Company with any stockholders owning five percent (5%) or greater of the Company's outstanding common stock, to determine whether there are any such transactions in amounts at or exceeding the minimum threshold for disclosure in this Proxy Statement under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000) in which a related person has a direct or indirect material interest. The Company's General Counsel is primarily responsible for developing and implementing the policy and procedures relative to the review and approval of related party transactions. The complete details of any proposed transaction must be presented to the Company's General Counsel by the party intending to enter into the transaction. The Company's General Counsel will make an initial materiality determination, and when appropriate, will prepare a written analysis and recommendation to the Nominating and Corporate Governance Committee based on: (i) the nature of the proposed transaction; (ii) the related person's interest in the transaction; (iii) the dollar value of the transaction; (iv) the importance of the transaction to the business of the Company; (v) the material terms of the transaction; and (vi) the overall fairness of the transaction to the Company. Based on the foregoing factors, the Nominating and Corporate Governance Committee will decide whether or not to recommend that the proposed transaction be brought before the full Board for consideration. If the matter is presented to the Board for a vote, and a related party is involved in the transaction, he or she will not be allowed to participate in any discussions and decisions concerning the transaction. If the Board approves the transaction, the Company's General Counsel will ensure that a written arm's length contract between the parties is appropriately executed by all parties. There were no reportable related party transactions with the Company in 2012, and no such transactions are currently proposed or being considered.

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PROPOSAL 2 ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Pursuant to Section 14A of the Exchange Act, the Company's stockholders are being asked to approve, on a non-binding advisory basis, the compensation of the Company's NEOs as disclosed in this Proxy Statement, including the Compensation Discussion and Analysis, the Summary Compensation Table and related tables and disclosures. This vote, provides stockholders with the opportunity each year to express their positive or negative vote on the Company's overall executive compensation program, policies and procedures. Our Board believes that annual advisory votes on a resolution to approve NEO compensation will allow the Company's stockholders to provide more regular input to the Company on our compensation philosophy, policies and practices as disclosed in our proxy statements.

An objective of the Company is to retain highly qualified and talented executives and to provide appropriate incentives to encourage their high performance, which creates value for the Company's stockholders. As described in detail in this Proxy Statement, the Company seeks to closely align the interests of its NEOs with the interests of its stockholders and appropriately reward executive performance while avoiding the encouragement of unnecessary or excessive risk-taking. Stockholders are encouraged to read this Proxy Statement's Compensation Discussion and Analysis for a more detailed discussion of the Company's executive compensation programs, philosophy and principles. A vote on this matter will not address any specific item of compensation, but rather the overall compensation of the Company's NEOs. Accordingly, stockholders are asked to indicate their support for the Company's compensation of its NEOs by casting their votes **FOR** the following resolution:

RESOLVED, that the stockholders of Portfolio Recovery Associates, Inc. approve, on an advisory basis, the compensation of the NEOs whose names are listed in the Summary Compensation Table on page 54 herein, as disclosed in this Proxy Statement, including the Compensation Discussion and Analysis, the Summary Compensation Table and related compensation tables and narrative.

This vote is advisory and non-binding, but will provide information to the Company and the Compensation Committee regarding stockholder sentiment about the Company's executive compensation philosophy, policies and practices, which the Compensation Committee will be able to consider when determining executive compensation for the remainder of 2013 and beyond. The Compensation Committee values the opinions of its stockholders and will take into consideration any concerns they may raise when making future executive compensation decisions.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

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NAMED EXECUTIVE OFFICERS

Steven D. Fredrickson, 53, Chairman, President and Chief Executive Officer. A complete description of Mr. Fredrickson's qualifications is set forth on page 10 of this Proxy Statement.

Kevin P. Stevenson, 49, Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Assistant Secretary. Prior to co-founding the Company in 1996, Mr. Stevenson served as Controller and Department Manager of Financial Control and Operations Support at HRSC from 1994 to 1996. Prior to joining HRSC, he served as Controller of Household Bank's Regional Processing Center in Worthington, Ohio. He is a certified public accountant and received his B.S.B.A., with a major in accounting from The Ohio State University.

Michael J. Petit, 53, President, Bankruptcy Services. Mr. Petit joined the Company in 2003 to lead the Company's efforts in purchasing bankrupt consumer accounts. Prior to joining PRA, Mr. Petit was Managing Director and Head of the Core and Communications Technologies Group in the Investment Banking Division of Pacific Crest Securities. Mr. Petit has also held senior investment banking positions with Jefferies & Company and Banc One Capital Markets. Mr. Petit received a B.S. in mechanical engineering from the University of Illinois and an M.B.A. from The University of Texas at Austin.

Neal Stern, 45, Executive Vice President, Operations. Mr. Stern joined the Company in January 2008 and is responsible for all owned portfolio collection activity, including call centers, legal outsourcing, collection agency outsourcing, probate, customer service, and portfolio collection strategy and analytics. Mr. Stern was most recently a senior executive with the Target Corporation, running collection and customer service vendor management operations. Mr. Stern attended the University of Minnesota.

P. Kent McCammon, 46, Executive Vice President, Strategy and Business Development. Mr. McCammon joined the Company in 2007. He maintains responsibility for the Company's global strategy and business development as well as merger and acquisition activities. Prior to joining PRA, Mr. McCammon most recently served as Managing Director of Shamrock Holdings, the investment arm of the Disney family. He also served in leadership roles at Trader Publishing, LLC, Atlantic Capital Management, Scott & Stringfellow, Lehman Brothers, and Smith Barney. Mr. McCammon earned a B.S. degree from the McIntire School of Commerce and an M.B.A. from the Darden Graduate School of Business, both at the University of Virginia.

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Upon the recommendation of the Audit Committee, the Board has appointed KPMG LLP as its independent registered public accounting firm, to audit its consolidated financial statements for the year ending December 31, 2013, and to audit the effectiveness of its internal control over financial reporting as of December 31, 2013. The Board considers the selection of the Company's independent registered public accounting firm to be a matter of stockholder concern and is therefore submitting the selection of KPMG LLP for ratification by the Company's stockholders as a matter of good corporate practice. The Audit Committee is not required to take any action as a result of the outcome of the vote on this Proposal 3. However, if our stockholders do not ratify the appointment of KPMG LLP, the Audit Committee may investigate the reasons for such stockholder rejection and may consider whether to select a different independent registered public accounting firm. Even if the selection of KPMG LLP is ratified by the stockholders, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders. KPMG LLP representatives are expected to attend the 2013 annual meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate stockholder questions.

Principal Accountant Fees and Services

KPMG LLP served as the Company's independent registered public accounting firm with respect to the audits of the Company's consolidated financial statements and the effectiveness of the Company's internal controls over financial reporting as of December 31, 2012.

The following table sets forth the fees billed or expected to be billed by KPMG LLP for audit and other services for the years ended December 31, 2012 and 2011.

SERVICE	2011	2012
Audit Fees ⁽¹⁾	\$ 673,000	\$ 896,755
Audit Related Fees ⁽²⁾	\$ 52,500	\$ 39,500
Tax Fees ⁽³⁾	\$ 140,510	\$ 243,078
All Other Fees ⁽⁴⁾	\$ 2,250	\$ 2,700
Total	\$ 868,260	\$ 1,182,033

(1) Audit Fees primarily relate to the audits of the Company's annual consolidated financial statements and effectiveness of the Company's internal control over financial reporting, reviews of the quarterly consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q, and audits of statutory reports related to the Company's U.K. subsidiary for 2012.

(2) Audit Related Fees primarily relate to engagements to report on internal controls for selected information systems (SOC 1 reports).

(3) Tax Fees primarily relate to the preparation of tax returns and for tax consultation services.

