

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): June 13, 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 June 13, 2005, pursuant to the previously announced management succession plan approved by the Board of Directors (the "Board") of Encore Capital Group, Inc. (the "Company"), the Compensation Committee ("Committee") of the Board approved revised employment agreements with Carl C. Gregory, III, Vice Chairman and Chief Executive Officer of the Company, and J. Brandon Black, President and Chief Operating Officer of the Company, and a Transition Agreement with Barry R. Barkley, who retired from the positions of Executive Vice President and Chief Financial Officer upon his election to the Board of Directors at the 2005 Annual Meeting held on May 3, 2005.

Pursuant to the terms of his employment agreement, Mr. Gregory will serve as Vice Chairman, Chief Executive Officer and a Director until September 30, 2005, at which time he will resign from his position as Chief Executive Officer. He will continue to serve as Vice Chairman until May 3, 2006 and as a Director until the 2006 Annual Meeting and thereafter if nominated to serve as a director and then elected to the Board by the Company's stockholders. The agreement provides for annual base compensation of \$397,451 through May 3, 2006 for his service as Vice Chairman, plus eligibility to receive an annual cash bonus with a target amount of 100% of his base salary. The actual bonus payable will be determined by the Compensation Committee in its discretion, based upon Company and individual performance relative to objectives agreed to in advance. Following his period of service as Vice Chairman, Mr. Gregory will receive the annual retainer and meeting fees previously approved as payment for the services of non-employee Directors who do not represent and are not affiliated with significant stockholders during his service as a Director of the Company (currently \$25,000 per year plus \$1,000 per board or committee meeting attended). The agreement provides for a lump sum severance payment upon termination without "cause", as defined in the agreement, equal to the sum of Mr. Gregory's base salary from the date of termination through May 3, 2006 plus 100% of Mr. Gregory's annual bonus. As previously disclosed, the vesting provisions of an option to purchase 208,333 shares granted to Mr. Gregory on September 11, 2002 have been revised as follows: 50% of the option vested on May 3, 2005 and the remaining 50% will vest on the earlier of May 3, 2006 or the date of the Company's 2006 Annual Meeting. Under the revised vesting provisions, vesting may be accelerated under certain circumstances.

Mr. Black's agreement provides for a three year term, with automatic one-year renewals. Mr. Black will serve as President and Chief Operating Officer until October 1, 2005, at which time he will begin serving as the Company's President and Chief Executive Officer. The agreement provides for annual base

compensation of \$385,000, plus an annual cash bonus equal to 50% of base salary and eligibility to receive an additional annual bonus of up to 50% of his base salary. The discretionary bonus payable will be determined by the Compensation Committee in its discretion, based upon his performance as evaluated by the Board and Company and individual performance relative to objectives agreed to in advance. The agreement provides for payments of base salary for the longer of the then remaining effective term of the agreement or eighteen months, plus pro rated bonus in the event of termination without "cause", and a lump sum payment equal to one and a half years' base salary plus 150% of the average annual bonuses over the preceding three years following a "control event", as those terms are defined in the agreement. As previously disclosed, the vesting provisions of an option to purchase 208,333 shares granted to Mr. Black on September 11, 2002 have been revised as follows: one-third of the option vested on May 3, 2005, one-third will vest on May 3, 2006 and one-third will vest on September 11, 2007. Under the revised vesting provisions, vesting may be accelerated under certain circumstances.

Pursuant to the terms of the transition agreement, Mr. Barkley has agreed to serve as a Director until the 2006 Annual Meeting and thereafter if nominated to serve as a director and then elected to the Board by the Company's stockholders. Mr. Barkley will receive the annual retainer and meeting fees previously approved as payment for the services of non-employee Directors who do not represent and are not affiliated with significant stockholders during his service as a Director of the Company. As previously disclosed, the vesting provisions of an option to purchase 208,333 shares granted to Mr. Barkley on September 11, 2002 have been revised as follows: 50% of the option vested on May 3, 2005 and the remaining 50% will vest on the earlier of May 3, 2006 or the date of the Company's 2006 Annual Meeting. Under the revised vesting provisions, vesting may be accelerated under certain circumstances.

Copies of the employment agreements and transition agreement are being filed as exhibits hereto.

Executive Bonus Target

The Committee approved an increase in the 2005 performance plan bonus target for Paul Grinberg, Executive Vice President and Chief Financial Officer from 50% of base salary to 100% of base salary. The actual bonus payable will be determined by the Compensation Committee in its discretion, based upon Company and individual performance relative to objectives agreed to in advance.

Director Compensation

The Committee approved a change in the compensation awarded to the Chairman of the M&A Committee of the Board. Effective April 1, 2005, Alex Lemond will receive \$31,500 quarterly, payable on January 1, April 1, July 1 and September 1, during his service as Chairman of the M&A Committee of the Board. This amount is in addition to the annual retainer and meeting fees previously approved as payment for the services of non-employee Directors who do not represent and are not affiliated with significant stockholders.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

- 10.1 Employment Agreement dated as of June 13, 2005 between the Company and Carl C. Gregory, III
- 10.2 Employment Agreement dated as of June 13, 2005 between the Company and J. Brandon Black
- 10.3 Transition Agreement dated as of June 13, 2005 between the Company and Barry R. Barkley

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SIGNATURES

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 thereunto duly authorized.

Date: June 13, 2005

ENCORE CAPITAL GROUP, INC.

/s/ Paul Grinberg

Paul Grinberg
Executive Vice President,
Chief Financial Officer and Treasurer

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EXHIBIT INDEX

Exhibit Description

10.1 Employment Agreement dated as of June 13, 2005 between the Company and Carl C. Gregory, III

- 10.2 Employment Agreement dated as of June 13, 2005 between the Company and J. Brandon Black
- 10.3 Transition Agreement dated as of June 13, 2005 between the Company and Barry R. Barkley

ENCORE CAPITAL GROUP, INC.
8875 Aero Drive, Suite 200
San Diego, California 92123

June 13, 2005

Mr. Carl C. Gregory, III
 [address]

Dear Mr. Gregory:

This letter (the "Agreement") will confirm the transition of your services to Encore Capital Group, Inc. (the "Company") from Chief Executive Officer and Vice Chairman to Vice Chairman and confirm your willingness to continue to serve as a director on the Company's Board of Directors (the "Board"), on the terms and conditions set forth in this Agreement. This Agreement will have an effective date of June 13, 2005 (the "Effective Date").

1. You hereby agree to continue to serve as the Company's Chief Executive Officer and Vice Chairman from the Effective Date through September 30, 2005, and on September 30, 2005, you hereby agree to resign as the Company's Chief Executive Officer.

2. This Agreement may only be amended, superseded or canceled and the terms hereof waived, by a written instrument signed by you and the Company, or in the case of a waiver, by the party waiving compliance. On the Effective Date, the Employment Agreement, dated as of May 22, 2000, between you and the Company is hereby terminated, and replaced and superseded in its entirety by this Agreement.

3. You will report to the Board of Directors of the Company (the "Board"). The Company shall furnish sufficient facilities, services, staffing and assistance to enable you to perform your duties hereunder. The term of your employment under this Agreement shall commence on the Effective Date and shall continue through May 3, 2006 (the "Term"). Your employment may be terminated prior to the expiration of the Term: (i) in the event that you shall die; (ii) in the event that you shall become Disabled (for purposes of this clause (ii), "Disabled" shall mean that you shall have failed, due to illness or other physical or mental incapacity, to render services of the character contemplated by this Agreement for an aggregate of more than ninety (90) calendar days during any twelve (12) month period); (iii) for "Cause" (as hereinafter defined); (iv) in the event that you give written notice to the Company of your resignation; or (v) at any time by the Company "Without Cause" (as hereinafter defined).

