

ENCORE CAPITAL GROUP INC  
Form DEF 14A  
April 29, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No.     )**

Filed by the Registrant  x

Filed by a Party other than the Registrant  ..

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<input type="checkbox"/> .. Preliminary Proxy Statement	<input type="checkbox"/> .. <b>Confidential, for Use of the Commission</b>
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<input type="checkbox"/> .. Definitive Additional Materials	
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**ENCORE CAPITAL GROUP, INC.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.  
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**ENCORE CAPITAL GROUP, INC.**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON JUNE 16, 2010**

To Our Stockholders:

We cordially invite you to attend the 2010 annual meeting of stockholders of Encore Capital Group, Inc. Our annual meeting will be held at Le Parker Meridien New York, 118 West 57th Street, New York, New York 10019, on June 16, 2010, at 9:00 a.m. local time. The annual meeting is being held for the following purposes:

1. To elect nine directors, each for a term of one year;
2. To ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and
3. To transact such other business that may properly come before the meeting.

As resolved by our Board of Directors, stockholders of record at the close of business on April 19, 2010, are entitled to notice of and to vote at the annual meeting or any postponement or adjournment thereof.

We have enclosed a copy of our 2009 Annual Report on Form 10-K, which includes our audited consolidated financial statements.

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

By Order of the Board of Directors,

J. Brandon Black

President and Chief Executive Officer

April 29, 2010

San Diego, California

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**ENCORE CAPITAL GROUP, INC.**

**8875 AERO DRIVE, SUITE 200**

**SAN DIEGO, CALIFORNIA 92123**

**(877) 445-4581**

**PROXY STATEMENT**

This proxy statement relates to the 2010 annual meeting of stockholders of Encore Capital Group, Inc., to be held at Le Parker Meridien New York, 118 West 57th Street, New York, New York 10019, on June 16, 2010, at 9:00 a.m. local time, or at such other time and place to which the annual meeting may be adjourned or postponed. The enclosed proxy is solicited by our Board of Directors, and is first being mailed to stockholders entitled to vote at the meeting on or about April 29, 2010.

**QUESTIONS ABOUT THE MEETING**

***What is the purpose of the annual meeting?***

At our annual meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including (i) the election of nine directors, and (ii) the ratification of the selection of BDO Seidman, LLP as our independent registered public accounting firm. Our management will report on Encore's progress and respond to questions from stockholders. In addition, representatives of BDO Seidman, LLP will be given an opportunity to make a statement and to respond to questions regarding the audit of our consolidated financial statements.

***Who is entitled to vote?***

Only stockholders of record at the close of business on the record date, April 19, 2010, are entitled to receive notice of the annual meeting and to vote the shares that they held on that date at the meeting, or any postponement or adjournment of the meeting.

At the close of business on the record date, April 19, 2010, there were 23,460,019 outstanding shares of our common stock, which are entitled to cast one vote each.

***Who can attend the meeting?***

All stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Others may attend the meeting at our discretion. If you have any questions or wish to obtain directions to attend the annual meeting and to vote in person, please call Encore's Investor Relations representative at (877) 445-4581.

***What constitutes a quorum?***

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

not have discretionary voting power on that item and has not received instructions from the beneficial owner.

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### ***How do I vote by proxy before the meeting?***

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

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

By telephone (from the United States and Canada only) at 1-800-PROXIES (1-800-776-9437); or

By mail by completing, signing, dating and returning the enclosed proxy card in the postage paid envelope provided. Please refer to the proxy card for further instructions on voting via the internet and by telephone.

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

### ***May I vote my shares in person at the meeting?***

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

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

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

By filing with the Secretary of Encore a notice of revocation;

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

By attending the meeting and casting your vote in person.

### ***What are the Board's recommendations for how I should vote my shares?***

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

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

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Proposal 2 **FOR** the ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.

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



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### ***What vote is required to approve each item?***

***Election of Directors.*** The nine nominees who receive the most votes will be elected to our Board of Directors. A properly executed proxy marked **WITHHOLD AUTHORITY** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, and will have no effect on the proposal to elect the directors other than it will be counted for purposes of determining whether there is a quorum present at the annual meeting. Abstentions will have the same effect.

***Other Items.*** For each other item, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked **ABSTAIN** with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Because abstentions represent shares entitled to vote on any matter presented for stockholder approval, the effect of an abstention will be the same as a vote against a proposal.

***Effect of Broker Non-Votes.*** If you hold your shares in **street name** through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such **broker non-votes** will, however, be counted in determining whether there is a quorum.

### ***Can I exercise rights of appraisal or other dissenters' rights?***

No. Under Delaware law, holders of our voting stock are not entitled to demand appraisal of their shares or exercise similar rights of dissenters as a result of the approval of any of the proposals to be presented at the annual meeting.

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

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

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

If you and one or more of our other stockholders share the same address, it is possible that only one annual report and proxy statement was delivered to your address. This is known as **householding**. Any registered stockholder who wishes to receive separate copies of an annual report or proxy statement at the same address now or in the future may: (i) call Encore at (877) 445-4581, or (ii) mail a request to receive separate copies to: Encore Capital Group, Inc., 8875 Aero Drive, Suite 200, San Diego, CA 92123, Attention: Corporate Secretary, and we will promptly deliver the annual report and/or proxy statement to you. Stockholders who own our common stock through a broker and who wish to receive separate copies of an annual report and proxy statement should contact their brokers directly. Stockholders currently receiving multiple copies of an annual report and proxy statement at a shared address and who wish to receive only a single copy in the future may direct their request to the same phone number or address listed above.

**Table of Contents****ELECTION OF DIRECTORS****(PROPOSAL NO. 1)****General**

Our Board of Directors currently consists of nine members, each with a term expiring at the 2010 Annual Meeting. The Nominating Committee of the Board has recommended, and the Board has nominated, the nine incumbent directors for election at the 2010 Annual Meeting.

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

**Required Vote**

If a quorum is present and voting, the nine nominees receiving the highest number of votes will be elected to the Board of Directors.

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

**Director Nominees**

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

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
J. Brandon Black	42	Director, President and Chief Executive Officer
Timothy J. Hanford	46	Director
George Lund	45	Director, Executive Chairman
Richard A. Mandell	67	Director
Willem Mesdag	56	Director
John J. Oros	63	Director
J. Christopher Teets	37	Director
H Ronald Weissman	65	Director
Warren Wilcox	52	Director

**J. BRANDON BLACK.** Mr. Black has served as a director since May 2005. Mr. Black joined Encore in May 2000, and has served as our President and Chief Executive Officer since October 2005. Mr. Black also served as our President and Chief Operating Officer from October 2004 to October 2005, and as Executive Vice President and Chief Operating Officer from May 2000 to October 2004. From March 1998 until we acquired the company in 2000, Mr. Black was the Senior Vice President of Operations for West Capital Financial Services Corp. Prior to joining West Capital, Mr. Black worked for First Data Resources during the period of September 1997 through April 1998 and for Capital One Financial Corporation from June 1989 until August 1997. Mr. Black holds a bachelor's degree from the College of William and Mary and an MBA from the University of Richmond. Mr. Black has over 20 years of experience in the credit and collections industry, including many years in senior leadership roles at Encore.

**TIMOTHY J. HANFORD.** Mr. Hanford has served as a director since May 2007. Mr. Hanford has been a Managing Director of J.C. Flowers & Co. UK Ltd., an affiliate of investment advisor J.C. Flowers & Co. LLC,

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since January 2009. From July 2006 to December 2008, he served as Co-Head of FPK Capital. Prior to his role at FPK Capital, he was Head of Private Equity at Dresdner Bank from January 2003 to June 2006 and was a member of the Institutional Restructuring Unit's Executive Committee. Mr. Hanford's other previous experience includes private equity investing with Charlemagne Capital and serving as a director of Schroders, based in Hong Kong and Tokyo, where he was responsible for structured finance. Mr. Hanford holds an MS degree from Stanford University's Graduate School of Business, where he was a Sloan Fellow, and a BSc degree in Chemical Engineering from Birmingham University. Mr. Hanford has broad financial expertise and extensive experience overseeing international investments. His location in Europe provides us with perspective and insight on other markets.

**GEORGE LUND.** Mr. Lund has served as our Executive Chairman and an officer since July 2009, as the Chairman of our Board since August 2008 and as a director since September 2007. Mr. Lund is the Chairman and CEO of Torch Hill Investment Partners, a private equity firm focusing on defense, intelligence, and civil and corporate security. Prior to Torch Hill he was the Chairman and Chief Executive Officer of BANKFIRST, a national issuer of consumer credit, serving in that capacity from 1986-2004. Mr. Lund holds a business administration degree from Southern Methodist University. Mr. Lund has extensive experience in executive leadership and strategic planning, strong regulatory and government affairs knowledge and deep connections in the financial services industry.

**RICHARD A. MANDELL.** Mr. Mandell served as the Chairman of our Board of Directors from October 2004 until May 2007 and has served as a director since June 2001. He has served on the Board of Directors of Hampshire Group, Ltd. since April 2008, served as President and Chief Executive Officer from April 2009, to July 2009, and was appointed Chairman of the Hampshire Group, Ltd. Board in February 2010. He also served as a Director of Trian Acquisition I Corp. from January 2008 until January 2010, a Director of Smith & Wollensky Restaurant Group, Inc. from 2003 until January 2008, a Director of Sbarro, Inc. from March 1986 until January 2007 and has been a private investor and financial consultant. Mr. Mandell was a Vice President-Private Investments of Clariden Asset Management (NY) Inc., a subsidiary of Clariden Bank, a private Swiss bank, from January 1996 until February 1998. From 1982 until June 1995, Mr. Mandell served as a Managing Director of Prudential Securities Incorporated, an investment banking firm. Mr. Mandell holds a BSE degree from the Wharton School of the University of Pennsylvania and is a Certified Public Accountant. Mr. Mandell has extensive investment banking experience and has served as a director of three other public companies, including service on other audit committees. In addition, his nine-year tenure as a director provides valuable continuity to Encore's Board.

**WILLEM MESDAG.** Mr. Mesdag has served as a director since May 2007. He has served as the Managing Partner of Red Mountain Capital Partners LLC, an investment advisor, since January 2005, and is President of Red Mountain Capital Management. Prior to founding Red Mountain, he was an investment banker at Goldman, Sachs & Co. and a securities lawyer at Ballard, Spahr, Andrews & Ingersoll. He joined Goldman, Sachs & Co. in 1981 and was made a General Partner in 1990. Mr. Mesdag holds a bachelor's degree from Northwestern University and a JD degree from the Cornell Law School. He also serves as a director of 3i Group plc, Cost Plus, Inc. and Nature's Sunshine Products, Inc., all of which are public companies, two of which have significant international operations and one of which has investments in India. Through his career as an investment banker and securities lawyer, Mr. Mesdag has gained extensive experience providing strategic and financial advisory services to complex organizations in the consumer credit and financial services industry.

**JOHN J. OROS.** Mr. Oros has served as a director since May 2007. Mr. Oros has served as a Managing Director of J.C. Flowers & Co. LLC, an investment advisor, since February 2006. Mr. Oros has also served as the Executive Chairman of Enstar Group Limited since January 2007 and as a director since November 2001. Mr. Oros has served as a Director of OneWest Bank since March 2009, and is a director of Flowers National Bank. Mr. Oros has served in various positions for The Enstar Group, Inc. and its successor entity Enstar USA, Inc., including President since January 2007, President and Chief Operating Officer from June 2001 to January 2007, Executive Vice President from March 2000 to June 2001, and director from 2000 to January 2007. Before

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joining The Enstar Group, Inc., Mr. Oros was an investment banker at Goldman, Sachs & Co. in the Financial Institutions Group. Mr. Oros joined Goldman, Sachs & Co. in 1980 and was made a General Partner in 1986. Mr. Oros holds a bachelor's degree in business administration from the University of Wisconsin. Mr. Oros has years of experience and a wealth of contacts within the financial services industry, extensive expertise in capital markets and experience serving as a public company director and executive officer.

**J. CHRISTOPHER TEETS.** Mr. Teets has served as a director since May 2007. Mr. Teets has served as a Partner of Red Mountain Capital Partners LLC, an investment advisor, since February 2005. Mr. Teets also serves as a director of Air Transport Services Group, Inc. and Affirmative Insurance Holdings, Inc., both of which are public companies. Prior to joining Red Mountain Capital Partners LLC, Mr. Teets was an investment banker at Goldman Sachs & Co. Mr. Teets has broad experience in capital markets, providing strategic and financial advisory services, and serving as a public company director.