(4) All Other Fees relate to an annual subscription to KPMG LLP's proprietary accounting research tool.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee's policy is to pre-approve all audit and permitted non-audit services provided by the Company's independent registered public accounting firm. These services may include audit services, audit-related services, tax services, services related to internal controls and other services. The independent registered public accounting firm and the Company's CFO periodically report to the Audit Committee regarding the services provided by the independent registered public accounting firm in accordance with this pre-approval policy. During 2012 the Audit Committee pre-approved all of the services provided by KPMG LLP. The Audit Committee has considered the provisions of these services by KPMG LLP and has determined that the services are compatible with maintaining KPMG LLP's independence.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2013.

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PROPOSAL 4 APPROVAL OF 2013 OMNIBUS INCENTIVE PLAN

On March 28, 2013, the Board of Directors approved the Company's 2013 Omnibus Incentive Plan (the Omnibus Incentive Plan or Plan), subject to the approval of the stockholders at this Annual Meeting. The following summary of the principal features of the Omnibus Incentive Plan is qualified in its entirety by reference to the full text of the Omnibus Incentive Plan which is attached to this proxy statement as Appendix A.

The Omnibus Incentive Plan, if approved, will allow us to continue to provide our key employees compensation in the form of long-term equity incentive awards, such as stock options, restricted stock units, stock appreciation rights and restricted stock. Equity incentives form an integral part of the compensation paid to many of our employees, particularly those in positions of key importance. Approval of the Plan is therefore critical to our ability to continue to attract, retain, engage and focus highly motivated and qualified employees. After the date of the approval of the Omnibus Incentive Plan by stockholders, no awards may be granted under our 2010 Stock Plan.

SUMMARY OF THE OMNIBUS INCENTIVE PLAN

Purpose of the Omnibus Incentive Plan

The purpose of the Omnibus Incentive Plan is to assist the Company in attracting and retaining selected individuals who, serving as our employees, directors, consultants and/or advisors, are expected to contribute to our success and to achieve long-term objectives which will benefit our stockholders through the additional incentives inherent in the awards under the Plan.

Shares Available

The maximum number of shares of the Company's common stock that are available for awards under the Omnibus Incentive Plan (subject to the adjustment provisions described under Adjustments upon Changes in Capitalization below) is 1,800,000 shares, less one (1) share of common stock for every one (1) share of common stock that was subject to a stock option or other award granted after December 31, 2012 under our 2010 Stock Plan. Any shares of common stock that are subject to stock options or other award granted under the Plan shall be counted against this limit as one (1) share of common stock for every one (1) share of common stock granted.

If any shares of common stock subject to an award under the Omnibus Incentive Plan or, after December 31, 2012, any shares of common stock subject to an award under the 2010 Stock Plan (i) are forfeited or expire or (ii) an award terminates, is settled for cash or otherwise does not result in the issuance of all of the shares subject to the award (including payment in shares when a stock appreciation right (SAR) is exercised), the shares subject to the award may be used again for awards under the Omnibus Incentive Plan to the extent of the forfeiture, expiration, termination, cash settlement or non-issuance. The following shares of common stock will also be added to the shares available for issuance under the Plan: (i) shares tendered by the participant or withheld by us in payment of the exercise price of an option under the Omnibus Incentive Plan or, after December 31, 2012 under the 2010 Stock Plan, and (ii) shares tendered by the participant or withheld by us to satisfy tax withholding with respect to an award under the Plan or, after December 31, 2012 under the 2010 Stock Plan.

Shares of common stock subject to awards made under the Omnibus Incentive Plan in substitution or exchange for awards granted by a company acquired by us or a subsidiary, or with which we or a subsidiary combine (Substitute Awards), do not reduce the maximum number of shares that are available for awards under the Plan. In addition, the available shares under the Plan may be increased in connection with an acquisition or merger in accordance with NASDAQ Listing Rule 5635-IM; i.e., by the shares remaining available under a pre-existing, stockholder approved plan of an acquired or merged company (adjusted to reflect the exchange or valuation ratio in the acquisition or merger) subject to other requirements of that rule.

The maximum number of shares of common stock that may be issued under the Plan pursuant to the exercise of incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), is 1,800,000 shares.

Eligibility. Options, SARs, restricted stock awards, restricted stock unit awards, other share-based awards and performance awards may be granted under the Omnibus Incentive Plan. Options may be either incentive stock options, or nonstatutory stock options. Awards may be granted under the Plan to any employee and non-employee member of the Board, and any consultant or advisor who is a natural person and provides services to us; incentive stock options may be granted only to our employees.

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Awards to be Granted to Certain Individuals and Groups. As of March 31, 2013, 3,082 employees and non-employee directors would have been eligible to participate in the Omnibus Incentive Plan had it been effective. The Compensation Committee in its discretion, selects the persons to whom awards may be granted, determines the type of awards, determines the times at which awards will be made, determines the number of shares subject to each such award (or the dollar value of certain performance awards), and determines the other terms and conditions relating to the awards. For this reason, it is not possible to determine the benefits or amounts that will be received by any particular person in the future.

Limits on Awards to Participants. The Omnibus Incentive Plan provides that no participant may be granted (i) options or SARs in any calendar year to purchase more than 250,000 shares of common stock, (ii) restricted stock awards, restricted stock unit awards, performance awards or other share based awards in any calendar year that are intended to be performance-based compensation under Section 162(m) of the Code covering more than 150,000 shares or (iii) performance-based awards in any calendar year that are intended to be performance-based compensation under Section 162(m) of the Code and are denominated in cash under which more than \$5,000,000 may be earned (\$10,000,000 for awards that have a multi-year performance period). The limitations in the prior sentence are multiplied by two for awards granted to a participant in the first calendar year in which the participant commences employment with us.

Limit on Awards to Directors. Under the Omnibus Incentive Plan, in no event may any non-employee Director of the Company receive awards in any calendar year with an aggregate grant date fair value of more than \$400,000. This limit is increased to \$600,000 in the first year. Grant date fair value for this purpose will be computed as of the grant date for an award in accordance with the applicable financial accounting rules.

Administration. The Omnibus Incentive Plan will be administered by the Compensation Committee (or a subcommittee) which shall consist of at least two members of the Board, each of whom must qualify as a non-employee director under Rule 16b-3 under the Securities Exchange Act of 1934 (Exchange Act), an outside director under Section 162(m) of the Code and an independent Director under the rules of the principal U.S. national securities exchange on which the common stock is traded (the Principal Exchange), to the extent required by such rules. The Compensation Committee has the authority to determine the terms and conditions of awards, and to interpret and administer the Plan. The Compensation Committee may, to the extent not inconsistent with applicable law, including Section 162(m) of the Code, and the rules of the Principal Exchange (i) delegate to a committee of one or more Directors the right to make awards and to cancel or suspend awards and otherwise take action on its behalf under the Omnibus Incentive Plan, and (ii) authorize one or more officers to make awards to employees who are not Directors or officers and cancel or suspend awards under the Plan to such employees. The authorization must specify the total number of shares that may be awarded.

Stock Options. The Compensation Committee may grant either non-qualified stock options or incentive stock options. A stock option entitles the recipient to purchase a specified number of shares of common stock at a fixed exercise price subject to terms and conditions set by the Compensation Committee, including conditions for exercise that must be satisfied, which typically will be based solely on continued provision of services. The exercise price of shares of common stock covered by a stock option cannot be less than 100% of the fair market value of the common stock on the date the option is granted (except for Substitute Awards). Fair market value of the common stock is generally equal to the closing price for the common stock on the Principal Exchange on the date the option is granted (or if there was no closing price on that date, on the last preceding date on which a closing price was reported), except for Substitute Awards. As of March 28, 2013, the closing price of the common stock as reported on the NASDAQ Stock Exchange was \$126.92 per share.

The Omnibus Incentive Plan permits payment of the exercise price of stock options to be made by cash or cash equivalents, shares of Common stock previously acquired by the participant, any other form of consideration approved by the Compensation Committee and permitted by applicable law (including withholding of shares of Common stock that would otherwise be issued on exercise), or any combination thereof. A participant who is subject to Section 16 of the Exchange Act may direct the Company to withhold shares of Common stock that would otherwise be issued on exercise to pay the exercise price and/or withholding taxes due on exercise. Options granted under the Plan expire no later than 10 years from the date of grant.

