UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): May 3, 2006

ENCORE CAPITAL GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware	**000-26489**	**48-1090909**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS 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:

☐ 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.

We entered into an amendment dated May 3, 2006 to our senior secured revolving credit facility with JPMorgan Chase Bank, N.A., who will act as administrative agent, and the additional lenders named in the amendment.

The amendment extends the revolving commitment termination date to May 3, 2010 and expands the size of the accordion feature from $25 million to $50 million in availability. The amendment also reduces the interest rate margins applicable to borrowings and contains other favorable covenant changes.

The foregoing description of the amendment to the senior secured revolving credit facility does not purport to be complete and is qualified in its entirety by reference to the complete text of the amendment, which is filed as an exhibit to this report and incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition

On May 9, 2006 we issued a press release announcing our financial results for the first quarter ended March 31, 2006. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein solely for purposes of Item 2.02.

The press release attached to this Current Report on Form 8-K as Exhibit 99.1 contains financial measures for Adjusted EBITDA, and Operating Expenses excluding stock option expense and Ascension Capital operating expenses, that are not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”). We have provided a reconciliation in the press release attached to this Current Report on Form 8-K as Exhibit 99.1 of the non-GAAP financial measure for Adjusted EBITDA to GAAP net income, and a reconciliation of the non-GAAP financial measure for Operating Expenses excluding stock option expense and Ascension Capital operating expenses to GAAP Operating Expenses.

We have included information concerning Adjusted EBITDA because we utilize this information, which is materially similar to a financial measure contained in covenants used in our credit agreement, in the evaluation of our operations and believe that this measure is a useful indicator of our ability generate cash collections in excess of operating expenses through the liquidation of our receivable portfolios. We have included information concerning total operating expenses excluding stock option expense and Ascension Capital operating expenses because the elimination of these expense items included in the GAAP financial measure results in enhanced comparability of certain key financial results between the periods presented. These non-GAAP financial measures should not be considered as alternatives to, or more meaningful than, net income and total operating expenses as indicators of our operating performance. For example, Adjusted EBITDA does not take into account the increased costs of portfolios that have a negative impact on earnings through collections applied to principal of receivable portfolios.

The information in this Item 2.02, including exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities under that Section. Furthermore, the information in this Item 2.02, including exhibit 99.1, shall not be deemed to be incorporated by reference into our filings under the Securities Act of 1933.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off–Balance Sheet Arrangement of a Registrant.

The information provided in Item 1.01 above is incorporated herein by reference.

Explanatory Note Regarding Exhibit 10.1

Investors should not rely on or assume the accuracy of representations and warranties in negotiated agreements that have been publicly filed because such representations and warranties may be subject to exceptions and qualifications contained in separate disclosure schedules, because such representations may represent the parties' risk allocation in the particular transaction, because such representations may be qualified by materiality standards that differ from what may be viewed as material for securities law purposes, or because such representations may no longer continue to be true as of any given date.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
10.1	Amendment No. 2, dated as of May 3, 2006, to the Credit Agreement dated as of June 7, 2005 among Encore Capital Group, Inc., the Lenders from time to time parties thereto and JPMorgan Chase Bank, N.A. as Administrative Agent.
99.1	Press release dated May 9, 2006.

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.

ENCORE CAPITAL GROUP, INC.

Date: May 9, 2006

/s/ Paul Grinberg

Paul Grinberg
Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

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99.1	Press release dated May 9, 2006.

Exhibit 10.1

EXECUTION COPY

AMENDMENT NO. 2

Dated as of May 3, 2006

to

CREDIT AGREEMENT

Dated as of June 7, 2005

THIS AMENDMENT NO. 2 (“Amendment”) is made as of May 3, 2006 by and among Encore Capital Group, Inc. (the “Borrower”), the financial institutions listed on the signature pages hereof (the “Lenders”) and JPMorgan Chase Bank, National Association, as Administrative Agent (the “Agent”), under that certain Credit Agreement dated as of June 7, 2005 by and among the Borrower, the Lenders and the Agent (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrower has requested that the Lenders and the Agent agree to certain amendments to the Credit Agreement;

WHEREAS, the Lenders party hereto and the Agent have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders party hereto and the Agent have agreed to enter into this Amendment.