**H RONALD WEISSMAN.** Mr. Weissman has served as a Director since July 2009. Mr. Weissman has served as Chairman of the Board of Directors of the Federal Home Loan Bank's Office of Finance since August 2009 and as chairman of its Audit Committee since September 2009. From May 2002 through June 2009, he served as a Senior Partner with Ernst & Young LLP, where he was a member of the Financial Services Office and also served as the leader for the Office of the Chairman Accounts for the Americas International Financial Reporting Standards (IFRS) Network. Prior to joining Ernst & Young LLP in 2002, Mr. Weissman spent 32 years at Arthur Andersen LLP where he served as an Andersen Worldwide SC partner from 1981 to 2002. He holds an MBA from the Columbia Graduate School of Business and a bachelor's degree from Union College. Mr. Weissman is a Certified Public Accountant and holds a Professional Director Certification from the Corporate Directors Group, a public company director education and credentialing organization. Mr. Weissman has deep expertise in the complex accounting principles applicable to financial services companies.

**WARREN WILCOX.** Mr. Wilcox has served as a director since September 2007. Mr. Wilcox is currently Head of Advisory Services and Executive Vice President of Visa Inc., having served in that capacity since March 2008. Prior to Visa, Mr. Wilcox served as Vice Chairman, Marketing and Planning at WaMu Card Services, a division of Washington Mutual, Inc. He was previously Vice Chairman of Provident Financial Corporation (which WaMu acquired in 2005). Prior to joining Provident in 2002, Mr. Wilcox served as the Executive Vice President, Planning and Development at Fleet Credit Card Services from 1998 to 2001. Before Fleet, Mr. Wilcox spent 13 years at Household Credit Services, where he held a variety of senior management positions. Mr. Wilcox holds a Bachelor of Science degree from Illinois State University and a Master of Science degree in Management from Purdue University. Mr. Wilcox has over two decades of executive experience in the consumer credit industry. He has served as a consumer marketing expert for a series of large financial institutions and has expertise in financial risk management and modeling.

## **Board Meetings**

The Board of Directors met seven times during 2009 and otherwise acted by unanimous written consent. Each director nominee who served on the Board in 2009 attended at least 75% of the total number of meetings held by the Board and all committees on which such director served during the period he was a director in 2009.

**Table of Contents****Standing Committees**

The Board of Directors has standing Audit, Nominating and Compensation Committees. The current members of these Committees are as follows:

Name	Audit	Nominating	Compensation
Timothy J. Hanford			X
George Lund			
Richard A. Mandell	X	X	
Willem Mesdag		X	
John J. Oros		X	
J. Christopher Teets	X		X
H Ronald Weissman	X		
Warren Wilcox	X		

Our Board of Directors has adopted written charters for the Audit, Nominating and Compensation Committees, and each of those written charters is available on our website at [www.encorecapitalgroup.com](http://www.encorecapitalgroup.com). Click on Investors, then Corporate Governance and then Committee Charters. The Compensation and Nominating Committees assess the adequacy of their charters from time to time, and the Audit Committee assesses the adequacy of its charter annually. Please note that the information contained on our website is not incorporated by reference in, or considered to be a part of, this document.

**Audit Committee.** We have a standing Audit Committee that is responsible for assisting the Board in oversight of the quality and integrity of the accounting, auditing and financial reporting practices of Encore. The Audit Committee met four times in 2009.

In performing its duties, the Audit Committee:

appoints and reviews the performance of our independent registered public accounting firm;

approves audit and non-audit fees;

reviews and evaluates our financial statements, accounting principles and system of internal controls regarding finance, accounting, legal compliance and ethical behavior;

oversees management's identification, evaluation, and mitigation of major risks to Encore;

reviews and approves related person transactions; and

considers other appropriate matters regarding our financial affairs.

**Compensation Committee.** The Compensation Committee is responsible for discharging the responsibilities of the Board with respect to the compensation of our executive officers, administering all of our equity-based plans and periodically reviewing compensation and equity-based plans, with authority to adopt such plans. The Compensation Committee met three times during 2009 and otherwise acted by unanimous written consent.

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

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consultants and considers recommendations from the Chief Executive Officer and Executive Chairman with respect to goals and compensation of the other executive officers. The Compensation Committee also periodically reviews compensation for non-employee directors. All decisions with respect to executive and director compensation are approved by the Compensation Committee.

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**Nominating Committee.** The function of the Nominating Committee is to consider and recommend qualified candidates for election as directors of Encore. The Nominating Committee met twice in 2009 and otherwise acted by unanimous written consent.

Prior to each annual meeting of stockholders, the Nominating Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service or if the Nominating Committee or the Board decides not to nominate a member for re-election, the Nominating Committee identifies the desired skills and experience of a new nominee in light of the criteria described below. Current members of the Nominating Committee and Board and management are polled for suggestions as to individuals meeting the applicable criteria. Research may also be performed to identify qualified individuals.

We do not have a formal diversity policy, but the Nominating Committee does consider a broad range of factors in evaluating prospective director nominees, including the following:

the appropriate size of the Board;

a candidate's knowledge, skills and experience, including experience in business, finance, strategic vision, accounting or administration, in light of prevailing business conditions, the needs of Encore and the knowledge, skills and experience already possessed by other members of the Board;

whether a candidate is independent, as defined by Nasdaq Marketplace Rules and other applicable standards and whether circumstances exist that may create the appearance of a conflict of interest;

a candidate's familiarity with accounting rules and practices applicable to our business;

a candidate's character, integrity and reputation for working constructively with others;

whether a candidate has sufficient time available to devote to the duties of a director of Encore;

the desire to assemble a Board that is strong in its collective knowledge and has a diversity of skills, viewpoints and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge and corporate governance;

the importance of maintaining productive working relationships among the Board members and between the Board and management for the benefit of all stockholders; and

recognition of both the considerable benefit of continuity and the fresh perspective provided by the periodic introduction of new members.

The Nominating Committee will consider stockholder nominations for directors submitted in accordance with the procedure set forth in Section 3.14 of our Bylaws. We consider each candidate equally based on the factors listed above, regardless of whether the candidate is recommended by a stockholder for election to our Board or is recommended by a member of the Board or a third party search firm. The procedures for stockholder nominated director candidates provide that a notice relating to the nomination in connection with an annual meeting must be timely given in writing to: Encore Capital Group, Inc., Attention: Corporate Secretary, 8875 Aero Drive, Suite 200, San Diego, CA 92123. To be timely, the notice must be delivered within the time period described in the Stockholder Proposals and Nominations section of this

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proxy statement. Such notice must be accompanied by the nominee's written consent to serve if elected, and must contain information relating to the business experience and background of the nominee, and provide information with respect to the nominating stockholder and persons acting in concert with the nominating stockholder and otherwise comply with the requirements outlined in our Bylaws.



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### **Corporate Governance**

**Director Independence.** The Board of Directors has determined that Messrs. Hanford, Mandell, Mesdag, Oros, Teets, Weissman and Wilcox are independent directors within the meaning of Nasdaq listing standards, which directors constitute a majority of the Board. The Board has determined that each member of the Board's Audit, Compensation and Nominating Committees is independent (or similarly designated) based on the Board's application of the standards of Nasdaq, the Securities and Exchange Commission (the "SEC"), or the Internal Revenue Service (the "IRS"), as appropriate for such committee membership.

**Audit Committee Financial Expert.** The Board has determined that at least one member of the Audit Committee, Mr. Weissman, is an audit committee financial expert as defined in SEC regulations and also possesses the financial sophistication and requisite experience as required under Nasdaq listing standards.

**Board Leadership Structure.** The Board evaluates its leadership structure on an ongoing basis according to what the Board considers to be best for Encore at any given point in time. Currently, we separate the roles of Chairman and Chief Executive Officer, both of whom serve on the Board, which enhances Board leadership and overall corporate governance. In July 2009, our Board appointed our then Chairman, George Lund, as Executive Chairman. In his enhanced role as Executive Chairman, Mr. Lund works closely with our management team, including J. Brandon Black, our President and Chief Executive Officer, to develop our corporate strategy and execute on key corporate initiatives. As Executive Chairman, Mr. Lund is expected to devote half of his working time to the business and affairs of Encore. Mr. Black is responsible for setting the strategic direction for Encore and the day to day leadership and performance of Encore. Having the Chief Executive Officer serve on the Board of Directors ensures that the Board contains the individual most familiar with Encore's business and industry. Messrs. Lund and Black provide advice and recommendations to the full Board for the Board's consideration.

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

**Risk Oversight.** A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. Our Board is actively involved in oversight of risks that could affect Encore. The full Board of Directors has retained the responsibility for general oversight of risks, but the Audit Committee primarily oversees those risks that may directly or indirectly impact our financial statements. The Board's role in the risk oversight process includes receiving reports from members of senior management on areas of material risk to Encore, including operational, financial, legal and regulatory, and strategic risks, as well as reports by the chair of the Audit Committee regarding the Audit Committee's considerations and actions. The full Board receives these reports from the appropriate risk owner within our organization to enable it to understand our risk identification, management and mitigation strategies.

**Communications with Directors.** We have not adopted a formal process for stockholder communications with the Board; however, stockholders can contact the Board or an individual director by writing to: Board of Directors, Encore Capital Group, Inc., 8875 Aero Drive, Suite 200, San Diego, CA 92123, Attention: Corporate Secretary. Absent unusual circumstances or as contemplated by committee charters, communications received in writing are distributed to members of the Board as appropriate depending on the facts and circumstances outlined in the communication received. Given our size, the Board does not deem it necessary to formally adopt a written policy regarding stockholder communications.

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**Executive Sessions of Independent Directors.** Independent Board members meet without management present at least twice a year following regularly scheduled Board meetings.

**Policy Regarding Directors Attendance at Annual Meetings.** We encourage directors to attend our annual meeting, but we do not have a policy that requires the attendance of all directors at our annual meeting. Each of our current directors attended the 2009 annual meeting.

**EXECUTIVE OFFICERS**

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

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
George Lund	45	Executive Chairman
J. Brandon Black	42	President, Chief Executive Officer and Director
Paul Grinberg	49	Executive Vice President, Chief Financial Officer and Treasurer

**GEORGE LUND** and **J. BRANDON BLACK.** For biographical information on Messrs. Lund and Black, see disclosure in the Directors section above.

**PAUL GRINBERG.** Mr. Grinberg has served as our Executive Vice President, Chief Financial Officer and Treasurer since May 2005, and he served as Secretary from June 2008 until January 2010. From September 2004 until May 2005, he served as our Senior Vice President of Finance. From May 2003 until joining Encore, Mr. Grinberg was the founder and President of Brio Consulting Group, a company that helped venture and private equity backed companies with strategy, M&A, business planning and interim CFO services. From May 2000 until April 2003, Mr. Grinberg served as Chief Financial Officer of Stellcom, Inc., a systems integration firm focused on providing mobile and wireless engineering solutions to Fortune 1000 companies. From February 1997 until April 2000, Mr. Grinberg served as Executive Vice President and Chief Financial Officer of TeleSpectrum Worldwide, Inc., a publicly traded company that provided outsourced call center solutions to Fortune 500 companies. From September 1983 until January 1997, Mr. Grinberg was employed at Deloitte & Touche LLP, where he served in several capacities, the most recent of which was as a partner in the firm's Merger and Acquisition Services Group. Mr. Grinberg also serves as a director, Chairman of the audit committee and member of the compensation and nominating committees of Bank of Internet USA, an FDIC insured internet-only bank. Mr. Grinberg received his bachelor's degree in accounting from Yeshiva University in 1983 and his MBA from Columbia University in 1989, and he is a Certified Public Accountant.

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**EXECUTIVE COMPENSATION AND OTHER INFORMATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

The purpose of this compensation discussion and analysis ( CD&A ) is to provide information about each material element of compensation earned by our Named Executive Officers during our 2009 fiscal year. The following discussion and analysis should be read in conjunction with the 2009 Summary Compensation Table and related tables and narrative that are presented in this proxy statement.

For our 2009 fiscal year, our Named Executive Officers were:

George Lund, our Executive Chairman;

J. Brandon Black, our President and Chief Executive Officer; and

Paul Grinberg, our Executive Vice President, Chief Financial Officer and Treasurer.

This CD&A addresses and provides the context behind the numerical and related information contained in the 2009 Summary Compensation Table and related tables and includes actions regarding executive compensation that occurred after the end of our 2009 fiscal year, including the award of equity compensation and bonuses related to 2009 performance, the establishment of salaries, and the adoption of any new, or the modification of any existing, compensation programs.

**Processes and Procedures for Considering and Determining Executive and Director Compensation**

Our executive compensation program is administered by the Compensation Committee of the Board. The Compensation Committee determines the compensation of our Named Executive Officers and administers our equity-based incentive plans. Among other things, the Compensation Committee has the authority and responsibility under its charter to:

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

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

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

set the compensation and benefits for non-employee directors; and

consider, approve and administer our incentive compensation plans and equity-based plans in which directors, the CEO, other executive officers and other employees and key consultants may be participants, including, but not limited to: (a) approving option grants and restricted stock unit ( RSU ) or other awards, (b) interpreting the plans, (c) determining rules and regulations relating to the

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plans, (d) modifying or canceling existing grants or awards, and (e) imposing limitations, restrictions and conditions upon any grant or award as the Compensation Committee deems necessary or advisable.