Stock Appreciation Rights. The Compensation Committee is authorized to grant SARs in conjunction with a stock option or other award granted under the Omnibus Incentive Plan, and to grant SARs separately. The grant price of a SAR may not be less than 100% of the fair market

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value of a share of Common stock on the date the SAR is granted (except for Substitute Awards). The term of a SAR may be no more than 10 years from the date of grant. SARs are subject to terms and conditions set by the Compensation Committee, including conditions for exercise that must be satisfied, which typically will be based solely on continued provision of services.

Upon exercise of a SAR, the participant will have the right to receive the excess of the fair market value of the shares covered by the SAR on the date of exercise over the grant price. Payment may be made in cash, shares of our Common stock or other property, or any combination thereof, as the Compensation Committee may determine. Shares issued upon the exercise of SARs are valued at their fair market value as of the date of exercise.

Restricted Stock Awards. Restricted stock awards may be issued either alone or in addition to other awards granted under the Omnibus Incentive Plan, and are also available as a form of payment of performance awards and other earned cash-based incentive compensation. The Compensation Committee determines the terms and conditions of restricted stock awards, including the number of shares of Common stock granted, and conditions for vesting that must be satisfied, which may be based principally or solely on continued provision of services, and also may include a performance-based component. Unless otherwise provided in the award agreement, the holder of a restricted stock award will have the rights of a stockholder from the date of grant of the award, including the right to vote the shares of Common stock and the right to receive cash dividends and share and property distributions on the shares (subject to the requirements for dividends on restricted stock that vest on the attainment of performance goals as described under *Dividends; Dividend Equivalents* below).

Restricted Stock Unit Awards. Awards of restricted stock units having a value equal to an identical number of shares of Common stock may be granted either alone or in addition to other awards granted under the Omnibus Incentive Plan, and are also available as a form of payment of performance awards granted thereunder and other earned cash-based incentive compensation. The Compensation Committee determines the terms and conditions of restricted stock units, including conditions for vesting that must be satisfied, which may be based principally or solely on continued provision of services, and also may include a performance-based component. The holder of a restricted stock unit award will not have any of the rights of a stockholder, including voting rights with respect to the award (provided that dividend equivalents may be granted). Any cash dividends and share and other property distributed with respect to the award will be subject to the requirements for dividend equivalents on restricted stock units that vest on the attainment of performance goals as described under *Dividends; Dividend Equivalents* below. Payment of restricted stock units in shares (unless otherwise determined by the Committee in the award agreement) will be made within 30 days after the units vest.

Other Share-Based Awards. The Omnibus Incentive Plan also provides for the award of shares of Common stock and other awards that are valued by reference to Common stock or other property (*Other Share-Based Awards*). Such awards may be granted alone or in addition to other awards under the Plan. Other Share-Based Awards may be paid in cash, shares of Common stock or other property, or a combination thereof, as determined by the Compensation Committee. The Compensation Committee determines the terms and conditions of Other Share-Based Awards, including any conditions for vesting that must be satisfied.

Performance Awards. Performance awards provide participants with the opportunity to receive shares of Common stock, cash or other property based on performance and other vesting conditions. Performance awards may be granted from time to time as determined at the discretion of the Compensation Committee. Subject to the share limit and maximum dollar value set forth above under *Limits on Awards to Participants*, the Compensation Committee has the discretion to determine (i) the number of shares of common stock under, or the dollar value of, a performance award and (ii) the conditions that must be satisfied for grant or for vesting, which typically will be based principally or solely on achievement of performance goals. The performance period for performance awards will not be shorter than one year unless the award is not payable in shares. Performance awards may be paid in a lump sum or in installments, or on a deferred basis subject to the requirements of Section 409A of the Code.

Performance Criteria. At the Compensation Committee's discretion, performance goals for restricted stock awards, restricted stock units, performance awards or other share-based awards may be based on the attainment of specified levels of one or more of the following criteria (which may incorporate pre-defined adjustments): revenue, net revenue, product revenue or system-wide revenue (including growth of such revenue measures); operating income (before or after taxes); pre- or after-tax income or loss (before or after allocation of corporate overhead

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and bonus); earnings or loss per share; net income or loss (before or after taxes); return on equity; total stockholder return; return on assets or net assets; appreciation in and/or maintenance of the price of the shares or any other publicly-traded securities of the Company; market share; gross profits; gross or net profit margin; gross profit growth; net operating profit (before or after taxes); operating earnings; earnings or losses or net earnings or losses (including earnings or losses before taxes, before interest and taxes, or before interest, taxes, depreciation and amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow (including operating cash flow and free cash flow) or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; cash flow return on capital; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; general and administrative expense savings; inventory control; operating margin; gross margin; year-end cash; cash margin; debt reduction; stockholders equity; operating efficiencies; cost reductions or savings; market share; customer satisfaction; customer growth; employee satisfaction; productivity or productivity ratios; regulatory achievements (including submitting or filing applications or other documents with regulatory authorities or receiving approval of any such applications or other documents; strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; co-development, co-marketing, profit sharing, joint venture or other similar arrangements); financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital or assets under management; financing and other capital raising transactions (including sales of the Company's equity or debt securities; debt level year-end cash position; book value; competitive market metrics; timely completion of new product roll-outs; sales or licenses of the Company's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); royalty income; implementation, completion or attainment of measurable objectives with respect to research, development, commercialization, products or projects, acquisitions and divestitures, succession and hiring projects, reorganization and other corporate transactions, expansions of specific business operations and meeting divisional or project budgets; and recruiting and maintaining personnel. The performance goals may be determined solely by reference to our performance or the performance of one or more of our subsidiaries, divisions, business segments or business units, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The Compensation Committee may also exclude under the terms of the performance awards (to the extent permitted by Section 162(m) of the Code) the impact of an event or occurrence which the Committee determines should appropriately be excluded, including (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to our operations or not within the reasonable control of our management, or (iii) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles.

Adjustments to Awards Subject to Performance Criteria. The Compensation Committee may make downward, but not upward, adjustments with respect to any amount payable pursuant to any restricted stock award, restricted stock unit award, performance award or other share-based payment award that is subject to performance criteria and is intended to be treated as performance-based compensation under Section 162(m) of the Code. The Compensation Committee may not waive achievement of performance goals for such awards, except in the case of death or disability.

Dividends; Dividend Equivalents. Awards other than options and SARs may, if determined by the Compensation Committee, provide that the participant will be entitled to receive, currently or on a deferred basis, cash, stock or other property dividends, or cash payments in amounts equivalent to cash, stock, or other property dividends declared with respect to shares of Common stock covered by an award. Except as otherwise provided in an award agreement, the Compensation Committee may provide that such amounts will be deemed to have been reinvested in additional shares of common stock or otherwise, and that they are subject to the same vesting or performance conditions as the underlying award. Any dividends or dividend equivalents provided with respect to performance awards or restricted stock, restricted stock unit or other share-based awards that are subject to the attainment of performance goals will be subject to the same restrictions and risk of forfeiture as the underlying awards.

No Repricing. The Omnibus Incentive Plan prohibits option and SAR repricings (other than to reflect stock splits, spin-offs or other corporate events described under Adjustments upon Changes in Capitalization below, or in connection with a change in control of the Company) unless stockholder approval is obtained. For purposes of the Plan, a repricing means a reduction in the exercise price of an option or the grant price of a SAR, the cancellation of an option or SAR in exchange for cash or another award under the Plan if the exercise price or grant price of the option or SAR is greater than the fair market value of the Common stock, or any other action with respect to an option or SAR that may be treated as a repricing under the rules of the Principal Exchange.

