

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

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No. \_\_)\***

**ENCORE CAPITAL GROUP, INC.**

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(Name of Issuer)

**Common Stock, par value \$0.01 per share**

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(Title of Class of Securities)

**292554102**

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(CUSIP Number)

**Red Mountain Capital Partners LLC  
Attn: Willem Mesdag  
10100 Santa Monica Boulevard, Suite 925  
Los Angeles, California 90067  
Telephone (310) 432-0200**

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(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

**April 5, 2007**

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(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box.

**Note.** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

**1 NAME OF REPORTING PERSONS****I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)**Red Mountain Capital Partners LLC  
73-1726370**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\***(a) (b) **3 SEC USE ONLY****4 SOURCE OF FUNDS\***

AF (See Item 3)

**5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)** **6 CITIZENSHIP OR PLACE OF ORGANIZATION**

Delaware

**7 SOLE VOTING POWER**NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

3,435,062 shares (See Item 5)

**8 SHARED VOTING POWER**

None (See Item 5)

**9 SOLE DISPOSITIVE POWER**

3,435,062 shares (See Item 5)

**10 SHARED DISPOSITIVE POWER**

None (See Item 5)

**11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

3,435,062 shares (See Item 5)

**12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\*** **13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)**

15.1% (See Item 5)

**14 TYPE OF REPORTING PERSON\***

OO – Limited Liability Company

\* See Instructions

**1 NAME OF REPORTING PERSONS****I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)**Red Mountain Capital Partners II, L.P.  
20-4117535**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\***(a) (b) **3 SEC USE ONLY****4 SOURCE OF FUNDS\***

WC (See Item 3)

**5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)** **6 CITIZENSHIP OR PLACE OF ORGANIZATION**

Delaware

**7 SOLE VOTING POWER**

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

748,009 shares (See Item 5)

**8 SHARED VOTING POWER**

None (See Item 5)

**9 SOLE DISPOSITIVE POWER**

748,009 shares (See Item 5)

**10 SHARED DISPOSITIVE POWER**

None (See Item 5)

**11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

748,009 shares (See Item 5)

**12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\*** **13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)**

3.3% (See Item 5)

**14 TYPE OF REPORTING PERSON\***

PN – Limited Partnership

\* See Instructions

**1 NAME OF REPORTING PERSONS****I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)**Red Mountain Capital Partners III, L.P.  
20-5329858**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\***(a) (b) **3 SEC USE ONLY****4 SOURCE OF FUNDS\***

WC (See Item 3)

**5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)** **6 CITIZENSHIP OR PLACE OF ORGANIZATION**

Delaware

**7 SOLE VOTING POWER**

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

2,687,053 shares (See Item 5)

**8 SHARED VOTING POWER**

None (See Item 5)

**9 SOLE DISPOSITIVE POWER**

2,687,053 shares (See Item 5)

**10 SHARED DISPOSITIVE POWER**

None (See Item 5)

**11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

2,687,053 shares (See Item 5)

**12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\*** **13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)**

11.8% (See Item 5)

**14 TYPE OF REPORTING PERSON\***

PN – Limited Partnership

\* See Instructions

**1 NAME OF REPORTING PERSONS****I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)**RMCP GP LLC  
20-4442412**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\***(a) (b) **3 SEC USE ONLY****4 SOURCE OF FUNDS\***

AF (See Item 3)

**5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)** **6 CITIZENSHIP OR PLACE OF ORGANIZATION**

Delaware

**7 SOLE VOTING POWER**

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

3,435,062 shares (See Item 5)

**8 SHARED VOTING POWER**

None (See Item 5)

**9 SOLE DISPOSITIVE POWER**

3,435,062 shares (See Item 5)

**10 SHARED DISPOSITIVE POWER**

None (See Item 5)

**11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

3,435,062 shares (See Item 5)

**12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\*** **13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)**

15.1% (See Item 5)

**14 TYPE OF REPORTING PERSON\***

OO – Limited Liability Company

\* See Instructions

**1 NAME OF REPORTING PERSONS****I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)**Red Mountain Capital Management, Inc.  
13-4057186**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\***(a) (b) **3 SEC USE ONLY****4 SOURCE OF FUNDS\***

AF (See Item 3)

**5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)** **6 CITIZENSHIP OR PLACE OF ORGANIZATION**

Delaware

**7 SOLE VOTING POWER**

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

3,435,062 shares (See Item 5)