1. Amendments to Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is amended as follows:

(a) The definition of “Consolidated EBITDA” appearing in Article I of the Credit Agreement shall be amended and restated in its entirety as follows:

“Consolidated EBITDA” means Consolidated Net Income plus, (1) to the extent not included in such revenue, Amortized Collections, and (2) to the extent deducted from revenues in determining Consolidated Net Income, (i) Consolidated Interest Expense (whether actual or contingent), (ii) expense for taxes paid or accrued, (iii) depreciation expense, (iv) amortization expense, (v) any extraordinary losses, and (vi) non-cash charges arising from compensation expense as a result of the adoption of amendments to Agreement Accounting Principles requiring certain stock based compensation to be recorded as an expense within the Borrower’s consolidated statement of operations, minus, to the extent included in Consolidated Net Income, (a) interest income, (b) any extraordinary gains, (c) the income of any JV Entity or any other Person (1) in which any Person other than the Borrower or any of its Subsidiaries has a joint interest or a partnership interest or other ownership interest and (2) to the extent the Borrower or any of its Subsidiaries does not control the Board of Directors or other governing body of such JV Entity or Person or otherwise does not control the declaration of a dividend or other distribution by such JV Entity or Person, except in each case to the extent of the amount of dividends or other distributions actually paid to the Borrower or any of its Subsidiaries by such JV Entity or Person during the relevant period and (d) the income of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or distributions (including via intercompany advances or other intercompany transactions but in each case up to and not exceeding the amount of such income) by that Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary, all calculated for the Borrower and its Subsidiaries on a consolidated basis.

(b) The definition of "Revolving Loan Termination Date" appearing in Article I of the Credit Agreement shall be amended and restated in its entirety as follows:

"Revolving Loan Termination Date" means the earlier of (a) May 3, 2010 (or such later date as may be agreed upon pursuant to Section 2.21 hereof), and (b) the date of termination in whole of the Aggregate Revolving Loan Commitment pursuant to Section 2.2 hereof or the Revolving Loan Commitments pursuant to Section 8.1 hereof.

(c) Article I of the Credit Agreement is amended to delete the definitions of "Adjusted Cash Flow Leverage Ratio" and "Adjusted Balance Sheet Leverage Ratio" therefrom.

(d) Article I of the Credit Agreement is further amended to insert the following new definitions thereto:

"Amortized Collections" means, for any period, the aggregate amount of collections from receivable portfolios (including that portion attributable to sales of receivables) of Borrower and its Subsidiaries calculated on a consolidated basis for such period, in accordance with Agreement Accounting Principles, that are not included in consolidated revenues by reason of the application of such collections to principal of such receivable portfolios (for purposes of illustration only, the Amortized Collections have been most recently identified in the amount of $72,044,000 as "Collections applied to principal of receivable portfolios" in the Borrower's consolidated statement of cash flows for the period ended December 31, 2005 as reflected in the Borrower's Form 10-K for such period).

"Consolidated Funded Indebtedness" means at any time the aggregate dollar amount of Consolidated Indebtedness which has actually been funded and is outstanding at such time, whether or not such amount is due or payable at such time.

“Consolidated Indebtedness” means, at any time, the Indebtedness of the Borrower and its Subsidiaries that would be reflected on a consolidated balance sheet of Borrower prepared in accordance with Agreement Accounting Principles as of such time.

“Consolidated Net Worth” means at any time, with respect to any Person, the consolidated stockholders’ equity of such Person and its Subsidiaries calculated on a consolidated basis in accordance with Agreement Accounting Principles.

(e) Section 2.5.3(i) of the Credit Agreement is amended to (i) delete the reference to “$225,000,000” appearing in clause (A) thereof and substitute “$250,000,000” in lieu thereof and (ii) delete the reference to “$25,000,000” appearing in clause (C) thereof and substitute “$50,000,000” in lieu thereof.