4. The Company shall pay you a base salary of \$397,451 per year (the "Base Salary") during the Term, less payroll deductions and all required withholdings payable in regular periodic payments in accordance with Company policy. Your Base Salary may be increased at the sole discretion of the Board. You shall also, in accordance with Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any executive benefit plan or arrangement which may be in effect from time to time and made available to the Company's executive or key management employees, including participation in the Company's health, dental and disability plans. You will be entitled to four (4) weeks of paid vacation per year. Accrued but unused vacation days as of the end of a calendar year will be paid to you at the end of the Term in accordance with Company policy.

5. In addition to your Base Salary, you will be eligible to receive an annual cash bonus. Your bonus target shall be 100% of your Base Salary. The bonus amount you receive will be based on the Company and individual performance assessed for each fiscal year relative to objectives agreed to in advance between you and the Board. The bonus amount shall be paid in accordance with the Company's bonus policy for its executives. It is intended that any bonus payments made under this Agreement will not be deferred compensation within the meaning of Section 409A of the Internal Revenue Code of 1986. Accordingly, any bonus amount will be paid out within two and one-half (2 1/2) months of the end of the calendar year in which the bonus was earned and vested within the means of Section 409A.

6. In addition to serving as Vice Chairman during the Term, you agree: (i) to continue serving as a director of the Company until the Company's Annual Meeting of Stockholders held in 2006 (the "2006 Annual Meeting"); (ii) if nominated to serve on the Board and then elected to the Board by the Company's stockholders at the 2006 Annual Meeting, to serve as a director of the Company until the Company's Annual Meeting of Stockholders held in 2007 (the "2007 Annual Meeting"); and (iii) if nominated to serve on the Board and then elected to the Board by the Company's stockholders at the 2007 Annual Meeting, to serve as a director of the Company until September 11, 2007. In consideration for each year of service as a director of the Company after the Term, if any, you will be entitled to receive the same compensation, benefits and other rights the Company provides to the other non-employee members of the Board. The Company also agrees to reimburse you for all reasonable travel and other expenses you incur by in conjunction with your Board service in a manner consistent with the Company's reimbursement policy for directors.

7. In consideration for your willingness to serve on the Board as set forth above, pursuant to Section 4(iv) of your Non-Incentive Stock Option Agreement granted on September 11, 2002 (the "2002 Option"), fifty percent (50%) of the shares of Common Stock subject to the 2002 Option shall be deemed to have vested on May 3, 2005, and the remaining fifty percent (50%) of the shares of Common Stock subject to the 2002 Option shall vest on the earlier of May 3, 2006 or the 2006 Annual Meeting (the "End Vesting Date"). Notwithstanding the foregoing, the shares of Common Stock subject to the 2002 Option shall immediately vest in full if: (i) you are removed from (or not elected to) the Board Without Cause (as defined hereinafter) prior to the End Vesting Date; (ii) in the event you die prior to the End Vesting Date; (iii) in the event that you shall become Disabled (as defined hereinafter) prior to the End Vesting Date; or (iv) immediately prior to a Change of Control (as defined in Annex A). Nothing in this paragraph shall prohibit the earlier vesting of the shares of Common Stock subject to the 2002 Option in accordance with the existing terms of the 2002 Option.

8. For purposes of this Agreement, "Cause" means (i) commission of any act of fraud, willful misconduct or gross negligence by you in the course of your employment hereunder which, in the case of gross negligence, has a material adverse effect on the business or condition (financial or otherwise) of the Company; (ii) willful material misrepresentation at any time by you to the Board or the Chairman of the Board; (iii) willful failure or refusal to comply with any of your obligations hereunder or with any reasonable and lawful instruction of the Board; (iv) conviction of or pleading guilty to any felony, whether of the United States or any state thereof or any similar foreign law to which you may be subject; (v) any failure to substantially comply with any written lawful rules, regulations, policies or procedures of the Company furnished to you which, if not complied with, could reasonably be expected to have a material adverse effect on the business of the Company or any of its material subsidiaries or affiliates; or (vi) any willful failure to comply with the Company's, or any of its subsidiaries' or

affiliates' policies regarding insider trading; provided, however, that in the case of clause (v) of the definition of "Cause" set forth in this section, if your failure or refusal referred to therein is curable by you, then "Cause" shall not be deemed to exist unless you fail to so cure within five (5) business days of your receipt from the Company of a written request for such cure and such request to cure is the first such request delivered under this section with respect to such failure.

9. If your employment is terminated Without Cause (as hereinafter defined) by the Company, the Company shall pay to you a sum equal to your Base Salary in effect as of the effective date of such termination for the then remaining effective Term (the "Severance Period"), which shall be payable in one lump sum within thirty (30) days following the date of such termination. In addition, if your employment is terminated Without Cause by the Company, you will be entitled to receive within thirty (30) days of such termination, 100% of your annual bonus (computed using the amount of your bonus for the prior calendar year). Further, if your employment is terminated Without Cause by the Company, you will also be entitled to receive payment of all accrued and unpaid vacation days and other benefits and reimbursements. Upon any termination of your employment with the Company, you will return to the Company all Company or its subsidiary-owned property, including, without limitation, credit cards, computers, cellular phones, files, etc. In consideration of the monies to be paid and the benefits to be provided to you, you agree to execute and deliver to the Company on or before any payment by the Company a release substantially in the form of Annex B hereto, failing which, except to the extent required by law, the Company shall be relieved of all of its obligations hereunder.

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10. Termination "Without Cause" shall mean the termination of your services for any reason other than (i) as set forth in clauses (i) through (iii) of Section 3 or (ii) your voluntary resignation from employment with the Company for any reason other than Good Reason (as defined below). For purposes of this Agreement, "Good Reason" constitutes any of the following events: (i) a substantial and material reduction of your responsibilities as Vice Chairman, (ii) a reduction in your Base Salary, or (iii) a requirement that you relocate outside the San Diego, California metropolitan area without your consent. For purposes of clarification, it will not be considered a termination Without Cause if the Company does not extend or continue your employment at the end of the Term.

11. You acknowledge that as the Company's Vice Chairman you will be involved, at the highest level, in the development, implementation and management of the Company's and its subsidiaries' businesses, strategies and plans, including those which involve the Company's and its subsidiaries' finances, marketing, industrial relations, operations, acquisitions, business models and programs. By virtue of your unique and sensitive position, your employment by a competitor of the Company or its subsidiaries represents a serious competitive danger to the Company and its subsidiaries and the use of your talent, knowledge, and information about the Company's and its subsidiaries' businesses, strategies, and plans can and would constitute a valuable competitive advantage over the Company and its subsidiaries. In view of the foregoing, you covenant and agree that during the term of your employment and, during the Severance Period (if you are terminated Without Cause), you will not engage or be engaged in a similar capacity or responsibility as you served or performed for the Company, directly or indirectly, including, but not limited to, as an employee, agent, consultant, manager, executive, owner, financing source or stockholder (except as a passive investor owning less than one percent (1%) interest in a publicly held company) in the Collection Business. For purposes of this Section 11, "Collection Business" shall be defined as the business of purchasing and/or collecting charged off consumer debt. Notwithstanding the foregoing, if this Agreement is assigned by the Company as provided herein, the terms of this section shall not apply to any business engaged in by the assignee that is not related or similar to any business engaged in (or contemplated to be engaged in) by the Company at the time of such assignment.