**8 SHARED VOTING POWER**

None (See Item 5)

**9 SOLE DISPOSITIVE POWER**

3,435,062 shares (See Item 5)

**10 SHARED DISPOSITIVE POWER**

None (See Item 5)

**11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

3,435,062 shares (See Item 5)

**12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\*** **13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)**

15.1% (See Item 5)

**14 TYPE OF REPORTING PERSON\***

CO – Corporation

\* See Instructions

**1 NAME OF REPORTING PERSONS**

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Willem Mesdag

**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\***(a) (b) **3 SEC USE ONLY****4 SOURCE OF FUNDS\***

AF (See Item 3)

**5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)** **6 CITIZENSHIP OR PLACE OF ORGANIZATION**

U.S. Citizen

**7 SOLE VOTING POWER**

NUMBER OF SHARES 3,435,062 shares (See Item 5)

**8 SHARED VOTING POWER**

BENEFICIALLY

OWNED BY EACH None (See Item 5)

**9 SOLE DISPOSITIVE POWER**

REPORTING PERSON WITH 3,435,062 shares (See Item 5)

**10 SHARED DISPOSITIVE POWER**

None (See Item 5)

**11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

3,435,062 shares (See Item 5)

**12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\*** **13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)**

15.1% (See Item 5)

**14 TYPE OF REPORTING PERSON\***

IN – Individual

\* See Instructions

**ITEM 1. SECURITY AND ISSUER.**

This statement on Schedule 13D (this "Schedule 13D") relates to the common stock, par value \$0.01 per share ("Common Stock"), of Encore Capital Group, Inc., a Delaware corporation ("Encore").

The address of the principal executive offices of Encore is 8875 Aero Drive, Suite 200, San Diego, California 92123.

**ITEM 2. IDENTITY AND BACKGROUND.**

**(a), (c), (f)** This Schedule 13D is being jointly filed by (i) Red Mountain Capital Partners LLC, a Delaware limited liability company ("RMCP LLC"), (ii) Red Mountain Capital Partners II, L.P., a Delaware limited partnership ("RMCP II"), (iii) Red Mountain Capital Partners III, L.P., a Delaware limited partnership ("RMCP III"), (iv) RMCP GP LLC, a Delaware limited liability company ("RMCP GP"), (v) Red Mountain Capital Management, Inc., a Delaware corporation ("RMCM"), and (vi) Willem Mesdag, a natural person and citizen of the United States of America. RMCP LLC, RMCP II, RMCP III and RMCP GP are sometimes collectively referred to herein as "Red Mountain." Red Mountain, RMCM and Mr. Mesdag are sometimes collectively referred to herein as the "Reporting Persons."

The principal business of each of RMCP II and RMCP III is investment. Neither RMCP II nor RMCP III was formed for the specific purpose of investing in the securities of Encore.

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. The principal business of RMCP GP is investment.

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. The principal business of RMCP LLC is investment.

RMCM is the managing member of RMCP LLC and thus may be deemed to control RMCP LLC and each entity directly or indirectly controlled by RMCP LLC. The principal business of RMCM is investment.

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 (including Red Mountain). The principal occupation of Mr. Mesdag is Managing Partner of Red Mountain.

J. Christopher Teets (and his principal occupation) is Partner of Red Mountain. Mr. Teets does not control any Reporting Person. Information regarding Mr. Teets is being included in this Schedule 13D only for purposes of complying with General Instruction C to Schedule 13D.

**(b)** The principal executive offices of RMCM and Red Mountain are located at, and the principal business address of Mr. Mesdag and Mr. Teets is, 10100 Santa Monica Boulevard, Suite 925, Los Angeles, California 90067.

**(d)-(e)** During the last five years, none of the Reporting Persons or Mr. Teets has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.



**ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.**

RMCP II has purchased an aggregate of 748,009 shares of Common Stock on the open market at an aggregate purchase price (excluding trading commissions and related administrative costs) of \$8,382,662.20. The source of the funds used by RMCP II to purchase such shares was working capital of RMCP II.

RMCP III has purchased an aggregate of 2,687,053 shares of Common Stock at an aggregate purchase price (excluding trading commissions and related administrative costs) of \$25,645,009.09. Of these 2,687,053 shares, 1,037,053 shares were purchased on the open market, and 1,650,000 were purchased in a private transaction. The source of the funds used by RMCP III to purchase such shares was working capital of RMCP III.

