

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

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 3, 2005

**Encore Capital Group, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**000-26489**  
(Commission File Number)

**48-1090909**  
(I.R.S Employer  
Identification No.)

**8875 Aero Drive, Suite 200**  
**San Diego, California 92123**  
(Address of Principal Executive Offices) (Zip Code)

**(877) 445-4581**  
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01. Entry into a Material Definitive Agreement**

On May 3, 2005, the Company's stockholders approved the adoption of the Company's 2005 Stock Incentive Plan.

**Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers**

On May 3, 2005, in accordance with the Company's previously announced management succession plan, the Board of Directors appointed Paul J. Grinberg as Executive Vice President, Chief Financial Officer and Treasurer of the Company upon the retirement of Barry R. Barkley, who had served in those capacities since May 2000. Mr. Grinberg, age 44, had served as Senior Vice President, Finance, since he joined the Company in September 2003.

**Item 9.01. Financial Statements and Exhibits**

(c) Exhibits

10.1 Severance Agreement dated as of September 20, 2004, between the Company and Paul Grinberg.

10.2 2005 Stock Incentive Plan (incorporated by reference to Appendix I to the Company's proxy statement dated April 4, 2005).

10.3 Form of Option Agreement pursuant to the 2005 Stock Incentive Plan.

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**SIGNATURE**

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

Date: May 5, 2005

**ENCORE CAPITAL GROUP, INC.**

/s/ Paul Grinberg

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Paul Grinberg  
Executive Vice President,  
Chief Financial Officer and Treasurer

**MCM**  
Midland Credit Management, Inc.

5775 Roscoe Court  
San Diego, CA 92123  
Tel: (858) 560-2600  
Fax: (858) 309-6980

4302 E. Broadway  
Phoenix, AZ 85040  
Tel: (602) 707-0211  
Fax: (602) 431-1801

September 20th 2004

Paul Grinberg  
[Address]

Dear Paul:

Welcome to Midland Credit Management Inc, (the "Company"). As you know, employment relationships with the Company are "at will." This means that either you or the Company may terminate the employment relationship at any time and for any reason, with or without notice or cause. The Company also has the right to change at-will the compensation, benefits, duties, assignments or responsibilities of your position. While certain paragraphs of this letter agreement describe events which could occur at a particular time in the future, nothing in your offer or this letter agreement may be construed as guaranteeing employment of any length. If any representations have been made contrary to this at-will relationship, such representations are superseded by this letter agreement. This at-will relationship only may be altered by a written document signed by the Company's President.

Notwithstanding that your employment relationship with the Company is at all times "at will," and although the Company does not have a policy or practice of offering separation benefits to terminated employees, the Company will make certain termination benefits available to you under the conditions described below.

1. Termination Without Cause. In the event your employment is terminated without Cause during the first six (6) months of your employment, upon your execution and delivery of the Company's standard General Release and Waiver of Claims, the Company will pay you an amount equal to six (6) months' of annual base salary in effect on the date of termination, less usual deductions. In the event your employment is terminated without Cause thereafter, upon your execution and delivery of the Company's standard General Release and Waiver of Claims, the Company will pay you an amount equal to the number of full months of your employment multiplied by your monthly base salary in effect on the date of termination, up to a maximum of 12 months' base salary, less usual deductions. Any payments will be made according to the Company's regular payroll schedule.

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

2. Resignation for Good Reason. In the event you resign your employment for Good Reason, upon your execution and delivery of the Company's standard General Release and Waiver of Claims, the Company will pay you an amount equal to the number of full months of your employment multiplied by your monthly base salary in effect on the date of termination. Under this clause, the minimum payment regardless of tenure will be six (6) months' base salary, and the maximum payment will be twelve (12) months' base salary, less usual deductions. Any payments will be made according to the Company's regular payroll schedule. For purposes of this offer, "Resignation for Good Reason" is defined as your resignation within three (3) months after the first occurrence of any of the following events: (i) any reduction in your base compensation; (ii) any significant reduction in your responsibilities and authority; or (iii) a relocation by the Company of your employment to a location outside Southern California; or (iv) the failure of the Company to transition you to the role of Chief Financial Officer by the end of June 2005, unless this failure is due to a Termination for Cause as defined in section 1 of this letter. An event described in this Section will not constitute Good Reason unless you provide written notice to the Company of your intention to resign for Good Reason and unless the Company does not cure the Good Reason within thirty (30) days of its receipt of the written notice.
3. Resignation without Good Reason, Termination for Cause, Termination for Death or Disability. In the event you resign your employment without Good Reason or your employment is terminated for Cause or as a result of your death or a disability which cannot be reasonably accommodated and which renders you unable to perform the essential functions of your position for ninety (90) days, you are entitled to receive the portion of base compensation and any vacation accrued and owing to you through the termination date.
4. Termination Following Change of Control. In the event that following a Change of Control you are not offered a position (a) with terms and duties consistent with those you enjoyed as of the date of the Change of Control; and (b) which allows you to perform those duties from San Diego County, upon your execution and delivery of the Company's standard General Release and Waiver of Claims, the Company will pay you an amount equal to twelve (12) months' base salary in effect at the time of termination, less usual deductions. The payments will be made according to the Company's regular payroll schedule. For purposes of this offer, a Change of Control occurs when (i) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company, unless that party currently owns 10% or more of the Company's outstanding securities (ii) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company ("Transaction"), in each case, with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than fifty (50) percent of the combined voting power of the Company or other corporation resulting from such Transaction; or (iii) all or substantially all of the assets of the Company are sold, liquidated or distributed.