12. You agree to treat as confidential and not to disclose to anyone other than the Company, its subsidiaries and affiliated companies, and you agree that you will not at any time during your employment and at any time thereafter, without the prior written consent of the Company, divulge, furnish, or make known or accessible to, or use for the benefit of anyone other than the Company, its subsidiaries and affiliated companies, any information of a confidential nature relating in any way to the business of the Company, its subsidiaries or affiliated companies, or any of their respective affiliates, members, shareholders, officers, employees or directors, or any other Person having a direct business relationship with the Company or its subsidiaries, unless (i) you are required to disclose such information by requirements of law, (ii) such information is in the public domain through no fault of yours, or (iii) such information has been lawfully acquired by you from other sources unless you know that such information was obtained in violation of an agreement of confidentiality. You further agree, that in consideration of this Agreement, that you will refrain from engaging in any conduct or making any statement, written or oral, which are detrimental to the Company, its subsidiaries or affiliated companies or any of their respective affiliates, members, shareholders, officers, employees or directors, other than statements to the Chairman of the Board of the Company or the Board of Directors of the Company, or any member thereof.

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13. You agree that in addition to any other remedy provided at law or in equity (i) the Company shall be entitled to a temporary restraining order, and both preliminary and permanent injunctive relief restraining you from violating the provisions of the Paragraphs 11 and 12; and (ii) the Company's remaining obligations under this Agreement, if any, shall cease (other than payment of your base salary through the date of such violation, plus \$100.00 and any earned but unpaid vacation or except as may be required by law) as a result of any willful or reckless material violation of such provisions.

14. The provisions of the Sections 11, 12, 13, 14 and 18 of this Agreement shall specifically survive any termination of this Agreement.

15. You agree that the Company may withhold from any amounts payable to you hereunder all federal, state, local or other taxes that the Company determines are required to be withheld pursuant to any applicable law or regulation. You further agree that if the Internal Revenue Service or other taxing authority (each, a Taxing Authority) asserts a liability against the Company for failure to withhold taxes on any payment hereunder, you will pay to the Company the amount determined by such Taxing Authority that had not been withheld within ninety (90) days of notice to you of such determination. Such notice shall include a copy of any correspondence received from a Taxing Authority with respect to such withholding.

16. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid, return receipt requested. Any such notice shall be deemed given when so delivered personally, or, if mailed, on the earlier of actual receipt or the third (3rd) business day after the date of such mailing, (i) if to the Company, to the attention of the General Counsel at the address first written above, and (ii) if to you, at the address first written above.

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17. This Agreement and your rights and obligations hereunder may not be assigned by you, provided that upon death your rights hereunder shall survive and may be assigned, or conveyed by will, trust or operation of law, including without limitation, intestate succession. The Company may assign this Agreement and its rights, together with its obligations, hereunder in connection with any sale, transfer or other disposition of all or substantially all of its assets or business, whether by merger, consolidation or otherwise.

18. This Agreement constitutes the entire agreement between you and Company with respect to the matters referred to herein and on the Effective Date such Agreement will supersede all prior agreements, whether written or oral with respect hereto, other than (i) the Indemnification Agreement dated December 6, 2000 between the Company and you and (ii) options that have been granted to you prior to the date hereof (including the 2002 Option as modified by this Agreement). This Agreement shall be governed by the laws of the State of California, without regard to principles of conflicts of laws of such State. Each party agrees to reimburse the other for any reasonable attorneys' fees and expenses expended by it to enforce its rights hereunder if the other party willfully or recklessly breaches its obligations hereunder.

If you agree with the terms of this Agreement, please date and sign the copy of this letter enclosed for that purpose and return it to me.

Sincerely,
ENCORE CAPITAL GROUP, INC.

By: /s/ Robin R. Pruitt

Agreed and Accepted:

/s/ Carl C. Gregory, III
Carl C. Gregory, III

Date: June 13, 2005

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Annex A

DEFINITION OF CHANGE OF CONTROL

For purposes of this Agreement, the term "Change of Control" shall mean and include any one or more of the following events:

- (i) the Company is merged into or consolidated with another corporation, in a transaction in which, upon completion, the Company's stockholders beneficially own (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), less than 50% of the total voting securities entitled to vote generally in the election of directors of the surviving or resulting company outstanding;
- (ii) all or substantially all of the assets of the Company are acquired by another corporation or business entity;
- (iii) any person (as such term is used in Section 13(d) and 14(d)(2) of the Exchange Act), other than any employee benefit plan of the Company or any subsidiary of the Company or any entity holding shares of capital stock of the Company for or pursuant to the terms of any such employee benefit plan in its role as an agent or trustee for such plan, shall acquire 50% or more of the Company's outstanding voting stock entitled to vote generally in the election of directors; or
- (iv) a majority of the Directors of the Company being Individuals not nominated by the Board of Directors.

Notwithstanding the foregoing, the events described above shall not be deemed to be a "Change of Control" if they occur as a result of (i) a transaction involving any person (as defined in clause (iii) above) which is the beneficial owner (as defined in clause (i) above) as of the date of this Agreement, of more than 5% of the Company's outstanding voting stock entitled to vote generally in the election of directors or any "associate" or "affiliate" of such person (as such terms are defined in Rule 405 promulgated under the Securities Act of 1933, as amended) or (ii) in the case of clause (iii) above, a person acquiring such 50% ownership position as a result of the acquisition by the Company of its voting stock which reduces the number of outstanding shares of voting stock of the Company.

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Annex B

GENERAL RELEASE AND COVENANT NOT TO SUE

TO ALL WHOM THESE PRESENTS SHALL COME OR MAY CONCERN, KNOW that:

Carl C. Gregory, III (the "Executive"), on his own behalf and on behalf of his descendants, dependents, heirs, executors and administrators and permitted assigns, past and present, in consideration for the amounts payable to the undersigned under that Letter Agreement dated as of June 13, 2005 (the "Employment Agreement") between Executive and Encore Capital Group, Inc. (the "Company"), does hereby covenant not to sue or pursue any litigation (or file any charge or

otherwise correspond with any Federal, state or local administrative agency) against, and waives, releases and discharges the Company, and its respective assigns, affiliates, subsidiaries, parents, predecessors and successors, and the past and present shareholders, employees, officers, directors, representatives and agents or any of them (collectively, the "Company Group"), from any and all claims, demands, rights, judgments, defenses, actions, charges or causes of action whatsoever, of any and every kind and description, whether known or unknown, accrued or not accrued, that Executive ever had, now has or shall or may have or assert as of the date of this General Release against any of them, including, without limiting the generality of the foregoing, any claims, demands, rights, judgments, defenses, actions, charges or causes of action related to employment or termination of employment or that arise out of or relate in any way to the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, as amended, and other Federal, state and local laws relating to discrimination on the basis of age, sex or other protected class, all claims under Federal, state or local laws for express or implied breach of contract, wrongful discharge, defamation, intentional infliction of emotional distress, and any related claims for attorneys' fees and costs; provided, however, that nothing herein shall release any member of the Company Group from any of its obligations under the Employment Agreement or any rights to indemnification under any charter or by-laws (or similar documents) of any member of the Company Group. The Executive further agrees that this General Release and Covenant Not to Sue may be pleaded as a full defense to any action, suit or other proceeding covered by the terms hereof which is or may be initiated, prosecuted or maintained by the Executive, his heirs or assigns. Notwithstanding the foregoing, the Executive understands and confirms that he is executing this General Release and Covenant Not to Sue voluntarily and knowingly, and this Covenant Not to Sue shall not affect the Executive's right to claim otherwise under ADEA. In addition, the Executive shall not be precluded by this Covenant from filing a charge with any relevant Federal, State or local administrative agency, but the Executive agrees not to participate in, and agrees to waive his rights with respect to any monetary or other financial relief arising from any such administrative proceeding.