The information set forth in Item 5(c) below is hereby incorporated by reference in response to this Item 3.

**ITEM 4. PURPOSE OF TRANSACTION.**

Red Mountain acquired the Common Stock reported in this Schedule 13D for investment purposes because it believed that the Common Stock was undervalued and represented an attractive investment opportunity.

Red Mountain has met with the management of Encore and expects to maintain a dialogue with management regarding, among other things, Encore's operations, strategic direction, capital structure and corporate governance and Red Mountain's expectation that management will pursue appropriate measures to enhance shareholder value. In addition, Red Mountain may communicate with other persons regarding Encore, including, without limitation, the board of directors of Encore, other shareholders of Encore and potential strategic or financing partners.

Red Mountain will routinely monitor and assess, among other things, (i) the financial condition, operations, prospects, capital structure and management of Encore, (ii) the value and price of the Common Stock, (iii) relevant business developments, competitive and strategic matters and prevailing industry and market conditions, (iv) alternative investment opportunities available to Red Mountain, (v) its liquidity requirements, and (vi) other investment considerations. On the basis of such assessments, Red Mountain may, at any time and from time to time, take such actions with respect to its investment in Encore as it deems appropriate, including, without limitation, (i) proposing measures which it believes would enhance shareholder value, (ii) purchasing additional Common Stock or other securities of Encore, (iii) selling some or all of any securities of Encore held by Red Mountain, (iv) proposing, whether alone or with others, a transaction that would result in a change of control of Encore, or (v) otherwise changing its intention with respect to any of the matters referenced in this Item 4.

Red Mountain currently intends to seek representation on the board of directors of Encore and will seek to work together with the board, other shareholders and potential shareholders to obtain such representation.

Except as set forth in this Item 4, Red Mountain has no present plans or proposals that relate to or would result in any of the actions required to be disclosed in this Item 4.

**ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.**

**(a)-(b)** RMCP II beneficially owns, in the aggregate, 748,009 shares of Common Stock, which represent approximately 3.3% of the outstanding Common Stock. <sup>(1)</sup> RMCP II has the sole power to vote or direct the vote, and the sole power to dispose or direct the disposition, of all such 748,009 shares of Common Stock.

<sup>(1)</sup> All calculations of percentage ownership in this Schedule 13D are based on approximately 22,782,477 shares of Common Stock outstanding as of February 5, 2007, as reported in the Annual Report on Form 10-K for the Annual Period ended December 31, 2006, which was filed by Encore with the Securities and Exchange Commission on February 28, 2007.

RMCP III beneficially owns, in the aggregate, 2,687,053 shares of Common Stock, which represent approximately 11.8% of the outstanding Common Stock. RMCP III has the sole power to vote or direct the vote, and the sole power to dispose or direct the disposition, of all such 2,687,053 shares of Common Stock.

The shares of Common Stock beneficially owned by RMCP II and RMCP III, when aggregated together, total 3,435,062 shares, which represent approximately 15.1% of the outstanding Common Stock.

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 Common Stock beneficially owned by RMCP II and RMCP III.

Other than shares of Common Stock beneficially owned by RMCP II or RMCP III, none of the Reporting Persons or Mr. Teets may be deemed to beneficially own any shares of Common Stock.

Each of RMCP LLC, RMCP II, RMCP III and RMCP GP affirms membership in a group with each other but disclaims membership in a group with RMCM or Mr. Mesdag. Each of RMCM and Mr. Mesdag disclaims membership in a group with any person.

The filing of this Schedule 13D shall not be construed as an admission that any Reporting Person is the beneficial owner of any of the shares of Common Stock that such Reporting Person may be deemed to beneficially own. Without limiting the foregoing sentence, each of RMCM and Mr. Mesdag disclaims beneficial ownership of all shares of Common Stock reported in this Schedule 13D. In addition, the filing of this Schedule 13D shall not be construed as an admission that any partner, member, director, officer or affiliate of any Reporting Person is the beneficial owner of any of the shares of Common Stock that such partner, member, director, officer or affiliate may be deemed to beneficially own. Without limiting the foregoing sentence, Mr. Teets disclaims beneficial ownership of all shares of Common Stock reported in this Schedule 13D.