(f) A new Section 2.21 is added to the Credit Agreement and shall read as follows:

2.21 Extension of Revolving Loan Termination Date. The Borrower may request a one-year extension of the Revolving Loan Termination Date by submitting a request for an extension to the Administrative Agent (an “Extension Request”) no more than 90 and no less than 30 days prior to each anniversary of the Closing Date. Promptly upon receipt of an Extension Request, the Administrative Agent shall notify each Lender thereof and shall request each Lender to consider approval of the Extension Request. Each Lender approving the Extension Request shall deliver its written consent no later than 15 days prior to the proposed extended Revolving Loan Termination Date. If the consent of each of the Lenders is received by the Administrative Agent, the Revolving Loan Termination Date shall be extended by one year and the Administrative Agent shall promptly notify the Borrower and each Lender of the new Revolving Loan Termination Date.

(g) Section 6.21 of the Credit Agreement is amended and restated in its entirety to read as follows:

6.21.1 Cash Flow Leverage Ratio. The Borrower will not permit the ratio (the “Cash Flow Leverage Ratio”), determined as of the end of each of its fiscal quarters, of (i) Consolidated Funded Indebtedness of the Borrower to (ii) Consolidated EBITDA for the then most-recently ended four fiscal quarters to be greater than 1.75 to 1.0 for each fiscal four-quarter period.

The Cash Flow Leverage Ratio shall be calculated based upon (a) for Consolidated Funded Indebtedness, as of the last day of each such fiscal quarter and (b) for Consolidated EBITDA, the actual amount as of the last day of each fiscal quarter for the most recently ended four consecutive fiscal quarters.

6.21.2 Minimum Net Worth. The Borrower will not permit its Consolidated Net Worth to be less than the sum of (i) $106,500,000, plus (ii) 50% of Consolidated Net Income earned in each fiscal quarter beginning with the quarter ending March 31, 2006 (without deduction for losses), plus (iii) 100% of the amount by which the Borrower’s “total stockholders’ equity” is increased after May 3, 2006 as a result of the issuance or sale by the Borrower or any of its Subsidiaries of, or the conversion of any Indebtedness of such Person into, any equity interests (including warrants and similar investments) in such Person.

(h) Section 6.23 of the Credit Agreement is amended to delete the reference to "$5,000,000" appearing therein and substitute "$6,000,000" in lieu thereof.

(i) Section 6.24 of the Credit Agreement is amended to delete the reference to "$3,500,000" appearing therein and substitute "$5,000,000" in lieu thereof.

(j) In connection with certain assignments being entered into by certain of the Lenders, the Revolving Loan Commitments of certain of the Lenders are amended and increased and therefore, upon the effectiveness hereof, the Revolving Loan Commitments of all of the Lenders are amended as set forth in the schedule on Annex I hereto. The Borrower hereby agrees to compensate each Lender for any and all losses, expenses and liabilities incurred by such Lender in connection with the sale and assignment of any Eurodollar Loans and the reallocation described in Section 2(a) below, in each case on the terms and in the manner set forth in Section 3.4 of the Credit Agreement.

(k) The Pricing Schedule is amended and restated in its entirety to read as set forth on Annex II hereto.

2. <u>Conditions of Effectiveness</u>. The effectiveness of this Amendment is subject to the conditions precedent that (a) in connection with the assignments and increases described in Section 1(j) above, the Agent and the Lenders shall have administered the reallocation of the Aggregate Outstanding Revolving Credit Exposure among the Lenders such that after giving effect to the reallocations of the Revolving Loan Commitments, each Lender's Revolving Loan Pro Rata Share of the Aggregate Outstanding Revolving Credit Exposure is equal to such Lender's Revolving Loan Pro Rata Share of the Aggregate Revolving Loan Commitments, (b) the Agent shall have received (i) counterparts of this Amendment duly executed by the Borrower, the Lenders and the Agent and the Consent and Reaffirmation attached hereto duly executed by the Guarantors, (ii) such other opinions, instruments and documents as are reasonably requested by the Agent, (iii) for the ratable account of each Lender, an amendment fee in an amount equal to 0.075% of such Lender's Revolving Loan Commitment and (c) the Borrower shall have paid, to the extent invoiced, all expenses of the Agent (including attorneys' fees and expenses) in connection with this Amendment and the other Loan Documents.