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Nontransferability of Awards. No award under the Omnibus Incentive Plan, and no shares subject to awards that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, is transferable other than by will or the laws of descent and distribution, and an award may be exercised during the participant's lifetime only by the participant or the participant's guardian or legal representative, except that the Compensation Committee may provide in an award agreement that a participant may transfer an award without consideration to certain family members, family trusts, or other family-owned entities, or for charitable donations under such terms and conditions determined by the Compensation Committee.

Adjustments upon Changes in Capitalization. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a non-extraordinary cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in our corporate structure affecting our Common stock or the value thereof, adjustments to the Omnibus Incentive Plan and awards shall be made (in accordance with Sections 409A and 424 of the Code, as applicable) in order to prevent dilution or enlargement of the rights of participants that would otherwise result from such transaction or change, including adjustments in the number and class of shares of stock available for awards under the Plan, the number, class and exercise or grant price of shares subject to awards outstanding under the Plan, and the limits on the number of awards that any person may receive.

Termination of Employment. The Compensation Committee will determine and set forth in the award agreement whether any awards will continue to be exercisable on and after the date the participant ceases to be employed by, or to otherwise provide services to, us, whether by reason of death, disability, voluntary or involuntary termination of employment or service, or otherwise.

Clawback. The Omnibus Incentive Plan provides that in the event of a restatement of the Company's financial statements which reduces the amount of the awards that would have been paid or vested had the financial results been properly reported, the Compensation Committee may cancel or clawback all or any portion of awards or the gain realized on the award. In addition, all awards (and the benefits derived from the awards) are subject to recovery by the Company if required by rules adopted by the SEC or the NASDAQ Stock Exchange to implement Section 10D of the Exchange Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any other applicable rule, regulation or law.

Amendment and Termination. The Omnibus Incentive Plan may be amended or terminated by the Board except that stockholder approval is required for any amendment to the Plan which increases the number of shares of Common stock available for awards thereunder, expands the types of awards available, materially expands the class of persons eligible to participate in the Plan, permits the grant of options or SARs with an exercise or grant price of less than 100% of fair market value on the date of grant, amends the provisions prohibiting the repricing of stock options and SARs as described above under "No Repricing," increases the limits on shares subject to awards or the dollar value payable with respect to performance awards, or takes any action with respect to an option or SAR that may be treated as a repricing under the rules of the Principal Exchange. No amendment or termination may materially impair a participant's rights under an award previously granted under the Plan without the written consent of the participant.

The Omnibus Incentive Plan will expire on the 10th anniversary of the date of its approval by stockholders, except with respect to awards then outstanding, and no further awards may be granted thereafter.

Federal Income Tax Consequences

The following discussion summarizes certain federal income tax considerations of awards under the Omnibus Incentive Plan. However, it does not purport to be complete and does not describe the state, local or foreign tax considerations or the consequences for any particular individual.

Stock Options. A participant does not realize ordinary income on the grant of a stock option. Upon exercise of a non-qualified stock option, the participant will realize ordinary income equal to the excess of the fair market value of the shares of Common stock over the option exercise price. The cost basis of the shares acquired for capital gain treatment is their fair market value at the time of exercise. Upon exercise of an incentive stock option, the excess of the fair market value of the shares of Common stock acquired over the option exercise price will be an item of tax preference to the participant, which may be subject to an alternative minimum tax for the year of exercise. If no disposition of the shares is made

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within two years from the date of granting of the incentive stock option or within one year after the transfer of the shares to the participant, the participant does not realize taxable income as a result of exercising the incentive stock option; the tax basis of the shares received for capital gain treatment is the option exercise price; any gain or loss realized on the sale of the shares is long-term capital gain or loss. If the participant disposes of the shares within the two-year or one-year periods referred to above, the participant will realize ordinary income at that time in an amount equal to the excess of the fair market value of the shares at the time of exercise (or the net proceeds of disposition, if less) over the option exercise price. For capital gain treatment on such a disposition, the tax basis of the shares will be their fair market value at the time of exercise.

Stock Appreciation Rights. No ordinary income will be realized by a participant in connection with the grant of a SAR. When the SAR is exercised, the participant will realize ordinary income in an amount equal to the sum of the amount of any cash received and the fair market value of the shares of Common stock or other property received upon the exercise.

Restricted Stock, Performance and Restricted Stock Unit Awards. The participant will not realize ordinary income on the grant of a restricted stock award (or a performance award if the shares of Common stock are issued on grant), but will realize ordinary income when the shares subject to the award become vested in an amount equal to the excess of (i) the fair market value of the shares on the vesting date over (ii) the purchase price, if any, paid for the shares. The participant may, however, elect under Section 83(b) of the Code to include as ordinary income in the year the shares are granted an amount equal to the excess of (i) the fair market value of the shares on the date of issuance, over (ii) the purchase price, if any, paid for the shares. If the Section 83(b) election is made, the participant will not realize any additional taxable income when the shares become vested.

The participant will not realize ordinary income on the grant of a restricted stock unit award, (or a performance award under which shares of Common stock are not issued on grant), but will realize ordinary income when the shares subject to the award are issued to the participant after they become vested. The amount of ordinary income will be equal to the excess of (i) the fair market value of the shares on the date they are issued over (ii) the purchase price, if any, paid for the award.

Upon disposition of shares of Common stock acquired under a restricted stock award, performance award or restricted stock unit award, the participant will realize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for the shares plus any amount realized as ordinary income upon grant (or vesting) of the shares.

Company Tax Deduction. The Company generally will be entitled to a tax deduction in connection with an award under the Omnibus Incentive Plan, subject to the provisions of Section 162(m) of the Code, in an amount equal to the ordinary income realized by a participant at the time the participant realizes such income (for example, on the exercise of a nonqualified stock option). Section 162(m) of the Code may limit the deductibility of compensation paid to the Company's CEO and to each of the next three most highly compensated executive officers other than the CFO. Under Section 162(m), the annual compensation paid to any of these executives will be deductible to the extent that it does not exceed \$1,000,000 or if the compensation is treated as performance-based compensation under Section 162(m) of the Code. Compensation attributable to stock options and SARs under the Plan should qualify as performance-based compensation if the awards are made by the Compensation Committee and the exercise or grant price of the award is no less than the fair market value of the Common stock on the date of grant. Compensation attributable to restricted stock awards, restricted stock unit awards and performance awards should qualify as performance-based compensation if (i) the compensation is approved by the Compensation Committee, (ii) the compensation is paid only upon the achievement of an objective performance goal established in writing by the Compensation Committee while the outcome is substantially uncertain, and (iii) the Compensation Committee certifies in writing prior to the payment of the compensation that the performance goal has been satisfied.

Table of Contents**Grants under the Omnibus Incentive Plan**

There have been no grants under the Omnibus Incentive Plan; accordingly, the benefits or amounts that will be received as a result of the Omnibus Incentive Plan are not currently determinable.

The following table sets forth aggregated information about the 2010 Stock Plan under which equity securities of the Company are authorized for issuance as of December 31, 2012:

Plan Category	Number of Securities Authorized for Issuance Under the Plan	Number of Securities to be Issued Upon Exercise of Outstanding Nonvested Shares	Weighted-Average Price of Outstanding Nonvested Shares	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	2,000,000	261,558	\$ 0.00	550,231
Equity compensation plans not approved by stockholders	None	None	N/A	None
Total	2,000,000	261,558	\$ 0.00	550,231

The number of securities remaining available for future issuance in the last column of the table above will no longer be available for future grants if the Omnibus Incentive Plan is approved by stockholders.

There were no outstanding stock options as of December 31, 2012 (and no stock options have been issued in 2013). The number of securities in the third column of the table above consist of time-based and performance-based restricted stock awards.

As of the record date there were a total of 16,959,150 shares of common stock outstanding.

The following table sets forth the number of time-based restricted stock granted by the Company in the years indicated (no stock options were granted in any of those years). In addition, the table provides the number of shares of performance-based restricted stock earned and the weighted average number of shares of common stock outstanding in the year indicated.