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The Company, on its own behalf and on behalf of its assigns, affiliates, subsidiaries, parents, predecessors and successors, and its past and present shareholders, employees, officers, directors, representatives and agents or any of them, does hereby covenant not to sue or pursue any litigation (or file any charge or otherwise correspond with any Federal, state or local administrative agency) against, and waives, releases and discharges Executive and his heirs, successors and assigns, descendants, dependents, executors and administrators, past and present, and any of his affiliates and each of them (collectively, the "Executive Releasees") from any and all claims, demands, rights, judgments, defenses, actions, charges or causes of action whatsoever, of any and every kind and description, whether known or unknown, accrued or not accrued, that the Company or any of its subsidiaries ever had, now has or shall or may have or assert as of the date of this General Release against any of them, based on facts known to any executive officer of the Company as of the date of this General Release and Covenant Not to Sue (other than the Executive), including specifically, but not exclusively and without limiting the generality of the foregoing, any and all claims, demands, agreements, obligations and causes of action arising out of or in any way connected with any transaction, occurrence, act or omission related to Executive's employment by the Company or any of its subsidiaries or the termination of that employment; provided, however, that nothing herein shall release the Executive Releasees from any obligations arising out of or related in any way to Executive's obligations under the Employment Agreement or any agreement governing the terms of any stock options granted to the Executive or impair the right or ability of the Company to enforce the terms thereof.

In consideration for the amounts payable to the Executive under the Employment Agreement, the Executive agrees to cooperate, at the expense of the Company Group, with the members of the Company Group in connection with all litigation relating to the activities of the Company and its affiliates during the period of the Executive's employment with the Company including, without limitation, being available to take depositions and to be a witness at trial, help in preparation of any legal documentation and providing affidavits and any advice or support that the Company or any affiliate thereof may request of the Executive in connection with such claims.

In furtherance of their respective agreements set forth above, each of the Executive and the Company hereby expressly waives and relinquishes any and all rights under any applicable statute, doctrine or principle of law restricting the right of any person to release claims which such person does not know or suspect to exist at the time of executing a release, which claims, if known, may have materially affected such person's decision to give such a release. In connection with such waiver and relinquishment, each of the Executive and the Company acknowledges that it is aware that it may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released herein. Nevertheless, it is the intention of each of the Executive and the Company to fully, finally and forever release all such matters, and all claims relative thereto which now exist, may exist or theretofore have existed, as specifically provided herein. The parties hereto acknowledge and agree that this waiver shall be an essential and material term of the release contained above. In addition, and not by way of limitation to the foregoing, each of the Executive and the Company fully understands and knowingly and expressly waives its rights and benefits under Section 1542 of the California Civil Code or under any similar provision of law. Section 1542 of the California Civil Code states that:

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"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Nothing in this paragraph is intended to expand the scope of the release as specified herein.

This General Release shall be governed by and construed in accordance with the laws of the State of California, applicable to agreements made and to be performed entirely within such State.

To the extent that the Executive is forty (40) years of age or older, this paragraph shall apply. The Executive acknowledges that he has been offered a period of time of at least twenty-one (21) days to consider whether to sign this General Release, which he has waived, and the Company agrees that the Executive may

cancel this General Release at any time during the seven (7) days following the date on which this General Release has been signed by all parties to this General Release. In order to cancel or revoke this General Release, the Executive must deliver to the General Counsel of the Company written notice stating that the Executive is canceling or revoking this General Release. If this General Release is timely cancelled or revoked, none of the provisions of this General Release shall be effective or enforceable and the Company shall not be obligated to make the payments to the Executive or to provide the Executive with the other benefits described in this General Release and all contracts and provisions modified, relinquished or rescinded hereunder shall be reinstated to the extent in effect immediately prior hereto.

Each party agrees that as part of the consideration for this General Release, they will not make disparaging or derogatory remarks, whether oral or written, about the other party or its representatives.

Each of the Executive and the Company acknowledge that they have entered into this General Release knowingly and willingly and has had ample opportunity to consider the terms and provisions of this General Release.

IN WITNESS WHEREOF, the parties hereto have caused this General Release to be executed on this _____ day of _____, 200__.

Carl C. Gregory III

ENCORE CAPITAL GROUP, INC.

By: _____

Name:

Title:

ENCORE CAPITAL GROUP, INC.
8875 Aero Drive, Suite 200
San Diego, California 92123

June 13, 2005

Mr. Brandon Black
 [address]

Dear Mr. Black:

It is with great pleasure that we hereby confirm the transition of your employment from President and Chief Operating Officer to President and Chief Executive Officer of Encore Capital Group, Inc. (the "Company"), on the terms and conditions set forth in this letter agreement (the "Agreement"). This Agreement will have an effective date of June 13, 2005 (the "Effective Date").