### **Overview**

***Our Compensation Philosophy and Purpose.*** The Compensation Committee is chartered with establishing and reviewing the performance and compensation of our Named Executive Officers and other executive officers. Incentive compensation arrangements are the cornerstone of the Compensation Committee's executive

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compensation policies. Our compensation philosophy is to establish and maintain base salaries, bonus plans and equity-based compensation plans that will attract and retain qualified executive officers and key employees necessary for our continued successful operation and growth and ensure that management is rewarded appropriately for its contributions to our growth and profitability in alignment with our objectives and stockholder interests.

Ultimately, our compensation philosophy is generally focused on the following:

*Pay for Performance and Experience.* Base salaries are commensurate with the executive's or key employee's experience and expertise coupled with an assessment of: (i) the executive's contribution to Encore, (ii) the responsibilities and experience of the executive, (iii) the terms of any applicable employment agreements, and (iv) the recommendations of senior management. Incentive compensation is likewise tied to performance and experience.

*Market Comparison.* The Compensation Committee, with the assistance of outside consultants and/or management, periodically analyzes market compensation data and other relevant information regarding total direct compensation structures, giving appropriate weight to the data from our market competitors. Our compensation programs must be competitive in order to retain our senior executives.

*Alignment with Stockholder Interests.* In general, the payment of our incentive compensation is dependent upon the achievement of targeted corporate operating measures. We believe that basing a component of employee compensation on corporate results and performance aligns employee interests with stockholder interests. In addition, a portion of our executive compensation consists of stock incentives, including option and/or RSU awards, so that executives' interests are further aligned with the interests of our stockholders.

*Retention.* We believe that our compensation program should be designed to attract and retain highly talented individuals critical to our success by providing competitive total compensation with significant retention features. Our option and RSU awards are designed to retain our executives and other key employees, while also accomplishing our other compensation goals and objectives.

*Severance.* To provide sufficient assurances to our executives, the Compensation Committee approved severance protection arrangements for each of our current executives, which provides for certain payments if the executive's employment is terminated without cause or if the executive resigns for good reason.

*Outside Consultants.* The Compensation Committee has the specific authority to hire outside advisors and consultants in their discretion at our expense. Although the Committee engaged Compensia, Inc. ( "Compensia" ) in 2008 to assist the Committee in assessing our executive compensation practices and to benchmark our compensation programs for base salaries, annual cash incentive bonus plans, long-term equity awards, and severance protection and change of control arrangements against a peer group of companies, the Committee did not engage Compensia for those purposes in 2009. The Committee did review compensation data from proxy statements and other publicly available sources for certain companies that were deemed relevant to its determination of executive compensation, however the Committee did not identify any specific peer group companies against which it compared its compensation programs and practices. In early 2010, the Compensation Committee again engaged Compensia to advise on compliance with Internal Revenue Code Section 162(m) and deductibility for federal income tax purposes of compensation paid to certain of our executive officers.

*Role of Executives in the Compensation Setting Process.* The Compensation Committee generally solicits management's assistance on determining executive compensation as it deems appropriate. However, when reviewing and setting the compensation, benefits, and perquisites of the CEO, neither the CEO nor any employee of Encore other than the Executive Chairman is present. In addition, when the Compensation Committee reviews and sets the compensation, benefits, and perquisites of all other executives, the CEO and the Executive Chairman may be present during deliberations at the Compensation Committee's discretion, but the CEO may not be

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present for voting on officer compensation, benefits or perquisites. The Executive Chairman is not present at any meeting at the point at which his compensation is set by the Committee. Although the CEO generally makes recommendations to the Compensation Committee with respect to executive compensation decisions, including base salaries, cash incentive bonuses and equity-based awards, the Compensation Committee has in the past determined compensation, benefits or perquisites that were different from that recommended by the CEO.

The Compensation Committee approves all grants of equity-based awards. Equity award grants to executives are determined based on a periodic review by the Compensation Committee regarding appropriate incentives, with recommendations typically originating from management, consistent with the criteria established in the long-term incentive program adopted by the Compensation Committee.

### **Elements of our Compensation Program**

Our compensation plans are designed to provide a competitive total compensation package consistent with our performance in the marketplace. The compensation program for each of our Named Executive Officers includes:

base salary;

annual cash incentive bonus;

stock-based compensation incentive;

severance protection and/or change of control arrangements; and

participation in other benefit plans and programs.

While executives have more of their total compensation at risk than other employees, the principles that serve as the basis for Named Executive Officer compensation practices apply to the compensation plans for all employees who are eligible for incentive compensation; namely, corporate and individual performance drive incentive compensation.

**Base Salary.** The first component of our executive compensation package is base salary. Our philosophy is to pay base salaries that are commensurate with the executive's experience and expertise, taking into account competitive market data for executives with similar backgrounds, experience and expertise. The factors considered by the Compensation Committee in making its evaluation and determination regarding the appropriateness of base salary include:

an assessment of each executive's contribution to Encore;

the responsibilities and experience of each executive;

competitive market data, individual performance, and other relevant information regarding base salary structures;

the terms of any applicable employment agreements;

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the detriment to us should the executive leave Encore's employ; and

recommendations of senior management.

The Compensation Committee generally reviews each executive's base salary and benefits on an annual basis and from time to time as it deems appropriate.

With respect to its periodic review of salaries for our Named Executive Officers and other executives in 2009, the Compensation Committee considered data provided by our management which included an assessment

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of corporate performance, as well as individual performance of each executive. The base salaries set for 2009 were believed to be consistent with our compensation philosophy, which attempts to establish a strategic balance between pay at risk and market competitiveness.

The Compensation Committee determined on March 9, 2009 to leave the base salary for Messrs. Black and Grinberg at their then-current level of \$414,260 and \$291,200, respectively. Messrs. Black's and Grinberg's salaries were increased by the Committee on February 25, 2010 to annual rates of \$426,688 and \$300,000, respectively, effective March 1, 2010. These salary increases were determined to be consistent with increases in the applicable cost of living and did not constitute merit increases.

In connection with his appointment as Executive Chairman on July 10, 2009, Mr. Lund's annual compensation was increased from \$300,000 to \$500,000 at that time, in recognition of the additional time he will be required to devote in his enhanced role as an executive officer, which includes developing our corporate strategy and working with our management team to execute on key corporate initiatives.

We disclose the salary earned in 2009 by our Named Executive Officers in the Salary column of the 2009 Summary Compensation Table.

**Annual Cash Incentive Bonus.** The second component of our executive compensation package is an annual cash incentive bonus pursuant to our key contributor plan. Each executive's target bonus is a stated percentage of his or her annual salary. Actual bonuses paid to executives under our annual performance-based cash incentive plan are computed based upon achievement of our corporate performance against targeted operating measures, and the Compensation Committee's evaluation of each executive's individual performance and contribution, taking into account the recommendation of the CEO. We believe that variable bonus opportunities should be used to provide higher rewards for higher performers and drive the successful achievement of short-term critical business objectives.

The Compensation Committee exercises its discretion in awarding cash bonuses to our executives. Subject to the terms of any applicable employment agreement, the Compensation Committee may determine not to approve an award for any or all executives or to reduce the amount of any such award, even if the targets are met. The Compensation Committee periodically reviews the bonus component of executive incentive compensation and, in addition to bonuses paid under our plan, the Compensation Committee may approve payment of discretionary bonuses for performance or other reasons for certain executives.

For 2009, the Compensation Committee established goals and parameters for the annual cash incentive program based on corporate financial and strategic objectives reflected in our 2009 operating plan approved by the Board, as well as a stated bonus target for each individual. Based on corporate and individual performance for 2009, actual bonus payouts for our Named Executive Officers, paid in March 2010 and reported in the 2009 Summary Compensation Table below, were \$621,390 for Mr. Black and \$436,800 for Mr. Grinberg, which represented 150% of each executive's base salary. Mr. Lund's compensation package excludes participation in our annual key contributor cash bonus plan otherwise available to executive officers.

**Stock-Based Compensation Incentives.** The third component of our executive compensation package is stock-based compensation incentives, which have traditionally taken the form of non-qualified stock options and RSUs. The Compensation Committee periodically considers grants of options and RSUs to our executive officers and key employees to more closely align the interests of our executive officers and key employees with the long-term interests of Encore and our stockholders.

**Plans.** Our 1999 Equity Participation Plan (1999 Plan), as amended, reserved up to 3,300,000 shares of our common stock for awards granted to employees, directors and consultants. Pursuant to the 1999 Plan, we could grant stock options at a price in excess of 85% of the fair market value on the date of the grant and for a term not to exceed ten years. Options generally vested ratably over a three-year period unless otherwise determined by the Compensation Committee.



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On March 30, 2005, our Board of Directors adopted our 2005 Stock Incentive Plan ( 2005 Plan ) for Board members, employees, officers, executives, consultants and advisors to supersede our 1999 Plan. The 2005 Plan was approved by our stockholders at the annual meeting on May 3, 2005. The 2005 Plan provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and performance-based awards to eligible individuals. Upon adoption, originally an aggregate of 1,500,000 shares of our common stock were available for awards under the 2005 Plan, in addition to the number of shares that remained available under the 1999 Plan. In addition, shares subject to options or awards granted under either the 1999 Plan or the 2005 Plan that terminate or expire are available for grant under the 2005 Plan. On March 9, 2009, our Board of Directors approved an amendment and restatement to increase by 2,000,000 the maximum number of shares of our common stock that could be subject to awards made under the 2005 Plan, established a new 10-year term for the plan and made certain other amendments to the plan, which amendments were approved by stockholders at the annual meeting held June 9, 2009.

*Long-Term Incentive Program.* Our Compensation Committee implemented a long-term incentive program under the 2005 Plan with the intent of making annual grants of RSUs and/or non-qualified stock options to executive officers and other eligible employees. The aggregate value of the annual grants will be a discretionary amount linked to the contribution of each individual and position as agreed upon and defined by the Compensation Committee using market data as a point of reference. Our standard form of equity award agreement for our executive officers and directors provides for vesting acceleration upon a change of control, death or disability. We believe this is consistent with the practices of many other companies for their senior executives and allows them to provide continued dedication and efforts in such event without undue concern for their financial security.

We had not considered issuing RSUs prior to 2005. Historically, option grants were given favorable accounting and tax treatment and, given that option grants are extremely common in the markets in which we operate, we had no compelling reason to look to other forms of equity compensation until the implementation of Statement of Financial Accounting Standards No. 123R ( FAS 123R ) (now FASB ASC Topic 718) changed the accounting treatment for stock options effective 2007. Since the implementation of FAS 123R, many public companies have begun issuing RSUs. We believe that one advantage to using RSUs is that we can issue fewer shares to achieve the same value when compared to stock option grants, which will be less dilutive to our stockholders. At the same time, grants of RSUs confer potential benefits on the recipient upon vesting regardless of the performance of our stock price.

*Stock-Based Compensation Incentives for 2009.* In recognition of their services and our performance, and in recognition that no equity awards had been made in 2008 while the Compensation Committee undertook a broader review of our compensation policies, on March 9, 2009, the Compensation Committee made grants of RSUs and non-qualified stock options to purchase shares of our common stock to our executive officers and other employees. These grants included grants to Messrs. Black and Grinberg of 35,000 RSUs each, as well as grants of non-qualified stock options to purchase 70,000 shares each, at the closing market price on the date of grant. All of the RSUs and non-qualified stock options granted to Messrs. Black, Grinberg and the other employees were subject to vesting in annual increments over a three-year period.

In connection with his appointment as Executive Chairman on July 10, 2009, Mr. Lund was granted a non-qualified option to purchase 470,000 shares of our common stock at an exercise price of \$12.40 per share, the fair market value on the date of grant, which had a ten-year term unless there is a termination of Mr. Lund's employment prior to the end of the ten years. All of the options will vest on the three-year anniversary of the grant, unless vesting is accelerated due to a change of control which occurs before that time or there is a termination of Mr. Lund's employment due to death or disability. Also on July 10, 2009, the Board determined to make a grant of 100,000 RSUs to Mr. Lund at such time as he achieves certain objectives as mutually agreed between Mr. Lund and the Board.

In recognition of the closing of our revolving credit facility on February 8, 2010, the Compensation Committee on that date granted 30,000 fully vested RSUs to Mr. Lund. The Compensation Committee made

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grants of RSUs and non-qualified stock options to our executive officers and other employees on February 25, 2010. These grants included grants to Messrs. Black and Grinberg of 25,000 and 19,000 RSUs, respectively, as well as grants of non-qualified stock options to purchase 50,000 and 36,000 shares, respectively, at the closing market price on the date of grant. All of the RSUs and non-qualified stock options granted to Messrs. Black, Grinberg and the other employees, other than Mr. Lund, were subject to vesting in annual increments over a three-year period. The magnitude of these equity grants was based upon Encore's financial and operating results during 2009.