- (c) The following table lists all transactions in Common Stock effected during the past sixty days by RMCP II. All such transactions were effected on the open market.

<u>Shares of Common Stock Purchased</u>	<u>Price per Share</u>	<u>Date of Purchase</u>
58,398	\$ 9.8191	3/8/2007
11,033	\$ 9.6063	3/9/2007
12,250	\$ 9.3190	3/14/2007
25,328	\$ 9.3701	3/15/2007

The following table lists all but one of the transactions in Common Stock effected during the past sixty days by RMCP III. All transactions identified in the following table were effected on the open market.

<u>Shares of Common Stock Purchased</u>	<u>Price per Share</u>	<u>Date of Purchase</u>
39,200	\$ 9.5134	3/1/2007
54,600	\$ 9.5096	3/2/2007
18,966	\$ 9.3415	3/5/2007
53,009	\$ 9.5149	3/6/2007
100,000	\$ 9.8623	3/7/2007
41,602	\$ 9.8191	3/8/2007
15,138	\$ 9.6063	3/9/2007
972	\$ 9.3701	3/15/2007
25,000	\$ 9.5169	3/16/2007
20,000	\$ 9.4893	3/19/2007
3,566	\$ 9.9632	4/2/2007
600,000	\$ 9.5997	4/10/2007
65,000	\$ 9.60	4/11/2007

In addition, pursuant to a Stock Purchase Agreement dated April 5, 2007, RMCP III purchased 1,650,000 shares of Common Stock from Second Curve Opportunity Fund, L.P. and Second Curve Opportunity Fund International, Ltd. in a private transaction at a purchase price of \$9.50 per share. This summary of the Stock Purchase Agreement is qualified in its entirety by reference to the Stock Purchase Agreement filed herewith as Exhibit 2.

Except as otherwise disclosed in this Item 5(c), none of the persons named in Item 2 above has effected any transactions in Common Stock during the past sixty days.

(d)-(e) Not applicable.

**ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.**

Other than as described in this Schedule 13D (including in Item 5(c) above), there are no contracts, arrangements, understandings or relationships among the persons named in Item 2 above and between such persons and any person with respect to any securities of Encore.

**ITEM 7. MATERIALS TO BE FILED AS EXHIBITS.**

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
1	Joint Filing Agreement, dated as of April 16, 2007, by and among the Reporting Persons (filed herewith).
2	Stock Purchase Agreement, dated as of April 5, 2007, by and among Second Curve Opportunity Fund, LP, Second Curve Opportunity Fund International, Ltd. and Red Mountain Capital Partners III, L.P. (filed herewith).

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: April 16, 2007

**RED MOUNTAIN CAPITAL PARTNERS LLC**

/s/ Willem Mesdag

By: Willem Mesdag

Title: Authorized Signatory

**RED MOUNTAIN CAPITAL PARTNERS II, L.P.**

By: RMCP GP LLC, its general partner

/s/ Willem Mesdag

By: Willem Mesdag

Title: Authorized Signatory

**RED MOUNTAIN CAPITAL PARTNERS III, L.P.**

By: RMCP GP LLC, its general partner

/s/ Willem Mesdag

By: Willem Mesdag

Title: Authorized Signatory

**RMCP GP LLC**

/s/ Willem Mesdag

By: Willem Mesdag

Title: Authorized Signatory

**RED MOUNTAIN CAPITAL MANAGEMENT, INC.**

/s/ Willem Mesdag

By: Willem Mesdag

Title: President

**WILLEM MESDAG**

/s/ Willem Mesdag

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
1	Joint Filing Agreement, dated as of April 16, 2007, by and among the Reporting Persons (filed herewith).
2	Stock Purchase Agreement, dated as of April 5, 2007, by and among Second Curve Opportunity Fund, LP, Second Curve Opportunity Fund International, Ltd. and Red Mountain Capital Partners III, L.P. (filed herewith).

**JOINT FILING AGREEMENT**

In accordance with Rule 13d-1(k)(1) promulgated under the Securities Exchange Act of 1934, as amended, the undersigned agree to the joint filing on behalf of each of them of a Schedule 13D (including any and all amendments thereto) with respect to the common stock, par value \$0.01 per share, of Encore Capital Group, Inc., and further agree that this Joint Filing Agreement shall be included as an exhibit to such joint filings.