1. You hereby agree to continue to serve as the Company's President and Chief Operating Officer from the Effective Date through September 30, 2005, and on October 1, 2005, you hereby agree to begin serving as the Company's President and Chief Executive Officer. During the term of your employment with the Company, you may also serve as an officer and/or director of one or more subsidiaries of the Company.
 2. This Agreement may only be amended, superseded or canceled and the terms hereof waived, by a written instrument signed by you and the Company, or in the case of a waiver, by the party waiving compliance. On the Effective Date, the Employment Agreement, dated as of May 22, 2000, between you and the Company is hereby terminated, and replaced and superseded in its entirety by this Agreement.
 3. The term of your employment shall commence on the Effective Date and continue through June 13, 2008, provided, that such term shall be automatically extended for successive one (1) year periods unless either you or the Company gives written notice to the other, at least two hundred seventy (270) calendar days before such extension is to (or would) take effect, that they do not wish to extend such term (the "Term"). Your employment may be terminated prior to the expiration of the Term: (i) in the event that you shall die; (ii) in the event that you shall become Disabled (for purposes of this clause (ii), "Disabled" shall mean that you shall have failed, due to illness or other physical or mental incapacity, to render services of the character contemplated by this Agreement for an aggregate of more than ninety (90) calendar days during any twelve (12) month period); (iii) for "Cause" (as hereinafter defined); (iv) in the event that you give written notice to the Company of your resignation or (v) at any time by the Company "Without Cause" (as hereinafter defined).
 4. You will report to the Board of Directors of the Company (the "Board") and your duties will be performed primarily at the Company's offices in the San Diego, California area. The Company shall furnish sufficient facilities, services, staffing and assistance to enable you to perform your duties hereunder.
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5. The Company shall pay you a base salary of \$385,000 per year (the "Base Salary"), less payroll deductions and all required withholdings payable in regular periodic payments in accordance with Company policy. Your Base Salary shall be prorated for any partial year of employment on the basis of a 365-day fiscal year. Your Base Salary may be increased at the sole discretion of the Board. You shall also, in accordance with Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any executive benefit plan or arrangement which may be in effect from time to time and made available to the Company's executive or key management employees, including participation in the Company's health, dental and disability plans. You will be entitled to four (4) weeks of paid vacation per year. Accrued but unused vacation days as of the end of a calendar year may be carried forward in accordance with Company policy.
 6. In addition to your Base Salary, you will receive an annual bonus of at least 50% of your then current Base Salary and be eligible to receive an additional annual bonus amount of up to 50% of your then current Base Salary, for a total potential annual bonus of up to 100% of your then current Base Salary. The discretionary bonus amount you may receive above 50% of your then current Base Salary shall be based upon (i) your performance during the previous year as evaluated by the Board (or the Compensation Committee of the Board) in their sole and absolute discretion and (ii) the achievement of corporate and personal milestones mutually agreed upon in advance between you and the Board (or the Compensation Committee of the Board). The annual bonus shall be paid in accordance with the Company's bonus policy for its executives. It is intended that any bonus payments made under this Agreement will not be deferred compensation within the meaning of Section 409A of the Internal Revenue Code of 1986 (the "Code"). Accordingly, any bonus amount will be paid out within two and one-half (2 1/2) months of the end of the calendar year in which the bonus was earned and vested within the means of Section 409A.
 7. Pursuant to Section 4(iv) of your Non-Incentive Stock Option Agreement granted on September 11, 2002 (the "2002 Option"), one third (1/3) of the shares of Common Stock subject to the 2002 Option shall be deemed to have vested on May 3, 2005, an additional one-third (1/3) of the shares of Common Stock subject to the 2002 Option shall vest on May 3, 2006, and the remaining one third (1/3) of the shares of Common Stock subject to the 2002 Option shall vest on September 11, 2007; provided, however, the shares of Common Stock subject to the 2002 Option shall immediately vest in full if: (i) your employment is terminated by the Company prior to September 11, 2007 for any of the reasons set forth in Sections 3(i), (ii) or (v), (ii) you resign from the Company prior to September 11, 2007 for Good Reason (as defined below) or (iii) immediately prior to a "Change of Control" (as hereinafter defined in Annex A) but subject to Section 16 below. Nothing in this paragraph shall prohibit the earlier vesting of the shares of Common Stock subject to the 2002 Option in accordance with the existing terms of the 2002 Option.
 8. For purposes of this Agreement, "Cause" means: (i) commission of any act of fraud, willful misconduct or gross negligence by you in the course of your employment hereunder which, in the case of gross negligence, has a material adverse effect on the business or condition (financial or otherwise) of the Company; (ii) willful material misrepresentation at any time by you to the Board or the Chairman of the Board; (iii) willful failure or refusal to comply with any of your obligations hereunder or with any reasonable and lawful instruction of the Board; (iv) conviction of or pleading guilty to any felony, whether of the United States or any state thereof or any similar foreign law to which you may be subject; (v) any failure to substantially comply with any written lawful rules, regulations, policies or procedures of the Company furnished to you which, if not complied with, could reasonably be expected to have a material adverse effect on the business of the Company or any of its material subsidiaries or affiliates; or (vi) any willful failure to comply with the Company's, or any of its subsidiaries' or affiliates' policies regarding insider trading; provided, however, that in the case of clause (v) of the definition of "Cause" set forth in this section, if your failure or refusal referred to therein is curable by you, then "Cause" shall not be deemed to exist unless you fail to

9. If there is a "Control Event" (as hereinafter defined), then the Company shall pay to you, subject to Section 16 below, an amount equal to (i) 150% of your Base Salary in effect as of the effective date of such Control Event plus (ii) 150% of the average of your annual bonuses over the three calendar years immediately preceding the year in which such Control Event occurs. The Company shall pay the amounts due to you under this Section 9 within seventy five (75) days of the effective date of such Control Event; provided, however, that if you notify the Company that the timing of these payments could trigger adverse tax consequences to you as a result of Section 409A of the Code, the Company and you agree to restructure the timing of such payments in a mutually acceptable manner to avoid the potential adverse tax consequences. "Control Event" shall mean the occurrence of both (i) a Change of Control as defined on Annex A hereto and (ii) within twelve (12) months thereof, you are terminated Without Cause (as hereinafter defined) or you shall have resigned from the Company for Good Reason. For purposes of clarification, if you are entitled to payments from the Company under this Section 9 as a result of your termination Without Cause following a Change of Control, you shall not also be entitled to payments in Section 10 below as a result of your termination Without Cause.
10. If your employment is terminated Without Cause (as hereinafter defined) by the Company prior to the end of the Term (other than a termination Without Cause following a Change of Control as provided in Section 9 above), then subject to Section 16 below, the Company shall pay to you a sum equal to your Base Salary in effect as of the effective date of such termination for the longer of (i) the then remaining effective Term or (ii) eighteen (18) months from the date of the termination of your employment (the longer of (i) and (ii), the "Severance Period"), which shall be payable as follows: (A) six (6) months of your Base Salary shall be payable in one lump sum within thirty (30) days following the date of your termination Without Cause and (B) one (1) month of your Base Salary (or portion thereof) shall be payable for each thirty (30) day period (or portion thereof) remaining in the Severance Period after the six (6) month anniversary of your termination Without Cause (the "Remaining Payment"), with the Remaining Payment to be paid in equal bi-monthly payments beginning on the first payroll period following the six (6) month anniversary of your termination Without Cause. In addition, if your employment is terminated Without Cause by the Company, you will be entitled to receive within thirty (30) days of such termination, a pro rata portion of your annual bonus for the portion of the calendar year that you worked for the Company prior to such termination Without Cause (computed using the average amount of your bonuses for the three calendar years immediately preceding the year of such termination). Notwithstanding the foregoing, if you notify the Company that the timing of the payments due to you under this Section 10 could trigger adverse tax consequences to you as a result of Section 409A of the Code, the Company and you agree to restructure the timing of such payments in a mutually acceptable manner to avoid the potential adverse tax consequences. Termination "Without Cause" shall mean the termination of your employment by the Company for any reason other than (A) the reasons set forth in clauses (i), (ii) or (iii) of Section 3 above, (B) your voluntary resignation of employment from the Company for any reason other than Good Reason (as defined below) or (C) a decision by the Company not to extend your employment beyond the then current Term by delivering the written notice referred to in the first sentence of Section 3. For purposes of this Agreement, "Good Reason" constitutes any of the following events: (A) a substantial and material reduction of your responsibilities as President and Chief Executive Officer, (B) a reduction in your Base Salary, or (C) a requirement that you relocate outside the San Diego, California metropolitan area without your consent.