3. <u>Representations and Warranties of the Borrower</u>. The Borrower hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as amended hereby constitute legal, valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their terms.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) there exists no Default or Unmatured Default and (ii) the representations and warranties contained in <u>Article V</u> of the Credit Agreement, as amended hereby, are true and correct, except for representations and warranties made with reference solely to an earlier date.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws of the State of New York, but giving effect to federal laws applicable to national banks.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

ENCORE CAPITAL GROUP, INC.,
as the Borrower

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President and CEO

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
as Administrative Agent, as LC Issuer and as a Lender

By: /s/ Steven J. Krakoski
Name: Steven J. Krakoski
Title: Senior Vice President

Signature Page to Amendment No. 2
Encore Capital Group, Inc.
Credit Agreement dated as of June 7, 2005

BANK OF SCOTLAND, as a Lender

By: /s/ Karen Weich
Name: Karen Weich
Title: Assistant Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ Gordon W. Wiens
Name: Gordon W. Wiens
Title: Senior Vice President

CALIFORNIA BANK & TRUST, as a Lender

By: /s/ Michael Powell
Name: Michael Powell
Title: Senior Vice President

GUARANTY BANK, as a Lender

By: /s/ Michael Ansolabehere
Name: Michael Ansolabehere
Title: Senior Vice President

FIRST BANK, as a Lender

By: /s/ Susan J. Pepping
Name: Susan J. Pepping
Title: Vice President

CITIBANK (WEST) F.S.B., as a Lender

By: /s/ Dennis J. Jans
Name: Dennis J. Jans
Title: Vice President

BANK LEUMI USA, as a Lender

By: /s/ Jacques Delvoye
Name: Jacques Delvoye
Title: Vice President

MANUFACTURERS BANK, as a Lender

By: /s/ Robert Brito
Name: Robert Brito
Title: Senior Vice President

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 2 to the Credit Agreement dated as of June 7, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”) by and among Encore Capital Group, Inc. (the “Borrower”), the financial institutions from time to time party thereto (the “Lenders”) and JPMorgan Chase Bank, National Association, in its individual capacity as a Lender and in its capacity as contractual representative (the “Agent”), which Amendment No. 2 is dated as of May 3, 2006 (the “Amendment”). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Guaranty Agreement, the Pledge and Security Agreement and any other Loan Document executed by it and acknowledges and agrees that such agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

[Signature Page Follows]

Dated: May 3, 2006

MIDLAND CREDIT MANAGEMENT, INC.,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND ACQUISITION CORPORATION,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND RECEIVABLES 99-1 CORPORATION,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND FUNDING NCC-1 CORPORATION,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND FUNDING NCC-2 CORPORATION,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND RECEIVABLES 98-1 CORPORATION,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND FUNDING 98-A CORPORATION,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND PORTFOLIO SERVICES, INC.,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND FUNDING LLC,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

ACG MANAGEMENT LLC,
as a Guarantor

By: ACG HOLDING, INC., as Manager

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

ACG HOLDING, INC.,
as a Guarantor

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

MIDLAND INTERNATIONAL LLC,
as a Guarantor

By: MIDLAND CREDIT MANAGEMENT, INC., its Sole Member

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

ASCENSION CAPITAL GROUP, LP,
as a Guarantor

By: ACG HOLDING, INC., its General Partner

By: /s/ J. Brandon Black
Name: J. Brandon Black
Title: President

ANNEX I

Revolving Loan Commitments

Lender	Amount of Revolving Loan Commitment	% of Aggregate Revolving Loan Commitment
JPMorgan Chase Bank, National Association	$ 40,000,000	20%
Bank of Scotland	$ 35,000,000	17.5%
Bank of America, N.A.	$ 35,000,000	17.5%
California Bank & Trust	$ 25,000,000	12.5%
Guaranty Bank	$ 20,000,000	10.0%
First Bank	$ 15,000,000	7.5%
Citibank (West) F.S.B.	$ 15,000,000	7.5%
Bank Leumi USA	$ 10,000,000	5.0%
Manufacturers Bank	$ 5,000,000	2.5%
TOTAL	**$200,000,000**	**100%**