Year	Number of Options Granted	Number of Shares of Time-Based Restricted Stock Granted	Number of Shares of Earned Performance-Based Restricted Stock	Weighted Average Number of Shares of Common Stock Outstanding
2012		52,839	88,752	16,997,000
2011		47,457	126,703	17,110,000
2010		57,315	31,123	16,820,000

Required Vote

Approval of the Omnibus Incentive Plan requires the affirmative vote of a majority of the shares of common stock present or represented, in person or by proxy, provided at a meeting at which a quorum is present. The Board is of the opinion that approval of the Plan is in the best interests of the Company and its stockholders and recommends a vote for the approval of the Plan. All proxies will be voted to approve the Omnibus Incentive Plan unless a contrary vote is indicated on the enclosed proxy card.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE 2013 OMNIBUS INCENTIVE PLAN.

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PROPOSAL 5 APPROVAL OF 2013 ANNUAL NON-EQUITY INCENTIVE PLAN

Background

We are asking stockholders to approve the Portfolio Recovery Associates, Inc. 2013 Annual Non-Equity Incentive Plan (the 2013 Non-Equity Incentive Plan), which was approved by the Board on March 28, 2013, subject to stockholder approval.

The 2013 Non-Equity Incentive Plan is designed so that the awards under the Plan will satisfy the requirements for performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Under Section 162(m) of the Code, we may not deduct for federal income tax purposes the compensation paid to our CEO or any of the next three most highly compensated executive officers (other than our CFO) to the extent that it exceeds \$1,000,000 in any year, unless it qualifies as performance-based compensation.

One of the requirements for compensation to be treated as performance-based compensation is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by our stockholders. For purposes of Code Section 162(m) the material terms are (i) the employees eligible to receive compensation, (ii) a description of the criteria on which the performance goal will be based and (iii) the maximum amount of compensation that can be paid to an employee under the 2013 Non-Equity Incentive Plan. Stockholder approval of the 2013 Non-Equity Incentive Plan is intended to constitute approval of each of the material terms, which are discussed below.

The following summary of the principal features of the 2013 Non-Equity Incentive Plan is qualified in its entirety by reference to the full text of the 2013 Non-Equity Incentive Plan, which is attached to this proxy statement as Appendix B.

Summary of the 2013 Non-Equity Incentive Plan

Purpose of the 2013 Non-Equity Incentive Plan. The purposes of the 2013 Non-Equity Incentive Plan are to advance the interests of the Company and its stockholders and assist the Company in attracting and retaining executive officers of the Company and its affiliates who, because of the extent of their responsibilities can make significant contributions to the Company's success by their ability, industry, loyalty and exceptional services, by providing incentives and financial rewards to such executive officers upon the achievement of certain financial and other business performance goals.

Administration; Amount of Awards. The Compensation Committee of the Board (or a subcommittee thereof) will administer the 2013 Non-Equity Incentive Plan. The Compensation Committee (or subcommittee) must consist solely of two or more Directors of the Company who qualify as outside directors under Section 162(m) of the Code.

The Compensation Committee will interpret and determine all questions relating to the 2013 Non-Equity Incentive Plan and take any action it deems necessary or advisable for its proper administration. All decisions of the Compensation Committee shall be final, conclusive and binding on the Company, participants and any person who claims a benefit or right to an award under the 2013 Non-Equity Incentive Plan.

Subject to the terms of the 2013 Non-Equity Incentive Plan, the Compensation Committee has the sole discretion to determine the amounts, terms and conditions of each award. The maximum amount payable to a participant under an award under the 2013 Non-Equity Incentive Plan for a Performance Period (as defined below) is \$5,000,000. The maximum amount payable will be proportionately adjusted if the Performance Period is shorter or longer than 12 months.

Eligibility. Our CEO and any other executive officer of the Company or of any affiliate may be selected by the Compensation Committee to receive an award under the 2013 Non-Equity Incentive Plan for any year. The selection must occur within 90 days after the beginning of the Performance Period or, if the Performance Period is less than 12 months, prior to the expiration of 25% of the Performance Period.

Performance Goals. Under the 2013 Non-Equity Incentive Plan, the Compensation Committee will determine whether the fiscal year or some other performance period will be used for measuring actual performance (each a Performance Period). The Compensation Committee will establish for each Performance Period (a) the performance goals based on business and financial criteria (which may incorporate pre-defined adjustments) and (b) a formula for calculating a participant's award based on actual performance compared to the pre-established performance goals. The actions of the Compensation Committee described in the prior two sentences must take place within 90 days after the beginning of the Performance Period (or, if the Performance Period is less than 12 months, prior to the expiration of 25% of the Performance Period).

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Performance goals will be based on one or more of the following business and financial criteria: revenue, net revenue, product revenue or system-wide revenue (including growth of such revenue measures); operating income (before or after taxes); pre- or after-tax income or loss (before or after allocation of corporate overhead and bonus); earnings or loss per share; net income or loss (before or after taxes); return on equity; total stockholder return; return on assets or net assets; appreciation in and/or maintenance of the price of the Shares or any other publicly-traded securities of the Company; market share; gross profits; gross or net profit margin; gross profit growth; net operating profit (before or after taxes); operating earnings; earnings or losses or net earnings or losses (including earnings or losses before taxes, before interest and taxes, or before interest, taxes, depreciation and amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow (including operating cash flow and free cash flow) or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; cash flow return on capital; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; general and administrative expense savings; inventory control; operating margin; gross margin; year-end cash; cash margin; debt reduction; stockholders equity; operating efficiencies; cost reductions or savings; market share; customer satisfaction; customer growth; employee satisfaction; productivity or productivity ratios; regulatory achievements (including submitting or filing applications or other documents with regulatory authorities or receiving approval of any such applications or other documents; strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; co-development, co-marketing, profit sharing, joint venture or other similar arrangements); financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital or assets under management; financing and other capital raising transactions (including sales of the Company's equity or debt securities; debt level year-end cash position; book value; competitive market metrics; timely completion of new product roll-outs; sales or licenses of the Company's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); royalty income; implementation, completion or attainment of measurable objectives with respect to research, development, commercialization, products or projects, acquisitions and divestitures, succession and hiring projects, reorganization and other corporate transactions, expansions of specific business operations and meeting divisional or project budgets; and recruiting and maintaining personnel.

The performance goals may be based solely by reference to our performance or the performance of one or more of our affiliates, divisions, business segments or business units, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The Compensation Committee may also exclude under the terms of the performance awards the impact of an event or occurrence which the Compensation Committee determines should appropriately be excluded, including (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to our operations or not within the reasonable control of our management, or (iii) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles.

After the end of each Performance Period, the Compensation Committee will determine the extent to which the performance goals for participants were achieved. The Compensation Committee will determine and certify the actual award (if any) for each participant based on the level of actual performance achieved. However, the Compensation Committee retains discretion to eliminate or reduce the actual award payable to any participant below that which otherwise would be payable. The Compensation Committee may not waive achievement of performance goals, except in the case of death, disability or change in control. Awards under the 2013 Non-Equity Incentive Plan will be payable in cash unless the Compensation Committee in its discretion decides to make payment in the form of a stock-based award to the extent permissible under a Company stock plan.

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Clawback. The Compensation Committee has discretion to require repayments of an award in the event of a restatement of the Company's financial statements within three years after the award is paid to correct a material error that the Compensation Committee determines is the result of fraud or intentional misconduct. In addition, all awards (and the benefits derived from the awards) are subject to recovery by the Company if required by rules adopted by the SEC or the NASDAQ Stock Exchange to implement Section 10D of the Exchange Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any other applicable rule, regulation or law.

Amendment and Termination of the 2013 Non-Equity Incentive Plan. The Board may amend or terminate the 2013 Non-Equity Incentive Plan at any time. In order to maintain the plan's qualification under Section 162(m), material amendments of the 2013 Non-Equity Incentive Plan must be approved by stockholders. No amendment or termination may impair the rights of a participant under the terms of an award previously made to the participant without the participant's consent.