11. In addition to the payments described in Section 10 above, if there is a Control Event or if your employment is terminated Without Cause by the Company, then subject to Section 16 below, you will also be entitled to receive payment of all accrued and unpaid vacation days and other benefits and reimbursements, and at your election, to continue for a period of eighteen (18) months your coverage under all health, medical, disability and other similar insurance policies, pursuant to Section 4980B of the Code, or under Part 6 of Title I of the Employment Retirement Income Security Act of 1974, as amended, provided to you by the Company, the cost of such coverage to be allocated between you and the Company in a manner consistent with the allocation of the costs thereof applicable prior to the Control Event. In consideration of the monies to be paid and the benefits to be provided to you under Section 10 above and this Section, you agree to execute and deliver to the Company on or before any payment by the Company a release substantially in the form of Annex B hereto, failing which, except to the extent required by law, the Company shall be relieved of all of its obligations hereunder. Upon any termination of your employment with the Company, you will return to the Company, all Company/or its subsidiary-owned property, including, without limitation, credit cards, computers, cellular phones, files, etc.
12. You acknowledge that as the Company's President and Chief Executive Officer you will be involved, at the highest level, in the development, implementation, and management of the Company's and its subsidiaries' businesses, strategies and plans, including those which involve the Company's and its subsidiaries' finances, marketing, industrial relations, operations, acquisitions, business models and programs. By virtue of your unique and sensitive position, your employment by a competitor of the Company or its subsidiaries represents a serious competitive danger to the Company and its subsidiaries and the use of your talent, knowledge, and information about the Company's and its subsidiaries' businesses, strategies, and plans can and would constitute a valuable competitive advantage over the Company and its subsidiaries. In view of the foregoing, you covenant and agree that during the term of your employment and, during the Severance Period (if you are terminated Without Cause) or such other period during which you are receiving any payments pursuant to this Agreement, you will not engage or be engaged in a similar capacity or responsibility as you served or performed for the Company, directly or indirectly, including, but not limited to, as an employee, agent, consultant, manager, executive, owner, financing source or stockholder (except as a passive investor owning less than one percent (1%) interest in a publicly held company) in the Collection Business. For purposes of this Section 12, "Collection Business" shall be defined as the business of purchasing and/or collecting charged off consumer debt. Notwithstanding the foregoing, if this Agreement is assigned by the Company as provided herein, the terms of this section shall not apply to any business engaged in by the assignee that is not related or similar to any business engaged in (or contemplated to be engaged in) by the Company at the time of such assignment.

13. You agree to treat as confidential and not to disclose to anyone other than the Company, its subsidiaries and affiliated companies, and you agree that you will not at any time during your employment and at any time thereafter, without the prior written consent of the Company, divulge, furnish, or make known or accessible to, or use for the benefit of anyone other than the Company, its subsidiaries and affiliated companies, any information of a confidential nature relating in any way to the business (or proposed business) of the Company, its subsidiaries or affiliated companies, or any of their respective affiliates, members, shareholders, officers, employees or directors, or any other Person having a direct business relationship with the Company

or its subsidiaries, unless (i) you are required to disclose such information by requirements of law, (ii) such information is in the public domain through no fault of yours, or (iii) such information has been lawfully acquired by you from other sources unless you know that such information was obtained in violation of an agreement of confidentiality. You further agree, that in consideration of this Agreement, you will refrain from engaging in any conduct or making any statement, written or oral, which are detrimental to the Company, its subsidiaries or affiliated companies or any of their respective affiliates, members, shareholders, officers, employees or directors, other than statements to the Chairman of the Board of the Company or the Board of Directors of the Company, or any member thereof.

14. You agree that in addition to any other remedy provided at law or in equity (a) the Company shall be entitled to a temporary restraining order, and both preliminary and permanent injunctive relief restraining you from violating the provisions of Sections 12 and 13; and (b) the Company's remaining obligations under this Agreement, if any, shall cease (other than payment of your base salary through the date of such violation, plus \$100.00 and any earned but unpaid vacation or except as may be required by law) as a result of any willful or reckless material violation of such provisions.
15. The provisions of the Sections 12, 13, 14, 15, 16 and 19 of this Agreement shall specifically survive any termination of this Agreement.
16. You agree that the Company may withhold from any amounts payable to you hereunder all federal, state, local or other taxes that the Company determines are required to be withheld pursuant to any applicable law or regulation. You further agree that if the Internal Revenue Service or other taxing authority (each, a Taxing Authority) asserts a liability against the Company for failure to withhold taxes on any payment hereunder, you will pay to the Company the amount determined by such Taxing Authority that had not been withheld within ninety (90) days of notice to you of such determination. Such notice shall include a copy of any correspondence received from a Taxing Authority with respect to such withholding.

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Notwithstanding the foregoing paragraph, if any payment or benefit you would receive pursuant to a Change in Control from the Company or otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be reduced to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on an after-tax basis, of the greater amount of the Payment. If the Payment equals the Reduced Amount, the reduction shall occur in the following order unless you elect in writing a different order: reduction of cash payments; cancellation of accelerated vesting of stock awards; reduction of employee benefits. In the event that acceleration of vesting of stock award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of your stock awards unless you elect in writing a different order for cancellation.

The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform all the foregoing calculations described in the preceding paragraph, including the amount of the parachute payment. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.

The accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and you within fifteen (15) calendar days after the date on which your right to a Payment is triggered (if requested at that time by the Company or you) or such other time as requested by the Company or you. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and you.

17. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid, return receipt requested. Any such notice shall be deemed given when so delivered personally, or, if mailed, on the earlier of actual receipt or the third (3rd) business day after the date of such mailing, (i) if to the Company, to the attention of the General Counsel at the address first written above, and (ii) if to you, at the address first written above.
18. This Agreement and your rights and obligations hereunder may not be assigned by you, provided that upon death your rights hereunder shall survive and may be assigned, or conveyed by will, trust or operation of law, including without limitation, intestate succession. The Company may assign this Agreement and its rights, together with its obligations, hereunder in connection with any sale, transfer or other disposition of all or substantially all of its assets or business, whether by merger, consolidation or otherwise.

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19. This Agreement constitutes the entire agreement between you and Company with respect to the matters referred to herein and on the Effective Date such Agreement will supersede all prior agreements, whether written or oral with respect hereto, including the Employment Agreement, but specifically not including (i) the Indemnification Agreement between the Company and you and (ii) options that have been granted to you prior to the date hereof (including the 2002 Option as modified by this Agreement). In addition, any Proprietary Information and Inventions Assignment Agreement or similar agreement previously signed by you shall remain in full force and effect. This Agreement shall be governed by the laws of the State of California, without regard to principles of conflicts of laws of such State. Each party agrees to reimburse the other for any reasonable attorneys' fees and expenses expended by it to enforce its rights hereunder if the other party willfully or recklessly breaches its obligations hereunder.

If you agree with the terms of this Agreement, please date and sign the copy of this letter enclosed for that purpose and return it to me.

Sincerely,
ENCORE CAPITAL GROUP, INC.

Agreed and Accepted:

/s/ Brandon Black

Brandon Black

Date: June 13, 2005

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Annex A

DEFINITION OF CHANGE OF CONTROL

For purposes of this Agreement, the term "Change of Control" shall mean and include any one or more of the following events:

- (i) the Company is merged into or consolidated with another corporation, in a transaction in which, upon completion, the Company's stockholders beneficially own (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), less than 50% of the total voting securities entitled to vote generally in the election of directors of the surviving or resulting company outstanding;
- (ii) all or substantially all of the assets of the Company are acquired by another corporation or business entity;
- (iii) any person (as such term is used in Section 13(d) and 14(d)(2) of the Exchange Act), other than any employee benefit plan of the Company or any subsidiary of the Company or any entity holding shares of capital stock of the Company for or pursuant to the terms of any such employee benefit plan in its role as an agent or trustee for such plan, shall acquire 50% or more of the Company's outstanding voting stock entitled to vote generally in the election of directors; or
- (iv) a majority of the Directors of the Company being Individuals not nominated by the Board of Directors.