5. Further, if as of the date of your termination following a Change of Control as described above you are eligible for a bonus under the Company's bonus programs then in place, you will receive a pro rata portion of the bonus through your termination date, providing you already have twelve (12) months of tenure with the Company on the date of the Change of Control.

Sincerely,

/s/ Carl C. Gregory, III

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Carl Gregory  
Chief Executive Officer  
Midland Credit Management Inc.

ACCEPTED:

/s/ Paul Grinberg

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Paul Grinberg

September 20, 2004

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Date

**NON-INCENTIVE STOCK OPTION AGREEMENT****Under  
ENCORE CAPITAL GROUP, INC.  
2005 STOCK INCENTIVE PLAN**\_\_\_\_\_ **Shares of Common Stock**

ENCORE CAPITAL GROUP, INC. (the "Company"), pursuant to the terms of its 2005 Stock Incentive Plan (the "Plan"), hereby grants to \_\_\_\_\_ (the "Optionee") the right and option to purchase \_\_\_\_\_ shares of Common Stock, par value \$.01 per share (the "Common Stock"), of the Company upon and subject to the following terms and conditions:

1. The Option is not intended to qualify as an incentive stock option under the provisions of Section 422 of the Internal Revenue Code of 1986, as amended, or its predecessor (the "Code").
2. \_\_\_\_\_ is the date of grant of the Option ("Date of Grant").
3. The purchase price of the shares of Common Stock subject to the Option shall be \$ \_\_\_\_\_ per share.
4. The Option shall vest and be exercisable as follows:
  - (a) one-third of such shares of Common Stock shall vest and be exercisable on or after the first anniversary of the Date of Grant;
  - (b) an additional one-third of such shares of Common Stock shall vest and be exercisable on or after the second anniversary of the Date of Grant; and
  - (c) all such shares of Common Stock shall be exercisable on or after the third anniversary of the Date of Grant.

Vesting shall cease upon the date of termination of the Optionee's services to the Company.

Notwithstanding the foregoing, in the event of (i) the termination of the Optionee's services to the Company as a result of the Optionee's death or disability, or (ii) the occurrence of a Change of Control (as defined in the Plan), the Option shall be deemed to be fully (100%) vested and exercisable as of immediately prior to the Optionee's death or disability or the Change of Control.

5. The unexercised portion of any such Option shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

- (a) \_\_\_\_\_
- (b) the termination of the Optionee's employment by, or services to, the Company and its subsidiaries, in which event the Option shall terminate as follows:
  - (i) if such termination constitutes or is attributable to a breach by the Optionee of an employment or consulting agreement with the Company or any of its subsidiaries, or if the Optionee is discharged or if his or her services are terminated for cause, then the Option shall terminate immediately upon such termination date;
  - (ii) if such termination is due to the death or disability of the Optionee, then the Option shall terminate on the one-year anniversary of the date of death or disability of the Optionee; or
  - (iii) if such termination is for any other reason including the voluntary or involuntary termination of the Optionee's employment with, or services to, the Company, then the Option shall terminate on the ninetieth (90th) day following the date of termination of the employment or services.
- (c) the occurrence of a Change of Control; provided, however, that the Option shall be exercisable until the earlier of (A) the date described in Section 5(a) and (B) the later of (i) the first anniversary of the Change of Control and (ii) the time otherwise determined pursuant to the foregoing provisions of this Section 5.