Federal Income Tax Consequences. Participants will realize ordinary income equal to the amount of any cash award paid to them in the year it is received. A stock-based award made under a stockholder approved stock plan may have different tax consequences depending on the type of award.

The Company will be entitled to a deduction for the amount of ordinary income realized by participants unless the awards under the 2013 Plan fail to qualify as performance-based compensation under the requirements of Section 162(m) of the Code.

Approval

Approval of the 2013 Non-Equity Incentive Plan requires the affirmative vote of a majority of the total votes cast on this proposal at the Annual Meeting. No awards will be payable under the 2013 Non-Equity Incentive Plan for the 2013 fiscal year or thereafter if the Plan is not approved by stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE 2013 ANNUAL NON-EQUITY INCENTIVE COMPENSATION PLAN.

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The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the Company's accounting, auditing, financial reporting, internal controls and management processes. KPMG LLP, the Company's independent registered public accounting firm, is responsible for expressing opinions on the conformity of the Company's audited financial statements with generally accepted accounting principles and on the Company's internal control over financial reporting.

The Audit Committee has reviewed and discussed with management and KPMG LLP the Company's audited financial statements for the year ended December 31, 2012. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Volume 1 AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee has received the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee concerning independence and has discussed with KPMG LLP its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

This report is submitted on behalf of the following independent Directors, who constitute the Audit Committee:

James M. Voss, Chairman

John H. Fain

Scott M. Tabakin

SECURITY OWNERSHIP OF MANAGEMENT AND DIRECTORS

The following table contains information about the shares of the Company's common stock beneficially owned as of the Record Date by the executives named therein, including the Company's CEO, CFO, each of the Company's non-employee Directors, and all Directors and NEOs as a group. Subject to community property laws where applicable, to the knowledge of the Company, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. To the knowledge of the Company, none of the persons named in the table below have pledged any of the shares of common stock beneficially owned by them as security. There are no outstanding stock options currently exercisable or exercisable within 60 days of the Record Date and all nonvested shares vesting within 60 days of the Record Date, are deemed outstanding.

Name of Beneficial Owner	Shares Owned	Shares Not Vested	Total Shares	
			Beneficially Owned	Percentage of Shares Owned
Steven D. Fredrickson	78,697	56,292	78,697	0.5%
Kevin P. Stevenson	50,699	21,419	50,699	0.3%
Michael J. Petit	19,903	59,102	19,903	0.1%
Neal Stern	15,512	15,482	15,512	0.1%
P. Kent McCammon	9,409	12,707	9,409	0.1%
John H. Fain	3,016	1,718	3,934	0.0%
John E. Fuller	3,016	1,718	3,934	0.0%
Penelope W. Kyle	7,419	918	8,337	0.0%
David N. Roberts	15,980	918	16,898	0.1%
Scott M. Tabakin	8,449	1,118	9,367	0.1%
James M. Voss	6,816	918	7,734	0.0%
All NEOs & Directors	218,916	172,310	224,424	1.3%

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth the persons or entities known by the Company to be the beneficial owners of more than five percent (5%) of the common stock of the Company based on their most recent filings.

Title of Class	Name & Address of Beneficial Owner	Shares Beneficially Owned ⁽¹⁾	Percent of Class ⁽²⁾
Common Stock	BlackRock, Inc. ⁽³⁾ 40 East 52 nd Street New York, NY 10022	1,313,027	7.74%
Common Stock	William Blair & Company, LLC ⁽⁴⁾ 222 West Adams Street Chicago, IL 60606	1,062,781	6.27%
Common Stock	The Vanguard Group, Inc. ⁽⁵⁾ 100 Vanguard Blvd. Malvern, PA 19355	1,010,042	5.96%
Common Stock	Waddell & Reed Financial, Inc. ⁽⁶⁾ 6300 Lamar Avenue Overland Park, KS 66202	979,571	5.78%

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares.
- (2) Ownership percentage is based on 16,959,150 shares of common stock outstanding as of the Record Date.
- (3) Based on information in a Schedule 13G/A filed with the SEC on February 7, 2013, in which BlackRock, Inc. is reported as the beneficial owner of 1,313,027 shares of the Company's common stock with sole power to vote or direct the vote and with sole power to dispose or to direct the disposition of these 1,313,027 shares.
- (4) Based on information in a Schedule 13G filed with the SEC on February 4, 2013, in which William Blair & Company, LLC is reported as the beneficial owner of 1,062,781 shares of the Company's common stock with sole power to vote or direct the vote and with sole power to dispose or to direct the disposition of these 1,062,781 shares.
- (5) Based on information in a Schedule 13G/A filed with the SEC on February 11, 2013, in which The Vanguard Group, Inc. is reported as the beneficial owner of 1,010,042 shares of the Company's common stock, with sole power to vote or direct the vote of 23,151 shares held by its wholly-owned subsidiary, Vanguard Fiduciary Trust Company, sole power to vote or direct the vote of 1,000 shares held by its wholly-owned subsidiary, Vanguard Investments Australia, Ltd., sole power to dispose or direct the disposition of 986,891 shares, and shared power with its wholly-owned subsidiary, Vanguard Fiduciary Trust Company, to dispose or direct the disposition of 23,151 shares.
- (6) Based on information in a Schedule 13G/A filed with the SEC on February 7, 2013, in which Waddell & Reed Investment Management Company, a subsidiary of Waddell & Reed Financial, Inc., is reported as the direct beneficial owner of 721,719 shares of the Company's common stock with sole power to vote or direct the vote and with sole power to dispose or to direct the disposition of these 721,719 shares, and in which Ivy Investment Management Company, another subsidiary of Waddell & Reed Financial, Inc., is reported as the direct beneficial owner of 257,852 shares of the Company's common stock with sole power to vote or direct the vote and with sole power to dispose or to direct the disposition of these 257,852 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act of 1934 (Exchange Act) requires the Company's NEOs and Directors as well as persons who beneficially own ten percent (10%) or more of the Company's common stock to file initial reports of ownership and changes in ownership of such common stock

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with the SEC and NASDAQ. As a practical matter, the Company typically assists its Directors and officers with these transactions by completing and filing Section 16 reports on their behalf. The Company also reviews Directors' and officers' questionnaires and written representations from the NEOs and Directors. Based on a review of the Section 16(a) reports filed by the Company on behalf of its Directors and NEOs or furnished to the Company by beneficial owners of 10% or more of its common stock (if applicable) and a review of written representations from certain reporting persons, the Company believes that all such filing requirements of its Directors and NEOs were complied with on a timely basis during 2012, with the exception of a late Form 4 for Ms. Kyle (6/1/12), Mr. Fain (6/1/12), Mr. Fuller (6/1/12), Mr. Tabakin (6/1/12), Mr. Voss (6/1/12), Mr. Roberts (6/4/12) and Mr. Petit (10/5/12).

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Table of Contents**COMPENSATION OF DIRECTORS**

The Board, upon the recommendation of the Compensation Committee, sets the compensation for non-employee Directors so as to fairly compensate them for the work required of them, based on the Company's size and scope. The Company also makes annual equity awards to non-employee Directors in order to align each Director's interests with the long-term interests of the Company's stockholders. At the end of 2012, FW Cook provided the Compensation Committee with a peer group analysis of the compensation of the directors of companies in the Compensation Peer Group listed on page 40 of this Proxy Statement. The peer group analysis indicated that the compensation of the Company's non-employee Directors was significantly below the median. Based on this analysis, the Compensation Committee recommended an adjustment in the Directors' compensation, effective as of January 1, 2013.

The chart below provides a summary and comparison of total non-employee Director compensation in 2012 and proposed 2013 compensation. The Company makes annual equity awards as part of non-employee Director compensation. These awards were increased for 2013 and will remain at the 2013 level until reviewed at a future date.