Notwithstanding the foregoing, the events described above shall not be deemed to be a "Change of Control" if they occur as a result of (i) a transaction involving any person (as defined in clause (iii) above) which is the beneficial owner (as defined in clause (i) above) as of the date of this Agreement, of more than 5% of the Company's outstanding voting stock entitled to vote generally in the election of directors or any "associate" or "affiliate" of such person (as such terms are defined in Rule 405 promulgated under the Securities Act of 1933, as amended) or (ii) in the case of clause (iii) above, a person acquiring such 50% ownership position as a result of the acquisition by the Company of its voting stock which reduces the number of outstanding shares of voting stock of the Company.

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Annex B

GENERAL RELEASE

AND COVENANT NOT TO SUE

TO ALL WHOM THESE PRESENTS SHALL COME OR MAY CONCERN, KNOW that:

Brandon Black (the "Executive"), on his own behalf and on behalf of his descendants, dependents, heirs, executors and administrators and permitted assigns, past and present, in consideration for the amounts payable to the undersigned under that Letter Agreement dated as of June 13, 2005 (the "Employment Agreement") between Executive and Encore Capital Group, Inc. (the "Company"), does hereby covenant not to sue or pursue any litigation (or file any charge or otherwise correspond with any Federal, state or local administrative agency) against, and waives, releases and discharges the Company, and its respective assigns, affiliates, subsidiaries, parents, predecessors and successors, and the past and present shareholders, employees, officers, directors, representatives and agents or any of them (collectively, the "Company Group"), from any and all claims, demands, rights, judgments, defenses, actions, charges or causes of action whatsoever, of any and every kind and description, whether known or unknown, accrued or not accrued, that Executive ever had, now has or shall or may have or assert as of the date of this General Release against any of them, including, without limiting the generality of the foregoing, any claims, demands, rights, judgments, defenses, actions, charges or causes of action related to employment or termination of employment or that arise out of or relate in any way to the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, as amended, and other Federal, state and local laws relating to discrimination on the basis of age, sex or other protected class, all claims under Federal, state or local laws for express or implied breach of contract, wrongful discharge, defamation, intentional infliction of emotional distress, and any related claims for attorneys' fees and costs; provided, however, that nothing herein shall release any member of the Company Group from any of its obligations under the Employment Agreement or any rights to indemnification under any charter or by-laws (or similar documents) of any member of the Company Group. The Executive further agrees that this General Release and Covenant Not to Sue may be pleaded as a full defense to any action, suit or other proceeding covered by the terms hereof which is or may be

initiated, prosecuted or maintained by the Executive, his heirs or assigns. Notwithstanding the foregoing, the Executive understands and confirms that he is executing this General Release and Covenant Not to Sue voluntarily and knowingly, and this Covenant Not to Sue shall not affect the Executive's right to claim otherwise under ADEA. In addition, the Executive shall not be precluded by this Covenant from filing a charge with any relevant Federal, State or local administrative agency, but the Executive agrees not to participate in, and agrees to waive his rights with respect to any monetary or other financial relief arising from any such administrative proceeding.

The Company, on its own behalf and on behalf of its assigns, affiliates, subsidiaries, parents, predecessors and successors, and its past and present shareholders, employees, officers, directors, representatives and agents or any of them, does hereby covenant not to sue or pursue any litigation (or file any charge or otherwise correspond with any Federal, state or local administrative agency) against, and waives, releases and discharges Executive and his heirs, successors and assigns, descendants, dependents, executors and administrators, past and present, and any of his affiliates and each of them (collectively, the "Executive Releasees") from any and all claims, demands, rights, judgments, defenses, actions, charges or causes of action whatsoever, of any and every kind and description, whether known or unknown, accrued or not accrued, that the Company or any of its subsidiaries ever had, now has or shall or may have or assert as of the date of this General Release against any of them, based on facts known to any executive officer of the Company as of the date of this General Release and Covenant Not to Sue (other than the Executive), including specifically, but not exclusively and without limiting the generality of the foregoing, any and all claims, demands, agreements, obligations and causes of action arising out of or in any way connected with any transaction, occurrence, act or omission related to Executive's employment by the Company or any of its subsidiaries or the termination of that employment; provided, however, that nothing herein shall release the Executive Releasees from any obligations arising out of or related in any way to Executive's obligations under the Employment Agreement or any agreement governing the terms of any stock options granted to the Executive or impair the right or ability of the Company to enforce the terms thereof.

In consideration for the amounts payable to the Executive under the Employment Agreement, the Executive agrees to cooperate, at the expense of the Company Group, with the members of the Company Group in connection with all litigation relating to the activities of the Company and its affiliates during the period of the Executive's employment with the Company including, without limitation, being available to take depositions and to be a witness at trial, help in preparation of any legal documentation and providing affidavits and any advice or support that the Company or any affiliate thereof may request of the Executive in connection with such claims.

In furtherance of their respective agreements set forth above, each of the Executive and the Company hereby expressly waives and relinquishes any and all rights under any applicable statute, doctrine or principle of law restricting the right of any person to release claims which such person does not know or suspect to exist at the time of executing a release, which claims, if known, may have materially affected such person's decision to give such a release. In connection with such waiver and relinquishment, each of the Executive and the Company acknowledges that it is aware that it may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released herein. Nevertheless, it is the intention of each of the Executive and the Company to fully, finally and forever release all such matters, and all claims relative thereto which now exist, may exist or theretofore have existed, as specifically provided herein. The parties hereto acknowledge and agree that this waiver shall be an essential and material term of the release contained above. In addition, and not by way of limitation to the foregoing, each of the Executive and the Company fully understands and knowingly and expressly waives its rights and benefits under Section 1542 of the California Civil Code or under any similar provision of law. Section 1542 of the California Civil Code states that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Nothing in this paragraph is intended to expand the scope of the release as specified herein.

This General Release shall be governed by and construed in accordance with the laws of the State of California, applicable to agreements made and to be performed entirely within such State.

To the extent that the Executive is forty (40) years of age or older, this paragraph shall apply. The Executive acknowledges that he has been offered a period of time of at least twenty-one (21) days to consider whether to sign this General Release, which he has waived, and the Company agrees that the Executive may cancel this General Release at any time during the seven (7) days following the date on which this General Release has been signed by all parties to this General Release. In order to cancel or revoke this General Release, the Executive must deliver to the General Counsel of the Company written notice stating that the Executive is canceling or revoking this General Release. If this General Release is timely cancelled or revoked, none of the provisions of this General Release shall be effective or enforceable and the Company shall not be obligated to make the payments to the Executive or to provide the Executive with the other benefits described in this General Release and all contracts and provisions modified, relinquished or rescinded hereunder shall be reinstated to the extent in effect immediately prior hereto.

Each party agrees that as part of the consideration for this General Release, they will not make disparaging or derogatory remarks, whether oral or written, about the other party or its representatives.

Each of the Executive and the Company acknowledge that they have entered into this General Release knowingly and willingly and has had ample opportunity to consider the terms and provisions of this General Release.

IN WITNESS WHEREOF, the parties hereto have caused this General Release to be executed on this _____ day of _____, 200__.

Brandon Black

ENCORE CAPITAL GROUP, INC.

By: _____
Name:
Title:

ENCORE CAPITAL GROUP, INC.

TRANSITION AGREEMENT

This Transition Agreement (the "Agreement"), to be effective as of June 13, 2005 (the "Effective Date"), by and between Encore Capital Group, Inc., a Delaware corporation (the "Company"), and Barry Barkley.

WHEREAS, Mr. Barkley and the Company previously discussed Mr. Barkley's retirement from his position as the Company's Chief Financial Officer.