6. The Option shall be exercised by the Optionee (or by the Optionee's Beneficiary, as provided in Section 5, the Optionee's Permitted Transferees, as defined in, and as provided in, Section 8, or the Optionee's executors or administrators, as provided in Section 9), subject to the provisions of the Plan and of this Agreement, as to all or part of the shares of Common Stock covered hereby, as to which the Option shall then be exercisable, by the giving of written notice of such exercise to the Company at its principal business office, accompanied by payment of the full purchase price for the shares being purchased. Payment of such purchase price shall be made (a) by cash or by check payable to the Company and/or (b) by delivery of unrestricted shares of Common Stock having a fair market value (determined as of the date the Option is exercised, but in no event at a price per share less than the par value per share of the Common Stock delivered) equal to all or part of the purchase price and that have been held for more than six months and, if applicable, of a check payable to the Company for any remaining portion of the purchase price. Whenever the Optionee is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering shares of Common Stock, the Optionee may, subject to procedures satisfactory to the Committee (as defined in the Plan), satisfy such delivery requirement by presenting proof of beneficial ownership of such shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of shares from the shares acquired by the exercise of the Option (or if the Option is paid in cash, cash in an amount equal to the fair market value of such shares on the date of the exercise). Payment in accordance with this Section 6 may be satisfied by delivery to the Company of an assignment of sufficient amount of the proceeds from the sale of shares of Common Stock acquired upon exercise of the Option to pay for all of the shares of Common Stock acquired upon such exercise and on authorization to the broker or selling agent to pay that amount to the Company, which sale shall be made at

the Optionee's direction at the time of exercise, provided that the Committee may require Optionee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the Optionee incurring any liability under Section 16 of the Act and does not require the consent, clearance or approval of any governmental or regulatory body (including any securities exchange or similar self-regulatory organization).

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The Company shall cause certificates for the shares so purchased to be delivered to the Optionee or the Optionee's executors or administrators, against payment of the purchase price, as soon as practicable following the Company's receipt of the notice of exercise.

7. Neither the Optionee nor the Optionee's Beneficiary, executors or administrators shall have any of the rights of a stockholder in the Company with respect to the shares subject to the Option until a certificate or certificates for such shares shall have been issued upon the exercise of the Option.

8. Except as otherwise provided in this Section, no Option granted under the Plan shall be assignable or otherwise transferable by the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution, or as otherwise permitted under Section 12.5 of the Plan, and an Option shall be exercisable during the Optionee's lifetime only by the Optionee.

9. Subject to Section 8, in the event of the Optionee's death, the Option shall thereafter be exercisable (to the extent otherwise exercisable hereunder) only by the Optionee's Beneficiary, executors or administrators.

10. The terms and conditions of the Option, including the number of shares and the class or series of capital stock which may be delivered upon exercise of the Option and the purchase price per share, are subject to adjustment as provided in the Plan.

11. The Optionee, by the Optionee's acceptance hereof, represents and warrants to the Company that the Optionee's purchase of shares of capital stock upon the exercise hereof shall be for investment and not with a view to distribution and agrees that the shares of capital stock will not be disposed of except pursuant to an applicable effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), unless the Company shall have received an opinion of counsel satisfactory to the Company that such disposition is exempt from such registration under the Securities Act.

The Optionee agrees that the obligation of the Company to issue shares upon the exercise of the Option shall also be subject, as conditions precedent, to the terms of the Plan and compliance with applicable provisions of the Act, state securities or corporation laws, rules and regulations under any of the foregoing and applicable requirements of any securities exchange upon which the Company's securities shall be listed.

The Company may endorse an appropriate legend referring to the foregoing representations and restrictions upon the certificate or certificates representing any shares issued or transferred to the Optionee upon the exercise of the Option.

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12. The Option has been granted subject to the terms and conditions of the Plan, a copy of which has been provided to the Optionee and which the Optionee acknowledges having received and reviewed. Any conflict between this Agreement and the Plan shall be decided in favor of the provisions of the Plan. Any conflict between this Agreement and the terms of a written employment agreement for the Optionee that has been approved, ratified or confirmed by the Board of Directors of the Company or the Committee shall be decided in favor of the provisions of such employment agreement. Terms used but not defined in this Agreement shall have the meanings given to them in the Plan. This Agreement may not be amended in any manner adverse to the Optionee except by a written agreement executed by the Optionee and the Company.

13. Nothing herein shall confer upon the Optionee the right to continue to serve as a director or officer to the Company or any of its subsidiaries.

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by an officer duly authorized thereto as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

**ENCORE CAPITAL GROUP, INC.**

By:

\_\_\_\_\_

Name:

Title:

**ACCEPTED AND AGREED TO:**

\_\_\_\_\_

[Optionee]