Compensation Element	2012	2013
Annual Retainer (Cash Portion)	\$ 40,000	\$ 60,000
Annual Retainer (Company Stock Portion)	\$ 65,000	\$ 110,000
Annual Committee Chair Retainers		
Audit Committee	\$ 25,000	\$ 25,000
Compensation Committee	\$ 12,500	\$ 12,500
Nominating and Corporate Governance Committee	\$ 10,000	\$ 10,000
Annual Committee Retainers		
Audit Committee	\$ 12,500	\$ 12,500
Compensation Committee	\$ 6,250	\$ 6,250
Nominating and Corporate Governance Committee	\$ 5,000	\$ 5,000
Lead Director Retainer	\$ 15,000	\$ 15,000

On the date of the 2012 annual meeting of stockholders, each non-employee Director was awarded non-vested shares valued at approximately \$65,000. Annual Director stock awards become fully vested one year after the grant date. This vesting schedule, combined with the targeted Director stock ownership policy described below, advances the alignment of Directors' economic interests with those of stockholders. Recognizing that each Director should have a substantial personal investment in the Company, the Board has adopted a target stock ownership policy which applies to each Director, requiring a personal holding by each Director of a number of shares valued at not less than two times the Director's annual Board retainer, exclusive of Committee retainers. The Compensation Committee increased the required personal holding by each Director to five times the Director's annual Board retainer, exclusive of Committee retainers, effective January 1, 2013. Directors are expected to acquire and maintain this share ownership threshold within two years after joining the Board. This expectation to acquire and maintain share ownership has increased to five years effective January 1, 2013. In 2012, the Company offered no compensation to its Directors other than their annual retainers and stock awards; however, each Director is reimbursed for travel expenses in connection with attendance at Board meetings and for all reasonable expenses associated with continuing education programs. The Company offers no retirement benefits or other perquisites to Directors. The Company maintains policies of Directors' and officers' liability insurance covering all Directors. The Company's CEO received no additional compensation for his service as a Director and Chairman of the Board.

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Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (2)	Total Compensation
John H. Fain	\$ 58,750	\$ 64,967	0	\$ 123,717
John E. Fuller	\$ 51,250	\$ 64,967	0	\$ 116,217
Penelope W. Kyle	\$ 50,000	\$ 64,967	0	\$ 114,967
David N. Roberts	\$ 72,500	\$ 64,967	0	\$ 137,467
Scott M. Tabakin	\$ 58,750	\$ 64,967	0	\$ 123,717
James M. Voss	\$ 65,000	\$ 64,967	0	\$ 129,967

- (1) The amounts reported in the Stock Awards column represent the aggregate grant date fair value of the stock awards calculated by multiplying the number of non-vested shares granted by the closing stock price of the Company's common stock on the grant date. The actual amount of compensation that will be realized by a Director at the time an award vests will depend upon the market price of the Company's common stock at the vesting date.
- (2) The Company discontinued its practice of granting stock options to Directors in 2004. There are no outstanding options.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the material elements of compensation awarded to, earned by, and paid in 2012 to our NEOs identified in the Summary Compensation Table and other compensation tables contained in this Proxy Statement. We also provide an overview of our executive compensation philosophy and our executive compensation programs. In addition, we explain how and why the Compensation Committee of our Board arrives at specific compensation policies and decisions involving the NEOs.

EXECUTIVE SUMMARY

Our Business

PRA is a specialized financial and business services company. We are a market leader in the consumer debt purchase and collection industry. The Company also provides a broad range of fee-based services to include revenue enhancement for local governments; vehicle location, skip-tracing and collateral recovery for auto lenders, governments, and law enforcement; contingent consumer debt recovery on behalf of banks, credit providers, and debt purchasers; and filing of class action claims on behalf of institutional investors, manufacturers, and retailers. PRA was founded in 1996 and has been public since 2002. We are distinguished by our strong customer focus, continuous innovation, and culture of integrity and compliance. We have approximately 3,100 employees in the United States and the United Kingdom. For more information about our businesses, please refer to our Annual Report on Form 10-K filed with the SEC on February 28, 2013.

2012 Business Highlights

In 2012, we were able to deliver another consecutive year of strong performance. Our performance in 2012 was significant and continued to reflect our attention on driving the top line, identifying and improving operational efficiencies, and maintaining a strong and flexible capital structure. Due to our steady leadership, even in this economy, we continue to be strong in cash collections from both bankruptcy and core portfolios, supported by impressive performance in our call centers.

During 2012, we had the following significant accomplishments:

In 2012, we experienced net income growth of 26% from 2011. Net income finished 2012 at \$126.6 million, comparable to \$100.8 million in 2011. Diluted earnings per share (EPS) totaled \$7.39 for the year, compared with EPS of \$5.85 in 2011, representing an increase of 26%;

We increased revenue by 29% to \$592.8 million as cash collections grew 29% to a record \$908.7 million; and

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Portfolio acquisitions totaled \$522 million⁽¹⁾, compared with \$408 million in the prior year.

⁽¹⁾ Total acquisitions were \$522 million and do not include \$16 million for UK Acquisitions.

In January 2012 we acquired Mackenzie Hall, a leading UK debt collection and purchase group based in Kilmarnock, Scotland for approximately \$51 Million. Mackenzie Hall is one of the UK's fastest-growing businesses in consumer debt recovery, and this acquisition has expanded PRA into the global market providing opportunities to continue to diversify revenue and services.

In December 2012 we completed the purchase of certain finance receivables and other operating assets from National Capital Management, LLC (NCM) for \$107 Million. With this transaction, we expanded our presence within the bankruptcy market by acquiring expertise in secured bankruptcy receivables.

2012 Executive Compensation Highlights

The Compensation Committee believes that the compensation programs and performance incentives in place in 2012, as more fully described herein, contributed to the achievement of the Company's financial and operational outcomes. The total compensation paid to the Company's NEOs in 2012 reflects the Compensation Committee's recognition of their contributions to the Company's financial performance.

In 2012, we took the following compensation actions:

We increased the base salaries of our NEOs to be more consistent with the market median (as determined in consultation with FW Cook) while taking individual performance into consideration;

We reviewed the risk profile of all incentive plan designs company-wide in addition to our annual risk assessment; and

We took an opportunity to revamp several important Compensation Committee documents, including its Charter and philosophy, outside of our normal annual updates, to ensure they remained current with our pay practices and our growing business.

In January 2013, the Compensation Committee also took the following actions:

We approved 2012 cash non-equity incentive awards above the market median consistent with above-target Company performance as compared to its peers;

We reviewed the stockholding targets of our Executives and Board, and increased the stockholding requirements for our Board to five times their cash retainers; and

We approved grants of shares under the 2013 LTI Program taking into consideration market median, Company and individual performance, future contributions, and any related retention concerns.

2012 Corporate Governance Highlights as Related to the Compensation Committee

We work hard to maintain good governance standards with regard to our executive compensation policies and practices. The following practices were in effect during 2012:

The Compensation Committee is composed solely of independent Directors;

The Committee has established ways to communicate with stockholders regarding their views on our executive compensation program as previously described in the Communication with Directors section as found on page 17 in this Proxy Statement;

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The Compensation Committee's independent compensation consultant, FW Cook, is retained directly by the Compensation Committee and performs no other consulting or other services for us;

The Compensation Committee conducts an annual review and approval of our compensation strategy and programs, and works to assess the risks of these programs. This work is done to reduce the likelihood of any of our compensation programs having a material adverse effect on the Company;

We maintain stock ownership guidelines for our NEOs and progress towards those guidelines is monitored annually. The Compensation Committee reserves the right to pay out cash bonuses in equity in the event that an NEO has not made significant progress towards meeting or exceeding the established guidelines. The Committee reviewed the levels of ownership guidelines compared to our Compensation Peer Group (as described on page 40) in 2012 and made adjustments to the required Board ownership levels;

Our NEOs do not receive perquisites other than reimbursement for a comprehensive physical examination every five years; and

The Company does not provide excise tax gross-ups and requires a double trigger (a change in control of the Company combined with termination of the NEOs' employment) for activating the NEOs' right to a severance payment in the change of control component of the NEOs' Employment Agreements.