The undersigned further agree that each party hereto is responsible for the timely filing of such Schedule 13D and any amendments thereto, and for the completeness and accuracy of the information concerning such party contained therein; provided that no party is responsible for the completeness or accuracy of the information concerning any other filing party, unless such party knows or has reason to believe that such information is inaccurate.

This Joint Filing Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original instrument, but all of such counterparts together shall constitute but one agreement.

In evidence thereof the undersigned, being duly authorized, hereby execute this Joint Filing Agreement as of April 16, 2007.

**RED MOUNTAIN CAPITAL PARTNERS LLC**

/s/ Willem Mesdag

By: William Mesdag  
Title: Authorized Signatory

**RED MOUNTAIN CAPITAL PARTNERS II, L.P.**

By: RMCP GP LLC, its general partner

/s/ Willem Mesdag

By: Willem Mesdag  
Title: Authorized Signatory

**RED MOUNTAIN CAPITAL PARTNERS III, L.P.**

By: RMCP GP LLC, its general partner

/s/ Willem Mesdag

By: Willem Mesdag  
Title: Authorized Signatory

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**RMCP GP LLC**

/s/ Willem Mesdag

By: William Mesdag

Title: Authorized Signatory

**RED MOUNTAIN CAPITAL MANAGEMENT, INC.**

/s/ Willem Mesdag

By: William Mesdag

Title: President

**WILLEM MESDAG**

/s/ Willem Mesdag

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## STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") by and among each of the Sellers set forth on Schedule A hereto (each, a "Seller" and collectively, the "Sellers") and Red Mountain Capital Partners III, L.P. (the "Purchaser"), is entered into as of this 5th day of April 2007.

WHEREAS, the Purchaser wishes to purchase from the Sellers, and the Sellers wish to sell to the Purchaser, in the aggregate, 1,650,000 shares (the "Shares") of the Common Stock, \$.01 Par Value Per Share, of Encore Capital Group, Inc. (the "Company"), at a price of \$9.50 per share, in the amounts set forth on Schedule A hereto;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Purchase and Sale of the Shares. At the closing of the transactions contemplated herein (the "Closing") and upon the terms and conditions hereinafter set forth, each Seller will severally sell, transfer, assign, set over and deliver to the Purchaser, and the Purchaser will purchase from each Seller, the number of Shares listed next to each Seller's name on Schedule A hereto. The purchase price for the Shares purchased pursuant to this Agreement shall be \$9.50 per share (the "Purchase Price").

SECTION 2. Delivery of the Shares and Other Documents. At the Closing, the Sellers shall deliver the Shares to the Purchaser through a book-entry transfer utilizing the facilities of the Depository Trust Company. Delivery to the Purchaser shall be made against receipt by the Sellers of the full amount of the Purchase Price for the Shares being purchased by the Purchaser hereunder by certified or bank cashier's check payable to the order of the Sellers or by wire transfer of immediately available funds to an account or accounts specified in writing by the Sellers. The parties hereby acknowledge and agree that the obligation of the Sellers to sell the Shares to the Purchaser, and the obligations of the Purchaser to purchase the Shares from the Sellers, are conditioned upon the sale and purchase of all of the Shares pursuant to the terms of this Agreement, and a failure by one Seller to comply with its obligations hereunder, or by the Purchaser to comply with its obligations with respect to one Seller hereunder, shall result in a failure of the conditions precedent to the Closing on the part of the Sellers, or the Purchaser, as applicable.

SECTION 3. Representations and Warranties of the Sellers. Each Seller hereby severally represents and warrants to the Purchaser as follows:

3.1 The Seller has the full right, power and authority to enter into this Agreement and to transfer, convey and sell to the Purchaser at the Closing the Shares to be sold by the Seller hereunder and to carry out the transactions contemplated hereby and, upon consummation of the purchase contemplated hereby, the Purchaser will acquire from the Seller good, valid and marketable title to such Shares, free and clear of all covenants, conditions, restrictions, voting trust arrangements, shareholder agreements, liens, pledges, charges, security interests, encumbrances, options and adverse claims or rights whatsoever.