**Severance Protection Agreements.** On March 9, 2009, the Compensation Committee approved executive severance protection agreements for Messrs. Black and Grinberg, and such agreements were entered into on March 12, 2009. The terms and conditions of the severance agreements are described below.

Mr. Black's agreement superseded and replaced his employment agreement dated June 13, 2005, as amended on June 5, 2006 and December 30, 2008, which was terminated. Pursuant to the terms of his severance protection agreement, if Mr. Black's employment is terminated without Cause or he resigns for Good Reason (as such terms are defined in the agreement) at any time during the term of the agreement, upon execution and delivery of a release and waiver of claims, he is entitled to continuation of his then-current salary for 24 months immediately following his date of termination. In addition, if he is terminated without Cause or resigns for Good Reason, he will receive a bonus payment in the amount of two times the average of his last three annual bonus payments when bonuses are paid to other employees for such year, plus an additional amount paid at termination equal to the prorated portion of his target bonus for the year of termination up to the date of termination. If no target bonus has been set for the year in which termination occurs, Mr. Black will receive a prorated portion of the average of his last three annual bonus payments. The terms of the agreement include a provision to pay up to 24 months of COBRA continuation for group health benefits or other individual health insurance premiums. The agreement contains a non-disparagement and a one-year non-solicitation covenant.

Mr. Grinberg's agreement superseded and replaced an executive severance agreement dated December 10, 2007, which was terminated. The terms of Mr. Grinberg's severance protection are substantially similar to Mr. Black's, although lesser in amount. If Mr. Grinberg's employment is terminated without Cause or he resigns for Good Reason, he is entitled to salary continuation for a period of 12 months. If he is terminated without Cause or resigns for Good Reason, he will receive his target annual bonus for the year in which his termination occurs when bonuses are paid to other employees, plus an additional amount paid at termination equal to the prorated portion of his target bonus for the year of termination up to the date of termination. If no target bonus has been set for the year in which termination occurs, Mr. Grinberg will receive an amount equal to the average of his last three annual bonus payments plus a prorated portion of such average bonus. The terms of the agreement include a provision to pay his COBRA continuation premiums for group health benefits for a period of up to 12 months.

The severance provisions of Messrs. Black's and Grinberg's severance agreements are discussed at greater length below in the Potential Payments Upon a Termination or Change of Control section. The timing of any payments to Messrs. Black and Grinberg under the severance agreements are subject to the applicable requirements of Section 409A of the Internal Revenue Code of 1986 (the Code) and the related Treasury Regulations. The payments and benefits payable under the agreements are also intended to comply with Section 280G and Section 4999 of the Code, and would be reduced, if necessary to comply with those statutory provisions.

We believe that the provisions of our severance arrangements with Messrs. Black and Grinberg are consistent with the principal objectives of our compensation programs. We believe that the compensation elements that would be triggered upon termination are (i) consistent with the market in which we operate, (ii) at appropriate levels when viewed in relation to the benefits the executives provide us and our stockholders and the overall value of Encore, (iii) designed to compensate the executives for playing a significant role in managing our affairs, and (iv) will provide an important safety net that allows these executives to focus on our business

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and pursue the course of action that is in the best interests of our stockholders by alleviating some concerns regarding their personal financial well-being in the event of a termination or change of control transaction. The executives are subject to certain restrictions in exchange for receiving the financial and other benefits under their agreements, as described in more detail in the Potential Payments Upon a Termination or Change of Control section. We believe imposition of these restrictions serves our best interests and the best interests of our stockholders.

**Other Benefits and Programs.** Our Named Executive Officers are eligible to participate in benefit programs designed for all of our full-time employees during the period of their employment. These programs include a tax qualified 401(k) savings plan, and medical, dental, disability and life insurance programs. In addition, our Named Executive Officers as well as other key employees were previously eligible to participate in our non-qualified deferred compensation plan; however, as of mid-year 2009, no new deferrals were allowed for 2009 or 2010. The plan permitted deferral of a portion of the participant's compensation until a specified period of time, and the participants were able to invest the amounts deferred in reference accounts that mirror the performance of separate accounts offered by Principal Financial Group. The primary purpose of this plan was to provide an opportunity for additional tax-deferred retirement savings to our executives and key employees whose contributions to our 401(k) plan may be subject to limitation under applicable IRS regulations. More detail related to the operation of our non-qualified deferred compensation plan is provided in the Non-Qualified Deferred Compensation section. We also offer an executive health screening program whereby our executives may obtain a comprehensive physical examination, currently valued at approximately \$2,700, once every three years.

We also maintain split-dollar life insurance on certain of our Named Executive Officers that is financed by participant contributions to our non-qualified deferred compensation plan. This insurance is maintained for Messrs. Black and Grinberg and in the current approximate amounts listed in the table below. Pursuant to this program, the Compensation Committee authorized Encore to enter into split-dollar agreements with the participants whereby ten percent of the total benefit payable in the event of death would be payable to the beneficiaries of such participants in the following amounts:

	<b>Net Death Benefit</b>
J. Brandon Black	\$ 682,556
Paul Grinberg	\$ 713,723

**Perquisites.** We do not provide material executive perquisites to our Named Executive Officers.

**Tax Considerations**

**Compliance with Internal Revenue Code Section 162(m).** Section 162(m) of the Internal Revenue Code provides that public companies cannot deduct non-performance based compensation paid to certain named executive officers in excess of \$1 million per year. These officers include any employee who, as of the close of the taxable year, is the principal executive officer, and any employee whose total compensation for the taxable year is required to be reported to stockholders under the Securities Exchange Act of 1934 by reason of such employee being among the three highest compensated officers for that taxable year, other than the principal executive officer or the principal financial officer, which are designated for this purpose as covered employees. We generally try to ensure, to the extent feasible, that our compensation for our covered employees satisfies Section 162(m) requirements for deductibility, though we cannot assure that the IRS would reach the same conclusion. However, the Compensation Committee believes that Encore must be able to attract, retain and reward the executive leadership necessary to execute our business strategy. Therefore, the Compensation Committee may authorize compensation that may not be deductible if it believes this is in the best interests of Encore and our stockholders. For calendar 2010, we currently expect that a portion of the compensation paid to our CEO will exceed the \$1 million deductibility limit by approximately \$1,022,000 (subject to certain

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assumptions including the then current price of Encore stock) due to the vesting of time-based restricted stock units granted to him in prior years, in addition to his salary and bonus for 2010.

### **Other Matters Relating to Executive Compensation**

***Speculative and Hedging Transactions.*** We have a comprehensive insider trading policy that, among other things, provides that our employees, officers, directors and key consultants shall not engage in speculative transactions such as short sales, or the purchase or sale of puts, calls or other derivatives of our securities. The purpose of this policy, among other things, is to assist our employees in avoiding potential conflicts of interest that could result in unwanted perceptions and negative impact on our stock price. The policy also discourages the purchase of Company securities on margin and contains additional restrictions applicable to insiders, including our executive officers and directors. Insiders are permitted to engage in forward sales, collars or other hedging transactions only with the prior approval of the Board, or its Chairman after consultation with a majority of the Board.

***Option Grants.*** While we do not have a formal policy, our options and other grants are priced at market value on the date of grant (generally the date of Board or Compensation Committee approval). In March 2010, the Compensation Committee adopted an annual timeline for the award of equity grants to employees of Encore and our subsidiaries. Subject to approval by the Compensation Committee, annual equity awards will typically be made to officers and key employees in early March of each year to coincide with an open trading window.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The members of our Compensation Committee during the fiscal year ended December 31, 2009 were directors Timothy J. Hanford, J. Christopher Teets and Warren Wilcox. The Compensation Committee was reconstituted effective as of March 1, 2010 to consist of solely Messrs. Hanford and Teets. None of our Compensation Committee members had an interlocking relationship with our executive officers or with directors of another entity during the last fiscal year.

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**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on that review and its discussions, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

**Compensation Committee:**

Timothy J. Hanford, Chairman

J. Christopher Teets

**Table of Contents****2009 SUMMARY COMPENSATION TABLE**

The following table sets forth information concerning compensation earned by, or paid to, each of our Named Executive Officers for services provided to us and our subsidiaries for the year ended December 31, 2009 and, to the extent any of these officers was a Named Executive Officer in the prior years, for 2008 and 2007. Our Named Executive Officers for 2009 were our Executive Chairman, our President and Chief Executive Officer, and our Executive Vice President, Chief Financial Officer and Treasurer.

Name and Principal Position	Year	Salary (2)	Bonus	Stock Awards (3)	Option Awards (4)	Non-Equity Incentive Plan Compensation (5)	All Other Compensation (6)	Total
George Lund (1), <i>Executive Chairman</i>	2009	\$ 405,769			\$ 3,101,436		\$ 30,481	\$ 3,537,686
J. Brandon Black, <i>President and Chief Executive Officer</i>	2009	\$ 414,260		\$ 101,150	\$ 96,390	\$ 621,390	\$ 4,888	\$ 1,238,078
	2008	\$ 408,633				\$ 257,877	\$ 5,282	\$ 671,792
	2007	\$ 385,000	\$ 192,500	\$ 695,331	\$ 583,365	\$ 232,500	\$ 5,537	\$ 2,094,233
Paul Grinberg, <i>Executive Vice President, Chief Financial Officer and Treasurer</i>	2009	\$ 291,200		\$ 101,150	\$ 96,390	\$ 436,800	\$ 5,409	\$ 930,949
	2008	\$ 285,200				\$ 241,696	\$ 5,020	\$ 531,916
	2007	\$ 260,000		\$ 1,087,800	\$ 137,424	\$ 286,000	\$ 5,443	\$ 1,776,667

- (1) Mr. Lund was appointed as Executive Chairman on July 10, 2009 and has served as Chairman of our Board of Directors since August 27, 2008.
- (2) For Mr. Lund, includes \$230,769 received as compensation for services performed in his capacity as Executive Chairman, and \$175,000 received as compensation for his services as Chairman of the Board prior to his appointment as an executive officer.
- (3) Amounts in this column represent the grant date fair value of time-based and performance-based RSU awards granted during our 2009, 2008 and 2007 fiscal years, computed in accordance with authoritative accounting guidance. The amounts reported do not correspond to the actual value that may be recognized by the Named Executive Officers, which may be higher or lower based on a number of factors, including Encore's performance, stock price fluctuations and applicable vesting. For information on the assumptions used in calculating the amounts reported, see Note 9 to the Consolidated Financial Statements included in our Annual Reports on Form 10-K for the years ended December 31, 2009, 2008 and 2007.  
For performance-based RSU awards made in 2007, the grant date fair value of \$231,777 for Mr. Black and \$54,600 for Mr. Grinberg is included in the aggregate value of stock awards shown in the table for 2007 based upon the probable outcome of the performance conditions for those RSU awards. The grant date fair value of those RSU awards assuming that the highest level of performance conditions is achieved is: \$463,554 Mr. Black and \$109,200 for Mr. Grinberg.
- (4) Amounts in this column represent the aggregate grant date fair value of stock options granted during our 2009, 2008 and 2007 fiscal years, computed in accordance with authoritative accounting guidance. The amounts reported do not correspond to the actual value that may be recognized by the Named Executive Officers, which may be higher or lower based on a number of factors, including Encore's performance, stock price fluctuations and applicable vesting. For information on the assumptions used in calculating the amounts reported, see Note 9 to the Consolidated Financial Statements included in our Annual Reports on Form 10-K for the years ended December 31, 2009, 2008 and 2007.
- (5) For 2009, for Messrs. Black and Grinberg, amounts consist of discretionary bonus awards granted by the Compensation Committee in February 2010 for individual and Company performance in 2009 and awarded pursuant to our annual cash incentive bonus plan as described in more detail in the Compensation Discussion and Analysis section.

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- (6) For 2009, includes (a) matching contributions to our 401(k) plan, in the following amounts: Mr. Lund, \$481; Mr. Black, \$4,125; and Mr. Grinberg, \$4,125; (b) the economic benefit of premiums paid for split dollar life insurance policies secured for Mr. Black, \$763; and Mr. Grinberg, \$1,284; and (c) a housing allowance to Mr. Lund in the amount of \$30,000.

**Bonuses Awarded under Key Contributor Cash Incentive Plan**

As described in more detail in the Compensation Discussion and Analysis section, the discretionary bonuses awarded to Messrs. Black and Grinberg for their performance in 2009 were paid out of our key contributor cash incentive bonus plan. Goals and parameters for the program were based on corporate financial and strategic objectives reflected in our 2009 operating plan, as well as a stated bonus target for each individual. The Compensation Committee retained discretion to adjust the pool and individual payouts as it deemed appropriate. For 2009, actual bonus payouts based on corporate and individual performance during the year to Messrs. Black and Grinberg represented 150% of each executive's base salary. Mr. Lund's compensation package excludes participation in our key contributor cash incentive bonus plan.