ANNEX II

PRICING SCHEDULE

APPLICABLE MARGIN	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS
Eurodollar Rate	1.75%	2.00%	2.25%
Floating Rate	0.00%	0.00%	0.00%

APPLICABLE FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS
Commitment Fee	0.300%	0.375%	0.500%

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Financials" means the annual or quarterly financial statements of the Borrower delivered pursuant to Section 6.1.1 or 6.1.2.

"Level I Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Cash Flow Leverage Ratio is less than 1.0 to 1.0.

"Level II Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status and (ii) the Cash Flow Leverage Ratio is less than 1.5 to 1.0.

"Level III Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Borrower has not qualified for Level I Status or Level II Status.

"Status" means either Level I Status, Level II Status or Level III Status.

The Applicable Margin and Applicable Fee Rate shall be determined in accordance with foregoing table based on the Borrower's Status as reflected in the then most recent Financials. Adjustments, if any, to the Applicable Margin or Applicable Fee Rate shall be effective five Business Days after the Administrative Agent has received the applicable Financials. If the Borrower fails to deliver the Financials to the Administrative Agent at the time required pursuant to Section 6.1, then the Applicable Margin and Applicable Fee Rate shall be the highest Applicable Margin and Applicable Fee Rate set forth in the foregoing table until five days after such Financials are so delivered.

Notwithstanding the foregoing, Level II Status shall be deemed to be applicable until the Administrative Agent's receipt of the applicable Financials for the Borrower's fiscal quarter ending on or about March 31, 2006 (unless such Financials demonstrate that a higher Applicable Margin/Applicable Fee Rate should have been applicable during such period, in which case the applicable Level based on such higher Applicable Margin/Applicable Fee Rate shall be deemed to be applicable during such period) and adjustments to the Applicable Margin and Applicable Fee Rate shall thereafter be effected in accordance with the preceding paragraph.

Exhibit 99.1

For Immediate Release

Encore Capital Reports First Quarter 2006 Financial Results

SAN DIEGO, May 9, 2006/PRNewswire — FirstCall/ — Encore Capital Group, Inc. (Nasdaq: ECPG), a leading accounts receivable management firm, today reported consolidated financial results for the first quarter ended March 31, 2006.

For the first quarter of 2006:

- Gross collections were $87.6 million, a 33% increase over the $65.9 million in the same period of the prior year
- Total revenues were $60.5 million, a 20% increase over the $50.5 million in the same period of the prior year
- Net income was $4.7 million, a 37% decrease from the $7.5 million in the same period of the prior year
- Earnings per fully diluted share were $0.20, a 38% decrease from the $0.32 in the same period of the prior year
- Adjusted EBITDA, defined as net income before interest, taxes, depreciation and amortization, stock-based compensation related to stock options, and portfolio amortization, were $47.8 million, a 32% increase from the $36.3 million in the same period of the prior year

Commenting on the first quarter results, J. Brandon Black, President and CEO of Encore Capital Group, Inc., said, “We had strong collection growth this quarter, as we received excellent production from all collection channels and had good contributions from both credit card and alternative asset classes such as telecom, healthcare and auto deficiencies. We continue to drive innovation in our collection efforts and have begun incorporating new strategies within our legal and direct marketing channels. As these initiatives gain traction, we believe they will improve the liquidation of our portfolios, which could ultimately result in higher collection multiples and revenue recognition.

“From a cash flow perspective, we are very pleased with the performance of the Company. Our Adjusted EBITDA increased 32% over the first quarter of 2005, which indicates that our operating strategies are generating strong, profitable growth and creating value for our stockholders.