3.2 This Agreement has been duly authorized, executed and delivered on behalf of the Seller and constitutes the valid and binding obligation of the Seller, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, moratorium or other similar laws relating to or affecting the rights of creditors generally and by equitable principles, including those limiting the availability of specific performance, injunctive relief and other equitable remedies and those providing for equitable defenses. The execution, delivery and performance of this Agreement, the sale and delivery of the Shares to be sold by the Seller, and compliance with the provisions hereof by the Seller, do not and will not, with or without the passage of time or the giving of notice or both, (a) assuming the accuracy of the representations and warranties of the Purchaser set forth in Section 4, violate any provision of law, statute, ordinance, rule or regulation or any ruling, writ, injunction, order, judgment or decree of any court, administrative agency or other governmental body, or (b) result in any breach of any of the terms, conditions or provisions of, or constitute a default (or give rise to any right of termination, cancellation or acceleration) under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Seller under, any note, indenture, mortgage or lease, or any other material contract or other instrument, document or agreement, to which the Seller is a party or by which it or any of its property is bound or affected.

3.3 The Seller is not a party to, subject to or bound by any agreement or any judgment, order, writ, prohibition, injunction or decree of any court or other governmental body which would prevent the execution or delivery of this Agreement by the Seller or the transfer, conveyance and sale of the Shares to be sold by the Seller to the Purchaser pursuant to the terms hereof.

3.4 All consents, approvals or authorizations of, or registrations, filings or declarations with, any governmental authority or any other person, if any, required in connection with the execution, delivery and performance by the Seller of this Agreement or the transactions contemplated hereby have been or at the Closing will have been obtained by the Seller and will be in full force and effect.

3.5 The Seller is the sole owner of, and has good, valid and marketable title to, the Shares which are to be transferred to the Purchaser by the Seller pursuant hereto, free and clear of any and all covenants, conditions, restrictions, voting trust arrangements, shareholder agreements, liens, pledges, charges, security interests, encumbrances, options and adverse claims or rights whatsoever.

3.6 No broker or finder has acted for the Seller in connection with this Agreement or the transactions contemplated hereby, and no broker or finder is entitled to any brokerage or finder's fee or other commissions in respect of such transactions based upon agreements, arrangements or understandings made by or on behalf of the Seller.

3.7 The Seller is not in possession of any material nonpublic information regarding the Company.

SECTION 4. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to each of the Sellers that:

4.1 The Purchaser acknowledges that each of the Sellers may be deemed to be an “affiliate” of the Company within the meaning of Rule 144(a)(1) of the Securities Act of 1933, as amended (the “Securities Act”), and, as such, the Purchaser will not sell or otherwise dispose of the Shares except pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from registration under the Securities Act and in compliance with applicable state securities or “Blue Sky” laws. As a result, the Purchaser understands that it must bear the economic risk of the acquisition of the Shares made in connection herewith for an indefinite period of time.

4.2 The Purchaser is sophisticated in financial matters, qualifies as an “accredited investor” within the meaning of Regulation D of the Securities Act and has had access to such information as it deems necessary with respect to the Company, the Shares and the transactions contemplated herein.

4.3 The Purchaser acknowledges and understands that no federal or state agency has passed upon the Shares or made any finding or determination as to the fairness of the terms of its investment.

4.4 The Purchaser is acquiring the Shares for its own account, solely with its own funds, for investment purposes only, without the intention of distributing or reselling all or any portion of the Shares, other than a distribution of the Shares to its owners, if any.

4.5 The Purchaser has no need for liquidity with respect to the investment.

4.6 The Purchaser has all requisite power and authority to carry out the transactions contemplated hereby, and the execution, delivery and performance by such Purchaser of this Agreement has been duly authorized by all requisite limited partnership action on the part of the Purchaser. This Agreement has been duly executed and delivered on behalf of the Purchaser and constitutes the valid and binding obligation of the Purchaser, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and by equitable principles, including those limiting the availability of specific performance, injunctive relief and other equitable remedies and those providing for equitable defenses.

None of the representations and warranties contained in this Section 4 shall in any way affect the right of the Purchaser to rely fully on the representations, warranties and covenants of the Sellers in this Agreement.

SECTION 5. Conditions Precedent to Closing.

5.1 Conditions Precedent to Closing by the Purchaser. The obligation of the Purchaser to purchase and pay for the Shares being purchased by the Purchaser is subject to satisfaction of the following conditions precedent at or before the Closing:

(a) The representations and warranties made by the Sellers in Section 3 hereof shall be true and correct when made, and shall be true and correct at the time of the Closing, with the same force and effect as if they had been made at and as of the time of the Closing.