**Table of Contents****2009 GRANTS OF PLAN-BASED AWARDS**

The following table sets forth summary information regarding all grants of plan-based awards made to our Named Executive Officers during the fiscal year ended December 31, 2009:

Name	Grant Date	All Other Stock	All Other Option	Exercise or Base Price of Option Awards \$/Share	Grant Date Fair Value of Stock and Option Awards \$ (3)
		Awards: Number of Shares of Stock or Units # (1)	Awards: Number of Securities Underlying Options # (2)		
George Lund	7/10/2009		470,000	\$ 12.40	\$ 3,101,436
J. Brandon Black	3/9/2009	35,000			\$ 101,150
	3/9/2009		70,000	\$ 2.89	\$ 96,390
Paul Grinberg	3/9/2009	35,000			\$ 101,150
	3/9/2009		70,000	\$ 2.89	\$ 96,390

- (1) Represents awards of RSUs under our 2005 Equity Incentive Plan (the 2005 Plan ). The RSUs vest in three equal annual installments on the anniversary of the date of grant. Vesting of each award accelerates upon death, disability or a change of control.
- (2) Represents grants of stock options under the 2005 Plan. The option granted to Mr. Lund will vest in full on the third anniversary of the date of grant. The options granted to Messrs. Black and Grinberg vest in three equal annual installments on the anniversary of the date of grant. Vesting of each award accelerates upon death, disability or a change of control.
- (3) Amounts in this column represent the grant date fair value of equity awards, computed in accordance with authoritative accounting guidance. For information on the assumptions used in calculating the amounts reported, see Note 9 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2009.



**Table of Contents****2009 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table sets forth information concerning option awards and RSU awards that were outstanding and vested or unvested as of December 31, 2009 with respect to the Named Executive Officers. Vesting of each award accelerates upon death, disability or a change of control.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$ (1))	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$ (1))
George Lund	150,000	100,000(2) 470,000(3)	\$ 12.12 \$ 12.40	8/27/2018 7/10/2019				
J. Brandon Black	178,333 66,667 33,333 300,000 56,600		\$ 0.51 \$ 11.00 \$ 12.01 \$ 15.42 \$ 10.92 \$ 2.89	9/11/2012(4) 10/29/2013(4) 10/29/2013(4) 5/3/2015 8/23/2017 3/9/2019	42,450(6) 35,000(7)	\$ 738,630 \$ 609,000	42,450(8)	\$ 738,630
Paul Grinberg	33,000 13,334	6,666(5) 70,000(5)	\$ 16.19 \$ 10.92 \$ 2.89	11/1/2015 8/23/2017 3/9/2019	10,000(6) 100,000(9) 35,000(7)	\$ 174,000 \$ 1,740,000 \$ 609,000	13,500(10) 10,000(8)	\$ 234,900 \$ 174,000

- (1) Market value for RSU awards was calculated using the closing price of \$17.40 per share for our common stock on December 31, 2009.
- (2) The option vests as to 150,000 shares on first anniversary of the date of grant, and as to 50,000 shares on the second and third anniversaries of the date of grant.
- (3) The option vests in full on the third anniversary of the date of grant.
- (4) Each of these options was amended by the Compensation Committee in August 2007 to provide that the portion of such option that is vested and for which the exercise price is less than the fair market value of Encore's stock on the optionee's last date of service will remain outstanding and can be exercised for the full term specified in the option agreement.
- (5) The option vests in three equal annual installments commencing on the first anniversary of the date of grant.
- (6) Amounts reported represent awards of RSUs granted pursuant to the 2005 Plan on August 23, 2007. These RSUs vest as follows: 100% of the RSUs vest on the third anniversary of the date of grant; provided that if the executive's employment is terminated without cause prior to the vesting date, then 10% will vest if such termination occurs prior to the first anniversary of the date of grant, 20% will vest if such termination occurs on or after the first anniversary of the date of grant but prior to the second anniversary of the date of grant, and 30% will vest if such termination occurs on or after the second anniversary of the date of grant but prior to the third anniversary of the date of grant.

grant.

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- (7) Amounts reported represent awards of RSUs granted pursuant to the 2005 Plan on March 9, 2009. The RSU award vests in three equal annual installments commencing on the first anniversary of the date of grant.
- (8) Amounts reported represent awards of RSUs intended to qualify as performance-based compensation and granted pursuant to the 2005 Plan on August 23, 2007. The RSUs vest as follows: The RSUs will vest in increments of 50%, 25% and 25% on the date of announcement of earnings for the calendar year in which a predetermined EBITDA target is achieved, subject to continuous service requirements, and provided that any RSUs for which the requisite earnings target has not been achieved by the end of calendar year 2012 will be forfeited.
- (9) Amount reported represents an award of RSUs granted pursuant to the 2005 Plan on December 21, 2007. Fifty percent of the RSUs will vest on December 21, 2010; 25% will vest on December 21, 2011; and 25% will vest on December 21, 2012; provided that if the executive's employment is terminated without cause prior to the vesting date, then 10% will vest if such termination occurs prior to the first anniversary of the date of grant, 20% will vest if such termination occurs on or after the first anniversary of the date of grant but prior to the second anniversary of the date of grant, and 30% will vest if such termination occurs on or after the second anniversary of the date of grant but prior to the third anniversary of the date of grant.
- (10) Amount reported represents an award of RSUs intended to qualify as performance-based compensation and granted pursuant to the 2005 Plan on November 1, 2005. The RSUs vest as follows: If Encore had achieved a stated earnings per share target for calendar year 2006 or 2007, 50% of the RSUs would have vested on the date of announcement of earnings for such year and 50% would have vested one year later. If Encore achieves the stated earnings per share target for calendar year 2008, 2009, or 2010, all of the RSUs will vest on the date of announcement of earnings for such year. Encore did not achieve the stated earnings per share target for 2008 or 2009. If Encore does not reach the earnings per share target by calendar year 2010, then 50% of the RSUs vest on the date of announcement of earnings for such year, subject to continuous service requirements, and the remaining 50% will be forfeited.

**2009 OPTION EXERCISES AND STOCK VESTED**

The following table includes certain information with respect to options exercised and RSU awards that vested for each of the Named Executive Officers during the fiscal year ended December 31, 2009.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
George Lund			3,600	\$ 61,128
J. Brandon Black	65,000	\$ 1,078,750		
Paul Grinberg				

- (1) Represents the difference between the exercise price of the option and the market price of the shares, multiplied by the number of shares for which the option was exercised. Reflects two same-day-sale transactions by Mr. Black on December 3, 2009.
- (2) Represents the number of shares acquired on vesting of RSUs multiplied by the market value of the underlying shares on the vesting date.

**Table of Contents****2009 NON-QUALIFIED DEFERRED COMPENSATION**

The table below includes certain information with respect to amounts deferred by the Named Executive Officers pursuant to our non-qualified deferred compensation plan as of the fiscal year ended December 31, 2009.

Name	Executive Contributions in Last FY (\$)	Company Contributions in Last FY (\$)(1)	Aggregate Earnings (Loss) in Last FY (\$)(2)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$)(2)
George Lund (3)					
J. Brandon Black			\$ 10,521		\$ 46,184
Paul Grinberg			\$ (8,853)	\$ (235,997)	0

- (1) Historically, Company contributions made on behalf of our Named Executive Officers under our non-qualified deferred compensation plan have been reported in the Summary Compensation Table under All Other Compensation and quantified in the footnotes to the table. No such contributions were made on behalf of our Named Executive Officers in fiscal years 2009, 2008 or 2007, and accordingly, no contributions were included in the applicable Summary Compensation Table.
- (2) The amounts shown are not reflected in the 2009 Summary Compensation Table.
- (3) Mr. Lund was not eligible to participate in our non-qualified deferred compensation plan during 2009.

We previously offered our non-qualified deferred compensation plan to our Named Executive Officers as well as other key employees; however, as of mid-year 2009, no new deferrals were allowed for 2009 or 2010.

The non-qualified deferred compensation plan permitted deferrals of between 5% to 80% of a participant's salary and 5% to 100% of a participant's paid bonus. Amounts deferred were placed in a trust. For 2009, no employer contributions were made. However, we have, in the past, made contributions for certain executives, subject to vesting restrictions. Participants in the plan can direct the investment of their deferred compensation in reference accounts that mirror the performance of separate accounts offered by Principal Financial Group. The reference accounts available for investment, and the annualized rates of return realized in each during 2009, are listed below.

Name of Fund	Rate of Return in 2009 (%)	Name of Fund	Rate of Return in 2009 (%)
Invesco AIM V.I. International Growth	35.24	Jacobs Levy MidCap Value	34.13
Invesco AIM V.I. Small Cap Equity	21.29	Principal Diversified International	28.15
American Century VP Value	19.72	Principal Bond & Mortgage Securities	20.91
Fidelity VIP Contrafund	35.47	Principal International SmallCap	34.55
Fidelity VIP MidCap	39.75	Principal Money Market	0.22
Fidelity VIP High Income	43.46	Principal Real Estate Securities	28.92
JP Morgan/Mellon SmallCap Value	16.20	Vanguard VIF Balanced	22.90
JP Morgan Fleming Small Cap Core	24.65	Vanguard VIF Equity Index	26.44
Janus Aspen Enterprise	44.44	Vanguard VIF MidCap Index	40.37

Participants in our non-qualified deferred compensation plan can elect to withdraw funds in their accounts in one of the following manners:

*In-service distribution.* Participants can elect for distributions to be made at least five years from the year of deferral. In-service distribution in this case can be made in one lump sum or in annual installments for up to 20 years. Participants can elect to re-defer amounts at least five more years if the

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election is made at least 12 months prior to distribution, but cannot accelerate the time period over which payments are made.

*College savings distribution.* Participants can elect for annual distributions to be made over a six year period, to begin at least three years following the year of deferral. Participants can elect to re-defer amounts at least five more years if the election is made at least 12 months prior to distribution.

*Retirement distribution.* Participants can elect for distributions to be made upon retirement either at age 55 if the participant has at least three years of service at Encore, or age 65 if less than three years of service. Payments can be made in one lump sum or in annual installments for up to 20 years. Participants can elect to re-defer amounts at least five more years or change their distribution option if the election is made at least 12 months prior to distribution, but cannot accelerate the time period over which payments are made.

If the participant's employment is terminated prior to the distribution date, subject to compliance with Section 409A of the Code and applicable Treasury Regulations, the vested portion of the participant's account balance is paid based on the participant's prior election upon termination. If the participant dies prior to the distribution date and prior to retirement, all funds become immediately vested and are distributed either in one lump sum or in annual installments to named beneficiaries, in accordance with the participant's election. If the participant dies following retirement while distribution payments are being made, payments continue to be made to named beneficiaries. In addition, participants can withdraw all vested funds or a portion of these funds prior to their elected distribution date in the case of certain hardship situations or permanent disability.

**POTENTIAL PAYMENTS UPON A TERMINATION OR CHANGE OF CONTROL**

This section describes the payments that may be made to Named Executive Officers upon separation pursuant to individual agreements, based on certain assumptions or the circumstances described below. We do not have a separate plan offering separation payments other than the payments offered under these individual agreements, as described in more detail below. For more information on amounts payable to our Named Executive Officers under our non-qualified deferred compensation plan upon termination and other elected payout events pursuant to that plan, see the *Non-qualified Deferred Compensation* table and accompanying narrative above.

**Severance Protection Agreements – Messrs. Black and Grinberg**

On March 9, 2009, the Compensation Committee approved severance protection agreements for Messrs. Black and Grinberg, and the agreements were signed on March 12, 2009. The terms and conditions of the severance protection agreements for Messrs. Black and Grinberg are substantially the same, except as otherwise described below. Mr. Lund does not have a severance protection agreement.

**Basic Assumptions.** The tables presented in this section were prepared assuming each event triggering a payment or other benefit occurred on December 31, 2009 using the base salaries in effect and the share price of our common stock as of that day (both as required by the SEC). Amounts for accrued but unpaid wages, accrued but unused paid-time off and reimbursable expenses payable upon separation are not reported in the *Salary* column because those are generally amounts that the employee is legally entitled to or amounts that all employees would be entitled to upon similar termination or resignation.

We note that because a change of control did not occur on December 31, 2009, and the executives were not terminated on that date, these tables are merely estimates intended to give the reader a general idea of possible payments upon a termination or change of control. There can be no assurance that a change of control would produce similar results to those described below if it were to occur in the future.