“Pricing remained elevated for new portfolios during the first quarter. However, we did find several attractive opportunities, including a number of alternative asset class portfolios, and invested $27 million to purchase $560 million in face value debt. During the quarter, we also purchased our second portfolio of healthcare receivables, and we recently initiated our first internal collection efforts on this asset class. Building out our internal collection capabilities will enable us to better capitalize on the growth opportunities in this business without having to depend on the available capacity of third-party agencies that specialize in healthcare debt collection," said Mr. Black.

Financial Highlights

The decrease in diluted earnings per share from the first quarter of 2005 is primarily attributable to the following factors:

- A lower revenue recognition rate resulting from the continued shift in the Company's collection mix from portfolios with higher collection multiples to portfolios with lower collection multiples.
- Additional expenses resulting from investment in new portfolio liquidation strategies.
- The adoption of SFAS 123(R), which requires the recognition of stock option expense.
- The dilutive impact of the Ascension Capital bankruptcy services business, although the business generated positive cash flow from operations during the quarter.

Revenue recognized on receivable portfolios, as a percentage of portfolio collections, was 66% in the first quarter of 2006, compared with 77% in the first quarter of 2005. The lower revenue recognition rate was primarily attributable to a higher percentage of collections from more recently purchased portfolios that have lower collection multiples assigned to them.

The Company generated $2.9 million in fee-based revenue during the first quarter of 2006, through the Ascension Capital bankruptcy services business acquired in August 2005.

Total operating expenses for the first quarter of 2006 were $44.7 million, compared with $30.3 million in the first quarter of 2005. Excluding stock option expense and Ascension Capital, which is a fee-based business, operating expenses were $38.3 million in the first quarter of 2006, compared with $30.3 million in the first quarter of 2005, while operating expense per dollar collected declined to 44% from 46%.

Total interest expense was $8.0 million in the first quarter of 2006, compared to $8.1 million in the first quarter of 2005. The contingent interest component of interest expense was $4.7 million in the first quarter of 2006, compared with $6.9 million in the same period of the prior year. The Company continues to see a reduction in contingent interest expense as collections decline from older portfolios purchased under its previous credit facility.

Amended Credit Facility

In early May 2006, Encore Capital Group amended its revolving credit facility. The amended facility includes the following provisions:

- A reduction in interest rate spreads, which will effectively reduce the Company's interest rates by up to 75 basis points
- Extending the facility termination date to May 2010 from June 2008

- Increasing the expansion feature of the facility to $50 million from $25 million
- The modification and elimination of certain covenants

Outlook

Commenting on the outlook for Encore Capital Group, Mr. Black said, “While our earnings per share will continue to be challenged by lower revenue recognition on more recently purchased portfolios, we believe we will continue to generate strong annual growth in Adjusted EBITDA in 2006.

“We continue to be proactive in evolving our operating strategy to effectively compete in the changing consumer debt recovery market. We have taken a number of steps to improve our ability to pursue additional asset classes that have strong growth potential, while also employing new collection strategies to improve the liquidation of our portfolios. We are confident that the steps we are taking will position the Company to generate sustainable growth in cash flow and earnings in the years ahead,” said Mr. Black.

Conference Call and Webcast

The Company will hold a conference call today at 2:00 PM Pacific time / 5:00 P.M. Eastern time to discuss first quarter results. Members of the public are invited to listen to the live conference call via the Internet.

To hear the presentation and to access a slide presentation containing financial information that will be discussed in the conference call, log on at the Investor Relations page of the Company’s web site at ***www.encorecapitalgroup.com.*** For those who cannot listen to the live broadcast, a replay of the conference call will be available shortly after the call at the same location.