(b) The Sellers shall have duly complied with and performed all covenants and agreements of the Sellers herein which are required to be complied with and performed at or before the Closing.

5.2 Conditions Precedent to Closing by the Sellers. The obligation of the Sellers to sell and deliver the Shares is subject to satisfaction of the following conditions precedent at or before the Closing:

(a) The representations and warranties made by the Purchaser in Section 4 hereof shall be true and correct when made, and shall be true and correct at the time of the Closing, with the same force and effect as if they had been made at and as of the time of the Closing.

(b) The Purchaser shall have duly complied with and performed all covenants and agreements of the Purchaser herein which are required to be complied with and performed at or before the Closing.

SECTION 6. Survival of Representations, Warranties and Agreements. The covenants, representations and warranties of the Sellers and the Purchaser contained herein shall survive the Closing. Each party may rely on such covenants, representations and warranties irrespective of any investigation made, or notice or knowledge held by, it or any other person. All statements contained in any certificate or other instrument delivered by a party in connection with the Closing pursuant to this Agreement shall constitute representations and warranties by such party under this Agreement.

SECTION 7. Indemnification. Each party shall severally indemnify, defend and hold harmless the other parties, their partners, managers, directors, officers, members, shareholders, employees, attorneys, accountants, agents and representatives and their heirs, successors and assigns from and against all liabilities, losses, and damages, together with all reasonable costs and expenses related thereto (including, without limitation, legal and accounting fees and expenses) based upon or arising out of (a) any inaccuracy or breach of any representation and warranty of such party herein, and (b) any breach of any covenant and agreement of such party herein.

SECTION 8. Notices. All notices and other communications by a Purchaser or Seller hereunder shall be in writing to the other party and shall be deemed to have been duly given when delivered in person or by an overnight courier service, or sent via telecopy transmission and verification received, or when posted by the United States postal service, registered or certified mail, return receipt requested with postage prepaid, at the address set forth on the signature page hereto or to such other addresses as a party may from time to time designate to the other party by written notice thereof, effective only upon actual receipt.

SECTION 9. Entire Agreement; Effect on Prior Documents. This Agreement and the other documents referred to herein or delivered pursuant hereto contain the entire agreement among the parties with respect to the transactions contemplated hereby and supersede all prior negotiations, commitments, agreements and understandings among them with respect thereto.

SECTION 10. Amendments; Waiver. Except as otherwise provided herein, this Agreement may be amended, and compliance with any provision of this Agreement may be omitted or waived, only by the written agreement of the Sellers and the Purchaser.

SECTION 11. Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart shall be deemed to be an original instrument, and all such counterparts together shall constitute but one agreement.

SECTION 12. Headings. The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

SECTION 13. Nouns and Pronouns. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice-versa.

SECTION 14. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of New York without regard to its principles of conflicts of laws.

SECTION 15. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 16. Reliance on Representations and Warranties. The Sellers and the Purchaser hereby acknowledge that the representations made in Sections 3 and 4, respectively, may be relied upon by outside legal counsel in connection with such counsels' delivery of a legal opinion relating to the purchase and sale of the Shares in the manner contemplated herein.

SELLERS:

Second Curve Opportunity Fund, LP

By: Second Curve Capital Management, LLC, its General Partner

By: /s/ Stephen Krug

Name: Stephen Krug

Title: Authorized Member

Address:

450 Lexington Avenue, 52<sup>nd</sup> Floor

New York, NY 10174

Second Curve Opportunity Fund International, Ltd.

By: /s/ Stephen Krug

Name: Stephen Krug

Title: Director

Address:

c/o Ogier Fiduciary Services (Cayman) Limited

P.O. Box 1234

Queensgate House

113 South Church Street

Grand Cayman KY1-1108

Cayman Islands

PURCHASER:

Red Mountain Capital Partners III, L.P.

By: RMCP GP LLC, its General Partner

By: /s/ J. Christopher Teets

Name: J. Christopher Teets

Title: Authorized Signatory

Address:

10100 Santa Monica Blvd, Ste 925

Los Angeles, CA 90067

SCHEDULE A

<u>Sellers:</u>	<u># of Shares</u>
Second Curve Opportunity Fund, LP	1,400,000
Second Curve Opportunity Fund International, Ltd.	250,000