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***Payments upon a Termination Without Cause or for Good Reason.*** Pursuant to the terms of the March 12, 2009 severance protection agreements, if the employment of Messrs. Black or Grinberg is terminated without Cause or the executive resigns for Good Reason (as defined below) at any time during the term of the agreement, upon execution and delivery of a release and waiver of claims, the executive is entitled to continuation of his then-current salary, less applicable taxes and withholdings, for the following periods immediately following the executive's date of termination: (i) 24 months in the case of Mr. Black, and (ii) 12 months in the case of Mr. Grinberg. The executive would receive these payments in accordance with our regular payroll schedule. In addition, if the executive is terminated without Cause or resigns for Good Reason, he will receive bonus payments in the following amounts: (i) for Mr. Black, two times the average of his last three annual bonus payments on the earlier of when bonuses are paid to other employees for the year of his termination or 75 days following the end of such year, plus an additional amount paid at such time equal to the prorated portion of his target bonus for the year of termination up to the date of termination, and (ii) for Mr. Grinberg, his target annual bonus for the year of his termination on the earlier of when bonuses are paid to other employees or 75 days following the end of such year, plus an additional amount paid at such time equal to the prorated portion of his target bonus for the year of termination up to the date of termination. If no target bonus has been set for the year in which termination occurs, (i) Mr. Black will receive a prorated portion of the average of his last three annual bonus payments, and (ii) Mr. Grinberg will receive an amount equal to the average of his last three annual bonus payments plus a prorated portion of such average bonus. The terms of the agreement include a provision to pay COBRA continuation premiums for group health benefits or other individual health insurance premiums (to the extent the maximum COBRA period has been exceeded in the case of Mr. Black) for up to (i) 24 months for Mr. Black and (ii) 12 months for Mr. Grinberg, subject to the executive not obtaining substantially comparable health benefits from a subsequent employer. The total amount of payments that would be owed to Messrs. Black and Grinberg assuming a termination without Cause or resignation for Good Reason on December 31, 2009 are provided in the table below.

***Stock Option and RSU Acceleration.*** The RSUs awarded to Messrs. Black and Grinberg on August 23, 2007 in the amount of 42,450 and 10,000 shares, respectively, vest as follows: 100% of the RSUs vest on the third anniversary of the date of grant; provided that if the executive's employment is terminated without cause prior to the vesting date, then 10% will vest if such termination occurs prior to the first anniversary of the date of grant, 20% will vest if such termination occurs on or after the first anniversary of the date of grant but prior to the second anniversary of the date of grant, and 30% will vest if such termination occurs on or after the second anniversary of the date of grant but prior to the third anniversary of the date of grant. In accordance with this formula, 30% of each of Messrs. Black's and Grinberg's RSUs would vest and be settled if a termination were to have occurred on December 31, 2009.

The RSUs awarded to Mr. Grinberg on December 21, 2007 vest as follows: 50% of the RSUs vest on December 21, 2010; 25% vest on December 21, 2011; and 25% vest on December 21, 2012; provided that if Mr. Grinberg's employment is terminated without cause prior to the vesting date, then 10% will vest if such termination occurs prior to the first anniversary of the date of grant, 20% will vest if such termination occurs on or after the first anniversary of the date of grant but prior to the second anniversary of the date of grant, and 30% will vest if such termination occurs on or after the second anniversary of the date of grant but prior to the third anniversary of the date of grant. In accordance with this formula, 30% of Mr. Grinberg's RSUs would vest and be settled if a termination were to have occurred on December 31, 2009.

***Adjustments to Payments and Timing of Payments.*** The timing of any payments to Messrs. Black and Grinberg under their individual severance protection agreements are subject to the applicable requirements of Section 409A of the Internal Revenue Code of 1986 (the Code) and the related Treasury Regulations, and may be delayed as necessary to comply therewith. In addition, all severance payments and benefits payable under the agreements are subject to reduction to the extent necessary to avoid penalties assessed under Section 280G and Section 4999 of the Internal Revenue Code.

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***Restrictive Covenants.*** As a condition to receiving the payments under their respective individual severance protection agreements, Messrs. Black and Grinberg must agree to a broad release and waiver of claims. The agreements also provide certain notice and related requirements that must be met. In addition, each executive is subject to the following obligations while he is receiving payments and other benefits under the agreement:

non-disparagement of Encore;

non-solicitation of our employees for one year following termination; and

continued cooperation with all outstanding legal and administrative matters or issues.

***Definitions.*** The term **Cause** is defined in the severance protection agreements as any one of the following reasons:

failure to adhere to any legal written policy applicable to all our employees;

repeated and consistent failure to substantially perform job duties;

actual or attempted appropriation of material business opportunity of Encore, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of Encore;

actual or attempted misappropriation of our funds or property;

conviction of or guilty or no-contest plea to a felony or an equivalent crime, a crime of moral turpitude or a crime involving possible imprisonment;

conduct materially injurious to our reputation or business; or

willful misconduct.

The term **Good Reason** is defined as any one of the following reasons:

material reduction in the executive's base or target bonus compensation;

material reduction in the authority, duties or responsibilities of either the executive or the person to whom the executive reports;

material reduction in the budget over which the executive retains authority; or

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material change in the location at which the executive provides services for Encore, of more than 35 miles from the executive's present office location or primary residence, without consent.

The following table summarizes the amounts we estimate would be payable to Messrs. Black and Grinberg upon a termination without Cause or resignation for Good Reason as outlined in their individual severance protection agreements and described above, assuming the triggering event occurred on December 31, 2009:

Name	Severance Salary Payments (1)	Severance Bonus Payments (2)	COBRA or Individual Insurance Premiums (3)	Fair Market Value of Unvested Equity Awards with Accelerated Vesting (4)	Total
J. Brandon Black	\$ 828,520	\$ 1,283,771	\$ 30,063	\$ 221,589	\$ 2,363,943
Paul Grinberg	\$ 291,200	\$ 582,400	\$ 5,697	\$ 574,200	\$ 1,453,497

- (1) Amounts in this column represent amounts owed in excess of regular salary and other benefits payable through the last day of employment in accordance with our standard policies.
- (2) Severance bonus includes (i) a portion of Messrs. Black's and Grinberg's target bonus for the year of termination pro-rated to the date of termination, plus (ii) the following amount: (a) for Mr. Black, an additional amount calculated using the average of his bonuses earned in 2007, 2008 and 2009, multiplied by



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200%, and (b) for Mr. Grinberg, 100% of his target annual bonus for the fiscal year ended December 31, 2009. Because the table assumes a triggering event occurred on December 31, 2009, which is the last day of the fiscal year, the entire bonus under (i) above would be payable.

- (3) Amounts payable for COBRA or individual insurance premiums are based on each executive's insurance coverage held as of December 31, 2009 and the cost of premiums at that date.
- (4) For Mr. Black, vesting would accelerate 30% of the 42,450 time-based RSUs awarded on August 23, 2007. For Mr. Grinberg, vesting would accelerate for 30% of each of the 10,000 time-based RSUs awarded on August 23, 2007 and 100,000 time-based RSUs awarded on December 21, 2007. Fair market value is based on the closing price of \$17.40 per share of our common stock on December 31, 2009.

**Change of Control, Death or Disability**

Each of the stock options and RSUs granted to our Named Executive Officers shown in the 2009 Outstanding Equity Awards at Fiscal Year End table provides for accelerated vesting of unvested shares under the option or RSU upon death or disability or the occurrence of a reorganization event or change of control, as defined in the option and RSU agreements and our 2005 Plan.

The following table summarizes the fair market value of unvested equity awards held by our Named Executive Officers which would accelerate in the event of a change of control, or upon death or disability, assuming a triggering event occurred on December 31, 2009:

Name	Number of			Fair Market Value of
	Unvested Stock Options	Number of Unvested Time-Based RSUs	Number of Unvested Performance-Based RSUs	Unvested Equity Awards with Accelerated Vesting (1)
George Lund	570,000	0	0	\$ 2,878,000
J. Brandon Black	98,300	77,450	42,450	\$ 3,285,344
Paul Grinberg	76,666	145,000	23,500	\$ 3,990,796

- (1) Fair market value is based on the closing price of \$17.40 per share for our common stock on December 31, 2009.

**COMPENSATION OF DIRECTORS****Compensation Arrangements with Directors**

The Board has established the following compensation arrangements for each of our non-employee directors, whether or not affiliated with our significant stockholders:

an annual retainer of \$50,000 for service on the Board and attendance at meetings of the Board or any committees of the Board;

an additional annual retainer of \$10,000 payable to the Chairman of the Audit Committee, and \$5,000 payable to all other directors serving on the Audit Committee; and

an additional annual retainer of \$5,000 payable to the Chairman of the Compensation Committee.

Non-employee directors may elect to receive any retainer in the form of cash, shares of our common stock, RSUs, deferred issuance RSUs, or any combination thereof, provided that any deferral arrangement is subject to applicable legal and regulatory requirements. Non-employee directors who serve on our Board as representatives of certain funds are allowed to assign the cash portion of their fees to the fund they represent and may hold their equity awards under nominee arrangements. All directors are reimbursed for their out-of-pocket expenses incurred in attending Board or committee meetings.

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The following table sets forth the compensation earned by directors that are not also Named Executive Officers for service on our Board during the fiscal year ended December 31, 2009.

**2009 DIRECTOR COMPENSATION**

The following table sets forth the compensation received by our non-employee directors for the fiscal year ended December 31, 2009.

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2) (3)	Option Awards (4)	Total
Carl C. Gregory, III(5)	\$ 25,000			\$ 25,000
Timothy J. Hanford	\$ 55,000			\$ 55,000
Richard A. Mandell	\$ 60,000			\$ 60,000
Willem Mesdag	\$ 50,000			\$ 50,000
John J. Oros	\$ 50,000			\$ 50,000
J. Christopher Teets	\$ 50,000			\$ 50,000
H Ronald Weissman	\$ 27,500	\$ 74,400		\$ 101,900
Warren Wilcox	\$ 55,000			\$ 55,000

- (1) Amounts reported in this column include amounts earned for service on the Board and various committees during 2009. In lieu of receiving the cash fees shown in the table, the following directors elected to receive the indicated number of fully-vested RSUs: Mr. Gregory, 3,607; Mr. Hanford, 6,131; Mr. Mesdag, 5,573; Mr. Oros, 5,573; Mr. Teets, 5,573; Mr. Weissman, 2,217; and Mr. Wilcox, 6,131. The receipt of the shares underlying the RSUs were deferred at the election of each director except Messrs. Weissman and Wilcox.
- (2) Mr. Weissman was awarded 6,000 RSUs upon joining the Board on July 10, 2009, which vest in annual increments over a two-year period from the date of grant, and had a grant date fair value of \$74,400. The grant date fair value of RSUs elected by certain directors in lieu of receiving cash fees shown in the table, computed in accordance with authoritative accounting guidance, was: for Mr. Gregory, \$24,997; Mr. Hanford, \$54,990; for Mr. Mesdag, \$49,984; for Mr. Oros, \$49,984; for Mr. Teets, \$49,984; for Mr. Wilcox, \$54,990; and for Mr. Weissman, \$27,491. The foregoing grant date fair value does not correspond to the actual value that may be recognized by the directors, which may be higher or lower based on a number of factors, including Encore's performance, stock price fluctuations and applicable vesting. For information on the assumptions used in calculating the amounts reported, see Note 9 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2009.
- (3) The aggregate number of shares underlying outstanding RSUs at December 31, 2009 was: for Mr. Hanford, 19,248; for Mr. Mesdag, 18,125; for Mr. Oros, 18,125; for Mr. Teets, 18,125; for Mr. Weissman, 6,000; and Mr. Wilcox, 13,417. In recognition that they serve on our Board as representatives of certain funds, Messrs. Hanford, Mesdag, Oros and Teets may hold their equity awards and the underlying shares as nominees for the funds they represent, as further described under Security Ownership of Principal Stockholders and Management.
- (4) No options were granted to non-employee directors in 2009. Mr. Mandell held outstanding options to purchase an aggregate of 90,000 shares at December 31, 2009.
- (5) Mr. Gregory did not stand for re-election at the end of his term in June 2009.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Related Person Transaction Policy and Procedures**

In 2007, the Audit Committee of our Board adopted a written policy and related procedures concerning related person transactions. Under our written policy, the Audit Committee continues to be responsible for the regular review and approval or disapproval of related person transactions between Encore or a subsidiary and certain related persons. The policy tracks the SEC rules with respect to defining who and which transactions are covered by the policy. A related person is a director, officer, nominee for director, or 5% stockholder of Encore since the beginning of the last fiscal year and their immediate family members. Transactions covered by the policy are those in which Encore or a subsidiary is a participant, the amount involved exceeds \$120,000, and a related person has a direct or indirect material interest. In addition, the Audit Committee has determined that transactions with related persons, to the extent such transactions are not deemed material enough by the SEC to be disclosed or are already disclosed in some manner, are not deemed by the Audit Committee to be related person transactions under our policy.

**Related Person Transactions**

We have entered into indemnification agreements with each of our officers and directors pursuant to which we agreed to indemnify each officer and director to the fullest extent authorized by law against certain expenses and losses arising out of claims related to the service by such person as an officer or member of our Board of Directors or in certain other capacities.