Non-GAAP Financial Measures

The Company has included information concerning Adjusted EBITDA because management utilizes this information, which is materially similar to a financial measure contained in covenants used in the Company’s credit agreement, in the evaluation of its operations and believes that this measure is a useful indicator of the Company’s ability to generate cash collections in excess of operating expenses through the liquidation of its receivable portfolios. The Company has included information concerning total operating expenses excluding stock option expense and Ascension Capital operating expenses because the elimination of these expense items included in the GAAP financial measure results in enhanced comparability of certain key financial results between the periods presented. These non-GAAP financial measures should not be considered as alternatives to, or more meaningful than, net income and total operating expenses as indicators of Encore Capital Group’s operating performance. For example, Adjusted EBITDA does not take into account the increased costs of portfolios that have a negative impact on earnings through collections applied to principal on receivable portfolios. Neither Adjusted EBITDA nor operating expenses excluding stock option expense and Ascension Capital operating expenses has been prepared in accordance with generally accepted accounting principles (GAAP). These non-GAAP financial measures, as presented by Encore Capital Group, may not be comparable to similarly titled measures reported by other companies. The Company has included a reconciliation of Adjusted EBITDA to reported earnings under GAAP, and a reconciliation of operating expenses excluding stock option expense and Ascension Capital operating expenses to the GAAP measure total operating expenses in the attached financial tables.

About Encore Capital Group, Inc.

Encore Capital Group, Inc. is a systems-driven purchaser and manager of charged-off consumer receivables portfolios. More information on the company can be found at www.encorecapitalgroup.com.

Forward Looking Statements

The statements in this press release that are not historical facts, including, most importantly, those statements preceded by, or that include, the words "may," "believes," "projects," "expects," "anticipates" or the negation thereof, or similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). These statements may include, but are not limited to, projections of future collections, revenues, profitability, cash flow, any non-GAAP financial measures referenced herein, income or loss (including our expectations regarding measures designed to increase portfolio liquidation and the resulting effect on revenue and profitability), the size of the market for delinquent consumer healthcare debt, and the exploitation of new opportunities in that market; and plans for future acquisitions, operations, products or services, as well as assumptions relating to those matters. For all "forward-looking statements," the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company and our subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could affect the Company's results and cause them to materially differ from those contained in the forward-looking statements include: the Company's ability to purchase receivables portfolios on acceptable terms and in sufficient quantities; the Company's ability to acquire and collect on portfolios consisting of new types of receivables; the Company's ability to recover sufficient amounts on or with respect to receivables to fund operations; the Company's ability to successfully execute acquisitions; the Company's continued servicing of receivables in its third party financing transactions; the Company's ability to hire and retain qualified personnel to recover on its receivables efficiently; changes in, or failure to comply with, government regulations; the costs, uncertainties and other effects of legal and administrative proceedings; and risk factors and cautionary statements made in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2005. Forward-looking statements speak only as of the date the statement was made. They are inherently subject to risks and uncertainties, some of which the Company cannot control, predict or quantify. Future events and actual results could differ materially from the forward-looking statements. The Company will not undertake and specifically declines any obligation, nor does the Company intend, to update or revise any forward-looking statements to reflect new information or future events or for any other reason. In addition, it is the Company's policy generally not to make any specific projections as to future earnings, and the Company does not endorse any projections regarding future performance that may be made by third parties.

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FINANCIAL TABLES FOLLOW

ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Financial Condition
(In Thousands, Except Par Value Amounts)

	March 31, 2006 (Unaudited)	December 31, 2005 (A)
Assets		
Cash and cash equivalents	$ 6,739	$ 7,026
Restricted cash	5,302	4,212
Accounts receivable, net	3,504	5,515
Investment in receivable portfolios, net	252,409	256,333
Property and equipment, net	4,811	5,113
Prepaid income tax	12,464	13,570
Purchased servicing asset	2,474	3,035
Forward flow asset	35,798	38,201
Other assets	16,262	16,065
Goodwill	14,148	14,148
Identifiable intangible assets, net	4,827	5,227
Total assets	$ 358,738	$ 368,445
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 18,938	$ 23,101
Accrued profit sharing arrangement	13,759	16,528
Deferred tax liabilities, net	7,963	7,241
Deferred revenue	4,344	3,326
Purchased servicing obligation	1,338	1,776
Debt	186,506	198,121
Total liabilities	232,848	250,093
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, $.01 par value, 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $.01 par value, 50,000 shares authorized, 22,776 shares and 22,651 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	228	227
Additional paid-in capital	60,729	57,989
Accumulated earnings	64,603	59,925
Accumulated other comprehensive income	330	211
Total stockholders' equity	125,890	118,352
Total liabilities and stockholders' equity	$ 358,738	$ 368,445

(A) Derived from the audited consolidated financial statements as of December 31, 2005.

ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31,	
	2006	**2005**
Revenues		
Revenue from receivable portfolios, net	$57,574	$50,420
Servicing fees and other related revenue	2,906	56
Total revenues	60,480	50,476
Operating expenses		
Salaries and employee benefits	16,279	12,600
Stock-based compensation expense	1,381	—
Cost of legal collections	11,278	8,356
Other operating expenses	6,446	4,642
Collection agency commissions	4,613	2,024
General and administrative expenses	3,733	2,158
Depreciation and amortization	960	511
Total operating expenses	44,690	30,291
Income before other income (expense) and income taxes	15,790	20,185
Other income (expense)		
Interest expense	(7,951)	(8,087)
Other income	50	405
Total other expense	(7,901)	(7,682)
Income before income taxes	7,889	12,503
Provision for income taxes	(3,211)	(5,051)
Net income	$ 4,678	$ 7,452
Basic - earnings per share computation:		
Net income available to common stockholders	$ 4,678	$ 7,452
Weighted average shares outstanding	22,681	22,227
Earnings per share – Basic	$ 0.21	$ 0.34
Diluted - earnings per share computation:		
Net income available to common stockholders	$ 4,678	$ 7,452
Weighted average shares outstanding	22,681	22,227
Incremental shares from assumed conversion of stock options	1,132	1,353
Diluted weighted average shares outstanding	23,813	23,580
Earnings per share – Diluted	$ 0.20	$ 0.32

ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited, In Thousands)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Operating activities		
Gross collections	$ 87,616	$ 65,853
Less:		
Amounts collected on behalf of third parties	(168)	(274)
Amounts applied to principal on receivable portfolios	(29,579)	(15,160)
Servicing fees	51	56
Operating expenses	(41,580)	(32,997)
Interest payments	(2,187)	(1,151)
Contingent interest payments	(7,455)	(8,205)
Other income	50	405
Increase in restricted cash	(1,090)	(1,248)
Income taxes	(249)	(1,490)
Excess tax benefits from stock-based payment arrangements	(730)	—
Net cash provided by operating activities	4,679	5,789
Investing activities		
Purchases of receivable portfolios	(24,688)	(19,523)
Collections applied to principal of receivable portfolios	29,579	15,160
Proceeds from the sale of marketable securities	—	24,000
Proceeds from put-backs of receivable portfolios	1,148	258
Purchases of property and equipment	(265)	(431)
Net cash provided by investing activities	5,774	19,464
Financing activities		
Proceeds from notes payable and other borrowings	3,000	2,088
Repayment of notes payable and other borrowings	(14,555)	(22,516)
Proceeds from exercise of common stock options and warrants	144	588
Excess tax benefits from stock-based payment arrangements	730	—
Repayment of capital lease obligations	(59)	(46)
Net cash used in financing activities	(10,740)	(19,886)
Net increase (decrease) in cash	(287)	5,367
Cash and cash equivalents, beginning of year	7,026	9,731
Cash and cash equivalents, end of year	$ 6,739	$ 15,098

ENCORE CAPITAL GROUP, INC.
Supplemental Financial Information
Reconciliation of Adjusted EBITDA to GAAP Net Income and Operating Expenses, Excluding Stock Option Expense and Ascension Capital Operating Expenses to GAAP Total Operating Expenses
(Unaudited, In Thousands)

	Three Months Ended March 31,	
	2006	2005
GAAP net income, as reported	$ 4,678	$ 7,452
Interest expense	7,951	8,087
Provision for income taxes	3,211	5,051
Depreciation and amortization	960	511
Amount applied to principal on receivable portfolios	29,579	15,160
Stock-based compensation expense	1,381	—
Adjusted EBITDA	$47,760	$36,261
GAAP total operating expense, as reported	$44,690	$30,291
Stock-based compensation expense	(1,381)	—
Ascension Capital operating expenses	(4,978)	—
Operating expenses, excluding stock option expense and Ascension Capital operating expenses	$38,331	$30,291

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