PHILOSOPHY AND OBJECTIVES OF OUR EXECUTIVE COMPENSATION PROGRAM

Our compensation philosophy is to align our NEOs' pay with performance, while ensuring that our executive compensation is attractive, flexible, market based and closely synchronized with the interests of our stockholders. Our compensation objectives are to attract, hire, and retain the caliber of executive officers necessary to deliver sustained high performance to our stockholders; to ensure that our compensation programs pay for performance; that we reward both short and long-term performance; that our pay programs are aligned with stockholder interests; and that corporate governance best practices are taken into consideration. Our executive compensation program is an important component in each of these compensation goals. Equally important, we view compensation practices as a means for communicating our goals and standards of conduct and performance and for motivating and rewarding employees in relation to their achievements. Within this framework, we observe the following principles:

Attract, retain, and motivate highly skilled executives: We believe our NEOs should have compensation and benefits programs that are market competitive to our peer group and that permit us to hire top caliber individuals at all levels;

Pay for performance: A significant portion of the annual compensation of our NEOs should vary with annual business performance and each individual's contribution to that performance;

Drive the attainment of short-term and long-term financial and strategic objectives: Our compensation programs are built to link directly to our short and long-term performance goals. Our Annual Non-Equity Incentive Plan is directly tied to annual performance whereas our long-term equity incentive programs (LTI Programs) are designed to focus on a three year performance and retention period;

Align compensation with stockholder interests: The interests of our NEOs should be linked with those of our stockholders by tying realized compensation directly to changes in stockholder value;

Consider corporate governance best practices: The overall compensation program should take into consideration corporate governance best practices as well as the results of the Company's annual advisory vote on NEO compensation; and

Be competitive against peer companies and differentiate by individual contribution: Compensation programs are built to be competitive with our peer companies and the actual awards take into consideration individual contributions to the Company to differentiate internally between NEOs.

Executive compensation should be linked, directly and materially, to the Company's overall performance and each NEO's individual performance, and should reward past performance and motivate future performance.

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HOW WE MAKE COMPENSATION DECISIONS

Role of the Compensation Committee

The Compensation Committee, which is currently made up of four independent Directors, is responsible to our Board for overseeing our executive compensation and benefits policies and programs. Mr. Fuller, who is currently a member of the Compensation Committee, will no longer serve as a Director when his term expires effective at the Annual Meeting. Among its duties, the Compensation Committee is responsible for formulating the compensation recommendations for our CEO and approving all compensation for the CEO's direct reports (including the other NEOs). Although the Compensation Committee considers the CEO's recommendations, the Compensation Committee independently evaluates the recommendations and makes all final compensation decisions within the parameters of its compensation philosophy. This includes the following:

Evaluating the competitiveness of each NEO's total compensation package including base pay, annual non-equity incentive and LTI;

Reviewing and approving corporate incentive goals and objectives;

Evaluating individual performance results in light of these goals and objectives;

Approving any changes to the total compensation package; and

Overseeing employment agreements including the renewal process.

The Compensation Committee is supported in its work by an executive compensation consultant (as described herein), the CEO, and the Senior Vice President of Human Resources and her staff. The Company continued its compensation practices without substantial change in 2012, in light of the favorable results of the 2012 advisory vote to approve the Company's executive compensation. At the Company's 2012 annual meeting, 99.2% of stockholder votes cast approved on a non-binding advisory basis the compensation program for the Company's NEOs.

Role of the Chief Executive Officer

Within the framework of the compensation and benefits programs approved by the Compensation Committee and based on a review of market competitive data completed annually, our CEO recommends the mix of annual base pay, annual non-equity incentive and long-term incentive awards that the Company's key executives (including the other NEOs) should receive as both target and actual total direct compensation. These recommendations are based upon his assessment of each executive officer's performance, the performance of the individual's respective business or function, and any employee retention considerations. The Compensation Committee reviews our CEO's recommendations and approves any compensation changes affecting our NEOs as it determines in its sole discretion. Our CEO does not play any role with respect to any matter affecting his own compensation. The Compensation Committee may delegate to the CEO duties and responsibilities as the Compensation Committee deems to be in the best interests of the Company, provided such delegation is not prohibited by applicable law, rule or regulation. Delegated duties include, but are not limited to the ability of the CEO to grant a specified number of non-vested shares of the Company's stock to newly hired, recently promoted or other employees in accordance with specified parameters.

Role of the Compensation Consultant

The Compensation Committee has retained FW Cook as its executive compensation consultant. The Compensation Consultant reports directly to the Compensation Committee. The Compensation Committee may replace the Compensation Consultant or hire additional consultants at any time. A representative of the Compensation Consultant attends meetings of the Compensation Committee and communicates with the Committee Chair between meetings, as requested.

In connection with its work for the Compensation Committee, FW Cook provides various executive compensation services to the Compensation Committee pursuant to a written consulting agreement. Generally, these services include advising the Compensation Committee on the principal

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aspects of our executive compensation program and evolving industry practices and providing market information and analysis regarding the competitiveness of our program design and our award values in relationship to performance.

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During 2012, FW Cook performed the following services for the Compensation Committee:

Provided an annual competitive evaluation of total compensation for the CEO and his direct reports (including the other NEOs) versus Compensation Peer Group (as disclosed on page 40) and other survey data;

Provided recommendations to the Compensation Committee on selection of companies for inclusion in the Compensation Peer Group;

Provided an annual competitive evaluation of share usage, dilution, and fair value transfer versus Compensation Peer Group data;

Assisted with the design of the Company's incentive compensation programs;

Reviewed and provided advice on the CD&A for the proxy statement and related compensation tables;

Reviewed committee materials and provided commentary when appropriate;

Participated in extensive risk analysis of all incentive pay programs at the Company; and

Provided a competitive review of the Company's director compensation program versus Compensation Peer Group data. FW Cook provided no services to management during 2012. The Compensation Committee retains sole authority to hire the Compensation Consultant, approve its compensation, determine the nature and scope of its services, evaluate its performance, and terminate its engagement. The total amount of fees paid to the Compensation Consultant for services to the Compensation Committee in 2012 was \$101,333. The Company has assessed the independence of FW Cook pursuant to SEC rules and has determined that no known conflict of interest exists that would prevent FW Cook from serving as an independent consultant to the Compensation Committee.

Use of Competitive Data

Executive compensation should assist the Company in attracting and retaining high quality talent, and should be reasonable in comparison to like positions in like companies. In order to appropriately incentivize and retain the management team, compensation packages for the Company's executives should be responsive to the current environment and competitive in comparison to peer companies. Consequently, the Compensation Committee strives to provide executive compensation packages that include a combination of base pay and incentives that are appropriate in the relevant marketplace.

While the Compensation Committee does not believe that it is appropriate to establish compensation levels based solely on benchmarking, the Compensation Committee believes that information regarding pay practices at other companies comparable to the Company is nevertheless useful as a tool as it recognizes that compensation practices must be competitive in the marketplace. Accordingly, the Compensation Committee engages FW Cook to assist and make recommendations in connection with the selection of and periodic review of companies to be included in the peer group (as disclosed on page 40, the Compensation Peer Group), as well as related analysis in connection with updates made with the approval of the Compensation Committee. We believe the Compensation Peer Group represents the organizations that most closely correlate with us and therefore lean toward the business services industry with a focus on specialized finance. The companies who are included in the Compensation Peer Group were included based on certain metrics, principally revenue, income, market capitalization and complexity, comparable to those of the Company.

The total target direct executive compensation approximates the median of the Compensation Peer Group. Actual cash compensation may be above or below this range based on actual performance. Realized LTI and total direct compensation will vary from the median based on actual

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financial and stock price performance. In making its year-end compensation decisions, the Compensation Committee noted that the Company performed comparatively well in difficult economic conditions, and on a relative basis in comparison to the industry as a whole, while exceeding its 2012 financial performance targets.

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