Pursuant to indemnification agreements with our current and former executive officers and directors and underwriting agreements and registration rights agreements that also provide certain rights to indemnification, we have advanced the legal fees incurred on behalf of Mr. Black and Messrs. Barry R. Barkley, Carl C. Gregory, III, Alexander Lemond and Eric D. Kogan, former directors of Encore, in the defense of litigation involving one of our former officers, as described in Note 12 of the consolidated financial statements in Encore's Form 10-K and Annual Report for the year ended December 31, 2009. Pursuant to the underwriting agreements and registration rights agreements mentioned above, we also have advanced the legal fees incurred on behalf of Triarc Companies, Inc. ( Triarc ) and an executive officer of Triarc in defense of this and related litigation. Triarc was, at that time, one of our significant stockholders and an affiliate of Peter W. May and Nelson Peltz, former directors of Encore. Since the beginning of 2009, we have advanced approximately \$3,397,305 in such legal fees and costs incurred, including Encore's costs of defense.

**Table of Contents****SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT**

The following table sets forth certain information concerning the beneficial ownership of our common stock as of April 19, 2010, by: (i) each director and director nominee; (ii) each Named Executive Officer; (iii) each person who is known by us to be the beneficial owner of more than five percent (5%) of our outstanding common stock; and (iv) all directors and executive officers as a group. Calculations of beneficial ownership are based on 23,460,019 shares of our common stock outstanding on April 19, 2010. Except as otherwise indicated, we believe each person has sole voting and investment power, subject to community property laws.

Name of Beneficial Owner	No. of Shares Beneficially Owned (1)	Percent of Class (1)
Dimensional Fund Advisors LP (2) <i>Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746</i>	1,603,964	6.8%
Heartland Advisors, Inc. (3) <i>789 North Water Street Milwaukee, WI 53202</i>	1,617,350	6.9%
JCF FPK I LP (4) (8) <i>717 Fifth Avenue, 26th Floor New York, New York 10022</i>	5,737,032	24.5%
Red Mountain Capital Partners LLC (5) (8) <i>10100 Santa Monica Blvd., Suite 925 Los Angeles, California 90067</i>	3,454,606	14.7%
J. Brandon Black (6)	668,655	2.8%
Paul Grinberg (6)	88,056	*
Timothy J. Hanford (4) (7)	5,757,841	24.5%
George Lund (6)	456,012	1.9%
Richard A. Mandell (6)	92,500	*
Willem Mesdag (5) (7)	3,454,606	14.7%
John J. Oros (4) (7)	19,544	*
J. Christopher Teets (5) (7)	19,544	*
H Ronald Weissman	3,068	*
Warren Wilcox (7)	19,548	*
Current directors and executive officers as a group (10 persons) (6) (7)	10,579,374	43.14%

\* Less than one percent.

(1) The numbers and percentages shown include the shares of common stock owned as of April 19, 2010, as well as the shares of our common stock that the person or group had the right to acquire within 60 days of such date. In calculating the percentage of ownership, all shares of common stock that the identified person or group had the right to acquire within 60 days of April 19, 2010, upon the exercise of options or the



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- settlement of RSUs are deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by such person or group, but are not deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by any other person.
- (2) Information with respect to Dimensional Fund Advisors LP ( Dimensional ) is based solely on Amendment No. 2 to Schedule 13G filed with the SEC on February 8, 2010 by Dimensional. As of December 31, 2009, Dimensional has sole voting power with respect to 1,555,138 of these shares and sole investment power with respect to 1,603,964 of these shares. Dimensional, an investment adviser registered under the Investment Advisors Act of 1940 ( 1940 Act ), furnishes investment advice to four investment companies registered under the 1940 Act, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, are collectively referred to as the Funds ). In certain cases, subsidiaries of Dimensional may act as an adviser or sub-adviser to certain Funds. While these shares are owned by the Funds, Dimensional may be deemed to be the beneficial owner of the shares. Dimensional and its subsidiaries disclaim beneficial ownership of such securities.
- (3) Information with respect to Heartland Advisors, Inc. ( Heartland ), a registered investment adviser, is based solely on Amendment No. 3 to Schedule 13G filed with the SEC on February 10, 2010 by Heartland and William J. Nasgovitz, the President and control person of Heartland. As of December 31, 2009, Heartland and Mr. Nasgovitz shared voting power with respect to 1,519,550 of these shares and shared investment power with respect to 1,617,350 of these shares. 1,617,350 of these shares may be deemed beneficially owned by (i) Heartland by virtue of its investment discretion and voting authority granted by certain clients, which may be revoked at any time, and (ii) Mr. Nasgovitz by virtue of his control of Heartland. Mr. Nasgovitz disclaims beneficial ownership of these shares.
- (4) Information with respect to JCF FPK I LP ( JCF FPK ) is based in part on a Schedule 13D and Amendment Nos. 1, 2 and 3 thereto filed with the SEC on April 23, May 14, May 18 and October 22, 2007, respectively, by JCF FPK, JCF Associates II-A LP ( JCF Associates ), JCF Associates II-A LLC ( JCF LLC ) and J. Christopher Flowers (the JCF Schedule 13D ). JCF FPK, JCF Associates, JCF LLC and Mr. Flowers share voting and investment power with respect to the shares. JCF Associates is the sole general partner of JCF FPK and has control over its affairs and investment decisions, including the power to vote or dispose of the shares held by JCF FPK. JCF LLC is the sole general partner of JCF Associates and has sole control over its affairs and investment decisions, including, indirectly, the power to vote or dispose of the shares held by JCF FPK. Mr. Flowers is the sole member and manager of JCF LLC and thus may be deemed to control JCF LLC and each entity directly or indirectly controlled by JCF LLC (including JCF FPK). As a result of their ownership interest in and control of JCF FPK, each of JCF Associates, JCF LLC and Mr. Flowers may be deemed to control JCF FPK and therefore may be deemed to hold voting and/or investment power over these shares. Mr. Flowers disclaims beneficial ownership of these shares. Mr. Hanford is a managing director of J.C. Flowers & Co. UK Ltd., an affiliate of investment advisor J.C. Flowers & Co. LLC, and through his pecuniary interest in a limited partner of JCF FPK, Mr. Hanford may be deemed to be the beneficial owner of these shares. Mr. Hanford disclaims beneficial ownership of these shares in excess of his pecuniary interest therein. Mr. Oros is a managing director of J.C. Flowers & Co. LLC, investment advisor to JCF Associates, and is not a beneficial owner of these shares. Messrs. Hanford and Oros were elected as directors of Encore on May 11, 2007.
- (5) Information with respect to Red Mountain Capital Partners LLC ( RMCP LLC ) is based in part on a Schedule 13D and Amendment Nos. 1, 2 and 3 thereto filed with the SEC on April 16, April 23, May 18 and October 22, 2007, respectively, by RMCP LLC, Red Mountain Capital Partners II, LP ( RMCP II ), Red Mountain Capital Partners III, LP ( RMCP III ), RMCP GP LLC ( RMCP GP ), Red Mountain Capital Management, Inc. ( RMCM ) and Willem Mesdag (the Red Mountain Schedule 13D ) and a Form 4 filed with the SEC on January 6, 2010 jointly by RMCP II, RMCP III, RMCP GP, RMCP LLC, RMCM and Mr. Mesdag. RMCP II has sole voting and investment power with respect to a portion of the shares and RMCP III has sole voting and investment power with respect to a portion of the shares. RMCP GP is the general partner of each of RMCP II and RMCP III and thus may be deemed to control each of RMCP II and RMCP III. RMCP LLC is the managing member of RMCP GP and thus may be deemed to control RMCP GP and each entity directly or indirectly controlled by RMCP GP. RMCM is the managing member of RMCP LLC and thus may be deemed to control RMCP LLC and each entity directly or indirectly controlled

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- by RMCP LLC. Mr. Mesdag is the president, sole executive officer, sole director and sole shareholder of RMCM and thus may be deemed to control RMCM and each entity directly or indirectly controlled by RMCM. Because each of RMCP GP, RMCP LLC, RMCM and Mr. Mesdag may be deemed to control RMCP II and RMCP III, each of RMCP GP, RMCP LLC, RMCM and Mr. Mesdag may be deemed to beneficially own, and to have the power to vote or direct the vote, or dispose or direct the disposition of, all of the these shares. Each of RMCM LLC, RMCP II, RMCP III, RMCP GP, RMCM and Mr. Mesdag disclaim beneficial ownership of these shares except to the extent of its or his pecuniary interest therein. In addition, RMCP II disclaims ownership of any securities held directly by RMCP III, and RMCP III disclaims beneficial ownership of any securities held directly by RMCP II. Mr. Teets is a partner of RMCP LLC and does not control any of these entities. Messrs. Mesdag and Teets were elected as directors of Encore on May 11, 2007. Includes 19,544 fully vested deferred issuance RSUs which were issued to Mr. Mesdag as director compensation for Board service.
- (6) Includes the following number of shares of common stock that may be issued upon the exercise of options that are exercisable within 60 days of April 19, 2010: for Mr. Black, 658,267 shares; for Mr. Grinberg, 69,668 shares; for Mr. Lund, 150,000 for Mr. Mandell, 90,000 shares; and for all directors and executive officers as a group, 967,935 shares.
- (7) Includes the following number of fully vested deferred issuance RSUs issued as director compensation for Board service: for Mr. Hanford, 20,809; for Mr. Mesdag, 19,544; for Mr. Oros, 19,544; for Mr. Teets, 19,544; and for Mr. Wilcox, 13,417; and for all directors and executive officers as a group, 92,858 shares. In recognition that they serve on our Board as representatives of certain funds, we understand that Messrs. Hanford, Mesdag, Oros and Teets may hold their equity awards and the underlying shares as nominees for the funds they represent.
- (8) According to Amendment No. 3 to the JCF FPK Schedule 13D and Amendment No. 3 to the Red Mountain Schedule 13D, JCF FPK, RMCP II and RMCP III (collectively, the Shareholders ) entered into a Shareholders Agreement, dated as of October 19, 2007 (the Shareholders Agreement ), pursuant to which the Shareholders agreed, among other things, to (i) vote in favor of each Shareholder s proposed removal or replacement of a related director, (ii) vote together with respect to certain actions submitted to a vote of the shareholders of Encore, (iii) refrain from transferring common stock (other than to an affiliate) without the consent of each of the other Shareholders, (iv) refrain from acquiring additional common stock unless certain conditions are met and (v) refrain from proposing or initiating a business combination transaction involving Encore without the consent of each of the other Shareholders. As a result of the Shareholders Agreement and the letter between JCF FPK and Red Mountain Capital Partners LLC, dated as of April 20, 2007 and disclosed in Amendment No. 1 to the Red Mountain and JCF FPK Schedules 13D, JCF FPK and Red Mountain may be deemed to be a group within the meaning of Section 13(d)(3) of the Exchange Act, and deemed to be the beneficial owner of all of the shares of common stock owned by each of them. JCF FPK and Red Mountain disclaim beneficial ownership of any shares of common stock held by the other.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table gives information about our existing equity compensation plans (including individual compensation arrangements) as of December 31, 2009.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by security holders	3,429,967(1)	\$ 9.28(2)	1,608,917
Equity compensation plans not approved by security holders	0	0	0
<b>Total</b>	<b>3,429,967(1)</b>	<b>\$ 9.28(2)</b>	<b>1,608,917</b>

(1) Includes 762,830 outstanding RSUs as of December 31, 2009.

(2) Represents the per share weighted-average exercise price of outstanding stock options and does not take into account unvested RSUs, which have no exercise price. The per share weighted-average grant date fair value of the outstanding RSUs at December 31, 2009 was \$9.27.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us during the year ended December 31, 2009 or written representations by the reporting persons, we believe that with respect to the fiscal year ended December 31, 2009 all of the reporting persons complied with all applicable filing requirements.



**Table of Contents****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PROPOSAL NO. 2)****Proposal**

We have selected BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010, and we are submitting our selection of BDO Seidman, LLP for ratification by stockholders at the annual meeting. BDO Seidman, LLP began auditing our consolidated financial statements with the fiscal year ended December 31, 2001.

Stockholder ratification of the selection of BDO Seidman, LLP as our independent registered public accounting firm is not required. If our stockholders fail to ratify the election, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee and the Board in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such an appointment would be in our best interests and that of our stockholders.

**Required Vote**

Approval of this proposal requires the affirmative vote of the holders of a majority of the votes cast in person or by proxy and entitled to vote at the meeting.

**The Board of Directors recommends a vote FOR the ratification of the selection of BDO Seidman, LLP as our independent registered public accounting firm for 2010.**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We expect representatives of BDO Seidman, LLP to be present telephonically at the annual meeting and they will be given an opportunity to make a statement and to respond to appropriate questions regarding BDO Seidman, LLP's audit of our consolidated financial statements and records for the fiscal year ended December 31, 2009.