WHEREAS, the Company desires for Mr. Barkley to serve as a director on the Company's Board of Directors (the "Board").

WHEREAS, Mr. Barkley is willing to serve as director on the Board on the terms and subject to the conditions set forth in this Agreement, and Mr. Barkley authorized the Company to submit his Board nomination to the Company's stockholders at the Annual Meeting of Stockholders held on May 3, 2005 (the "2005 Annual Meeting").

THE PARTIES AGREE AS FOLLOWS:

1. Mr. Barkley hereby confirms his resignation from his office as Chief Financial Officer of the Company as of May 3, 2005. Mr. Barkley further agrees: (i) to serve as a director of the Company until the Company's Annual Meeting of Stockholders held in 2006 (the "2006 Annual Meeting"); (ii) if he is nominated to serve on the Board and is elected to the Board by the Company's stockholders at the 2006 Annual Meeting, to serve as a director of the Company until the Company's Annual Meeting of Stockholders held in 2007 (the "2007 Annual Meeting"); and (iii) if he is nominated to serve on the Board and is elected to the Board by the Company's stockholders at the 2007 Annual Meeting, to serve as a director of the Company until September 11, 2007.

2. In consideration for each year of his service as a director of the Company, if any, Mr. Barkley will be entitled to receive the same compensation, benefits and other rights the Company provides to the other non-employee members of the Board. The Company also agrees to reimburse Mr. Barkley for all reasonable travel and other expenses incurred by him in conjunction with his Board service in a manner consistent with the Company's reimbursement policy for directors.

3. In consideration for Mr. Barkley's willingness to serve on the Board, pursuant to Section 4(iv) of Mr. Barkley's Non-Incentive Stock Option Agreement granted on September 11, 2002 (the "2002 Option"), fifty percent (50%) of the shares of Common Stock subject to the 2002 Option shall be deemed to have vested on May 3, 2005, and the remaining fifty percent (50%) of the shares of Common Stock subject to the 2002 Option shall vest on the earlier of May 3, 2006 or the 2006 Annual Meeting (the "End Vesting Date"). Notwithstanding the foregoing, the shares of Common Stock subject to the 2002 Option shall immediately vest in full if: (i) Mr. Barkley is removed from (or not elected to) the Board Without Cause (as defined hereinafter) prior to the End Vesting Date; (ii) in the event Mr. Barkley dies prior to the End Vesting Date; (iii) in the event that Mr. Barkley shall become Disabled (as defined hereinafter) prior to the End Vesting Date; or (iv) immediately prior to a Change of Control (as defined in Annex A). Nothing in this paragraph shall prohibit the earlier vesting of the shares of Common Stock subject to the 2002 Option in accordance with the existing terms of the 2002 Option.

4. For purposes of this Agreement, "Disabled" shall mean that Mr. Barkley shall have failed, due to illness or other physical or mental incapacity, to render services of the character contemplated by this Agreement for an aggregate of more than ninety (90) calendar days during any twelve (12) month period.

5. For purposes of this Agreement, "Without Cause" shall mean Mr. Barkley's involuntary removal from the Board for reasons other than: (i) the commission of any act of fraud, willful misconduct or gross negligence by Mr. Barkley in the course of his service on the Board hereunder which, in the case of gross negligence, has a material adverse effect on the business or condition (financial or otherwise) of the Company; (ii) willful material misrepresentation at any time by Mr. Barkley to the Board or the Chairman of the Board; (iii) willful failure or refusal to comply with any of his obligations hereunder or with the reasonable and lawful instruction of the Board; (iv) conviction of or pleading guilty to any felony, whether of the United States or any state thereof or any similar foreign law to which he may be subject; (v) any failure to substantially comply with any written lawful rules, regulations, policies or procedures of the Company furnished to Mr. Barkley which, if not complied with, could reasonably be expected to have a material adverse effect on the business of the Company or any of its material subsidiaries or affiliates; or (vi) any willful failure to comply with the Company's, or any of its subsidiaries' or affiliates' policies regarding insider trading; provided, however, that in the case of clause (v) in this section, if Mr. Barkley's failure or refusal referred to therein is curable by him, then Mr. Barkley's removal shall not be "Without Cause" unless he fails to so cure within five (5) business days of his receipt from the Company of a written request for such cure and such request to cure is the first such request delivered under this section with respect to such failure.

6. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid, return receipt requested. Any such notice shall be deemed given when so delivered personally, or, if mailed, on the earlier of actual receipt or the third (3rd) business day after the date of such mailing, (i) if to the Company, to the attention of the General Counsel at the address first written above, and (ii) if to you, at the address first written above.

7. This Agreement may not be assigned by either party, provided that upon death Mr. Barkley's rights hereunder shall survive and may be assigned, or conveyed by will, trust or operation of law, including without limitation, intestate succession. The Company may assign this letter agreement and its rights, together with its obligations, hereunder in connection with any sale, transfer or other disposition of all or substantially all of its assets or business, whether by merger, consolidation or otherwise.

8. This Agreement constitutes the entire agreement between you and Company with respect to the matters referred to herein and supersedes all prior agreements, whether written or oral with respect hereto, other than options that have been granted to Mr. Barkley prior to the date hereof (including the 2002 Option as modified by this Agreement). In addition, any Proprietary Information and Inventions Assignment Agreement or similar agreement previously signed by Mr. Barkley shall remain in full force and effect. This letter agreement shall be governed by the laws of the State of California, without regard to principles of conflicts of laws of such State. Each party agrees to reimburse the other for any reasonable attorneys' fees and expenses expended by it to enforce its rights hereunder if the other party willfully or recklessly breaches its obligations hereunder.

If you agree with the terms of this Agreement, please date and sign the copy of this letter enclosed for that purpose and return it to me.

Sincerely,
ENCORE CAPITAL GROUP, INC.

By: /s/ Robin R. Pruitt

Agreed and Accepted:

/s/ Barry Barkley
Barry Barkley

Date: June 13, 2005

DEFINITION OF CHANGE OF CONTROL

For purposes of this Agreement, the term "Change of Control" shall mean and include any one or more of the following events:

- (i) the Company is merged into or consolidated with another corporation, in a transaction in which, upon completion, the Company's stockholders beneficially own (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), less than 50% of the total voting securities entitled to vote generally in the election of directors of the surviving or resulting company outstanding;
- (ii) all or substantially all of the assets of the Company are acquired by another corporation or business entity;
- (iii) any person (as such term is used in Section 13(d) and 14(d)(2) of the Exchange Act), other than any employee benefit plan of the Company or any subsidiary of the Company or any entity holding shares of capital stock of the Company for or pursuant to the terms of any such employee benefit plan in its role as an agent or trustee for such plan, shall acquire 50% or more of the Company's outstanding voting stock entitled to vote generally in the election of directors; or
- (iv) a majority of the Directors of the Company being Individuals not nominated by the Board of Directors.

Notwithstanding the foregoing, the events described above shall not be deemed to be a "Change of Control" if they occur as a result of (i) a transaction involving any person (as defined in clause (iii) above) which is the beneficial owner (as defined in clause (i) above) as of the date of this Agreement, of more than 5% of the Company's outstanding voting stock entitled to vote generally in the election of directors or any "associate" or "affiliate" of such person (as such terms are defined in Rule 405 promulgated under the Securities Act of 1933, as amended) or (ii) in the case of clause (iii) above, a person acquiring such 50% ownership position as a result of the acquisition by the Company of its voting stock which reduces the number of outstanding shares of voting stock of the Company.