**Audit and Non-Audit Fees**

The following table presents fees billed for professional audit services rendered by BDO Seidman, LLP as our independent registered public accounting firm for the audit of our annual financial statements for the fiscal years ended December 31, 2009 and 2008, and fees billed for other services rendered by BDO Seidman, LLP during those periods (in thousands):

	<b>2009</b>	<b>2008</b>
Audit Fees	\$ 471.5(1)	\$ 487.0(2)
Audit-Related Fees	41.3	17.5
Tax Fees		
All Other Fees		
<b>Total</b>	<b>\$ 512.8</b>	<b>\$ 504.5</b>

- (1) Includes (i) \$200,000 relating to the audit of our consolidated financial statements included in our Annual Report on Form 10-K, (ii) \$105,000 relating to the reviews of our quarterly consolidated financial statements included in our Quarterly Reports on Form 10-Q, (iii) \$120,000 for the audit of the effectiveness of internal control over financial reporting, (iv) \$25,300 for the review of SEC forms and filings, and (v) \$21,200 for out-of-pocket expenses.
- (2) Includes (i) \$205,000 relating to the audit of our consolidated financial statements included in our Annual Report on Form 10-K, (ii) \$105,000 relating to the reviews of our quarterly consolidated financial statements included in our Quarterly Reports on Form 10-Q,

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(iii) \$145,000 for the audit of the effectiveness of internal control over financial reporting, (iv) \$7,500 for the review of SEC forms and filings, and (iv) \$24,500 for out-of-pocket expenses.

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**Audit Fees.** Audit fees include fees and related expenses for professional services rendered by our independent accountant for the annual audit of our financial statements and of our internal control over financial reporting, the quarterly review of our financial statements, and review of other documents filed with the Securities and Exchange Commission.

**Audit-Related Fees.** Audit-related fees consist of (i) fees and related expenses for assurance and related services rendered by our independent accountant that are reasonably related to the performance of the audit or review of our financial statements, such as attendance at stockholder and Audit Committee meetings, (ii) consultation concerning financial accounting and reporting standards, and (iii) fees associated with the audit of our 401(k) plan in 2009.

**Tax Fees.** We did not engage BDO Seidman, LLP for tax services for fiscal years 2009 and 2008.

**All Other Fees.** We did not engage BDO Seidman LLP for other services for fiscal years 2009 and 2008.

### **Approval of Independent Registered Public Accounting Firm Services and Fees**

The Audit Committee has adopted a policy requiring pre-approval of all audit, review and attest engagements and engagements for permitted non-audit services provided by the independent registered public accounting firm to Encore and any of our affiliates. The Audit Committee may pre-approve predictable and recurring services by category on an annual basis. The Audit Committee may delegate pre-approval authority to one or more of its members if the aggregate estimated fees for such services will not exceed \$50,000 for any applicable fiscal year. The member to whom such authority is delegated must report any pre-approval granted to the Audit Committee at its next scheduled meeting.

In accordance with applicable SEC regulations, permitted non-audit services may be performed without pre-approval if: (1) the services were not recognized by Encore at the time of engagement to be non-audit services; (2) the aggregate amount of fees for all such services provided constitutes no more than 5% of the total amount of revenues paid by Encore to the independent registered public accounting firm during a fiscal year; (3) the services are brought promptly to the attention of the Audit Committee; and (4) the approval is given prior to the completion of the audit. The Chief Financial Officer is responsible for bringing to the attention of the Audit Committee any such services that were not pre-approved because they were not recognized by Encore at the time of engagement to be non-audit services. The Audit Committee pre-approved 100% of the audit-related and tax services provided by our independent registered public accounting firm for the fiscal years ended December 31, 2009 and 2008.

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**REPORT OF THE AUDIT COMMITTEE**

In accordance with our written charter, the Audit Committee assists the Board in oversight of the quality and integrity of the accounting, auditing, and financial reporting practices of Encore. We currently are composed of four members, each of whom has been determined by the Board to be an independent director, as independence is defined by the marketplace rules of The Nasdaq Stock Market and the rules and regulations of the SEC.

BDO Seidman, LLP, Encore's independent registered public accounting firm, has unrestricted access to the Audit Committee. The Audit Committee may invite other members of the Board to attend Audit Committee meetings based upon their expertise, familiarity with Encore and its industry and other factors.

In performing our oversight function, we have reviewed Encore's audited consolidated financial statements for the fiscal year ended December 31, 2009 and met with both management and BDO Seidman, LLP to discuss those consolidated financial statements. Management has represented to us that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. We have (i) received from, and discussed with, BDO Seidman, LLP written disclosures regarding its independence from Encore under PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and matters required by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and (ii) with and without management present, discussed and reviewed the results of BDO Seidman, LLP's audit of: (A) Encore's consolidated financial statements; and (B) the effectiveness of internal control over financial reporting.

Based on these reviews and discussions, and subject to the limitations on the role of the Audit Committee and the Audit Committee's responsibility described in the Audit Committee's written charter, the Audit Committee recommended to the Board that Encore's audited consolidated financial statements be included in Encore's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

**Audit Committee:**

H Ronald Weissman, Chairman

Richard A. Mandell

J. Christopher Teets

Warren Wilcox

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**STOCKHOLDER PROPOSALS AND NOMINATIONS**

Pursuant to SEC Rule 14a-8, Stockholder Proposals, proposals to be considered for inclusion in our proxy materials for the 2011 annual meeting, must be received at our principal executive offices by December 30, 2010 if our 2010 annual meeting is held within 30 days of June 16, 2011. If, however, our 2011 annual meeting is more than 30 days before or after June 16, 2011, proposals for the meeting must be received by a reasonable time before we print and mail our proxy statement for that meeting. Such proposals may be included in our proxy materials if they comply with requirements as to form and substance established by the SEC.

Under our Bylaws, a stockholder who wishes to nominate directors or bring other business before the 2011 annual meeting of stockholders without including the proposal in our proxy materials for that meeting must notify us no earlier than February 16, 2011 and no later than March 18, 2011, unless, for purposes of a stockholder proposal, the date of the 2011 annual meeting of stockholders is called for a date that is not within 30 days before or after the one-year anniversary of the 2010 annual meeting (in which event the stockholder must notify us by the tenth day following the day on which the notice of the date of the annual meeting is mailed or public disclosure of the date of the annual meeting is made, whichever first occurs). If the stockholder fails to give notice by this date, then the persons named as proxies in the proxies solicited by the Board of Directors for the 2011 annual meeting may exercise discretionary voting power regarding any such proposal.

Additional requirements with respect to stockholder proposals and director nominations are set forth in our Bylaws.

**ADDITIONAL INFORMATION**

**Annual Report on Form 10-K**

We are providing with this proxy statement a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which includes financial statements, schedules and a list of Exhibits. Any stockholder of record who wishes to receive an additional copy of the annual report or this proxy statement or any of the Exhibits may (i) call Encore at (877) 445-4581, or (ii) mail a request to: Encore Capital Group, Inc., 8875 Aero Drive, Suite 200, San Diego, CA 92123, Attention: Corporate Secretary, and we will promptly deliver the requested materials to you upon your request.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on June 16, 2010**

Our proxy statement and Annual Report on Form 10-K are available at the following website address:  
<http://phx.corporate-ir.net/phoenix.zhtml?c=115920&p=irol-proxy>

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**OTHER MATTERS**

As of the date of this proxy statement, the Board of Directors does not intend to present at the annual meeting any matters other than those described herein and does not presently know of any matters that will be presented by other parties. If any other matter is properly brought before the meeting for action by stockholders, proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

ENCORE CAPITAL GROUP, INC.

By:

J. Brandon Black

President and Chief Executive

April 29, 2010

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**ENCORE CAPITAL GROUP, INC.**

**ANNUAL MEETING OF STOCKHOLDERS, JUNE 16, 2010**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned acknowledges receipt of the notice of Annual Meeting of Stockholders to be held on June 16, 2010 and the proxy statement and appoints J. Brandon Black and Paul Grinberg, or either of them, the proxy of the undersigned, with full power of substitution, to vote all shares of common stock of Encore Capital Group, Inc. that the undersigned is entitled to vote, either on his or her own behalf or on behalf of an entity or entities, at the Annual Meeting of Stockholders of Encore to be held at Le Parker Meridien New York, 118 West 57th Street, New York, New York 10019, on June 16, 2010, at 9:00 a.m. local time, and at any adjournment or postponement thereof, and to vote in their discretion on such other business as may properly come before the Annual Meeting and any postponement or adjournment thereof.

(CONTINUED AND TO BE SIGNED ON REVERSE SIDE.)

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**ANNUAL MEETING OF STOCKHOLDERS**  
**ENCORE CAPITAL GROUP, INC.**

**June 16, 2010**

**PROXY VOTING INSTRUCTIONS**

**INTERNET** Access [www.voteproxy.com](http://www.voteproxy.com) and follow the on-screen instructions. Have your proxy card available when you access the web page, and use the Company Number and Account Number shown on your proxy card.

**TELEPHONE** Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries and follow the instructions. Have your proxy card available when you call, and use the Company Number and Account Number shown on your proxy card.

Vote online/phone until 11:59 PM EST the day before the meeting.

**MAIL** Date, sign and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** You may vote your shares in person by attending the Annual Meeting.

**Important Notice Regarding the Availability of Proxy Materials**

**for the Stockholder Meeting to be Held on June 16, 2010:**

The Proxy Statement and the Annual Report on Form 10-K are available at

<http://phx.corporate-ir.net/phoenix.zhtml?c=115920&p=irol-proxy>

Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND FOR PROPOSAL 2. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: x**

1. ELECTION OF DIRECTORS:

FOR ALL NOMINEES

Nominees:

..

i J. BRANDON BLACK

WITHHOLD AUTHORITY FOR ALL NOMINEES

..

i TIMOTHY J. HANFORD



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FOR ALL EXCEPT (See instructions below)

i GEORGE LUND

..

i RICHARD A. MANDELL

i WILLEM MESDAG

i JOHN J. OROS

i J. CHRISTOPHER TEETS

i H RONALD WEISSMAN

i WARREN WILCOX

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INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark the **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here:

2. RATIFICATION OF SELECTION OF BDO SEIDMAN, LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2010.

FOR      AGAINST      ABSTAIN  
..      ..      ..

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting. **This Proxy, when properly executed, will be voted as specified above. If no specification is made, this Proxy will be voted FOR the election of the above-listed nominees and FOR Proposal 2. This proxy also confers discretionary authority to vote on such other matters as may come before the Annual Meeting. The undersigned hereby revokes any proxy or proxies heretofore given to vote such shares at such meeting or at any adjournment or postponement thereof.**

MARK  ~~HERE~~ YOU PLAN TO ATTEND THE MEETING. ..

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ..

Date: \_\_\_\_\_ Signature of Stockholder: \_\_\_\_\_ Date: \_\_\_\_\_ Signature of Stockholder: \_\_\_\_\_

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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ANNUAL MEETING OF STOCKHOLDERS  
**ENCORE CAPITAL GROUP, INC.**

June 16, 2010

**Important Notice Regarding the Availability of Proxy Materials**

**for the Stockholder Meeting to be Held on June 16, 2010:**

The Proxy Statement and the Annual Report on Form 10-K are available at

*<http://phx.corporate-ir.net/phoenix.zhtml?c=115920&p=irol-proxy>*

**Please date, sign and mail your proxy card in the envelope provided as soon as possible.**

Please detach along perforated line and mail in the envelope provided.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND FOR PROPOSAL 2. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: x**

1. ELECTION OF DIRECTORS:

FOR ALL NOMINEES

..

Nominees:

i J. BRANDON BLACK

WITHHOLD AUTHORITY FOR ALL NOMINEES

..

i TIMOTHY J. HANFORD

FOR ALL EXCEPT (See instructions below)

..

i GEORGE LUND

i RICHARD A. MANDELL

i WILLEM MESDAG

i JOHN J. OROS

i J. CHRISTOPHER TEETS

i H RONALD WEISSMAN

i WARREN WILCOX

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark the **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here:

2. RATIFICATION OF SELECTION OF BDO SEIDMAN, LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2010.

FOR      AGAINST      ABSTAIN  
..      ..      ..

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

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**This Proxy, when properly executed, will be voted as specified above. If no specification is made, this Proxy will be voted FOR the election of the above-listed nominees and FOR Proposal 2. This proxy also confers discretionary authority to vote on such other matters as may come before the Annual Meeting. The undersigned hereby revokes any proxy or proxies heretofore given to vote such shares at such meeting or at any adjournment or postponement thereof.**

MARK  ~~HERE~~ YOU PLAN TO ATTEND THE MEETING. "

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. "

Date: \_\_\_\_\_ Signature of Stockholder: \_\_\_\_\_ Date: \_\_\_\_\_ Signature of Stockholder: \_\_\_\_\_

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.