

ENCORE CAPITAL GROUP INC

Form 424B5

November 02, 2011

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Filed Pursuant to Rule 424(b)(5)
Registration No.333-167074

The information contained in this prospectus supplement and the accompanying prospectus is not complete and may be changed. A registration statement relating to these securities has become effective under the Securities Act of 1933, as amended. This prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated November 2, 2011

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 1, 2010)

3,610,000 Shares

Encore Capital Group, Inc.

COMMON STOCK

The selling stockholder named in this prospectus supplement is offering 3,610,000 shares of our common stock. We will not receive any proceeds from the sale of our common stock by the selling stockholder.

Our common stock is listed on the Nasdaq Global Select Market under the symbol ECPG. The last reported sale price of our common stock on the Nasdaq Global Select Market on November 1, 2011 was \$25.74 a share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-5 of this Prospectus Supplement and in the documents we file with the Securities and Exchange Commission that are incorporated herein by reference to read about important factors you should consider before buying shares of our common stock.

PRICE \$ A SHARE

	<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Selling Stockholder</i>
<i>Per share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

The selling stockholder has granted the underwriter a 30-day option to purchase up to an additional 361,315 shares of our common stock to cover over-allotments, if any, at the public offering price per share, less underwriting discounts and commissions.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriter expects to deliver the shares of our common stock to purchasers on or about November , 2011.

MORGAN STANLEY

November , 2011

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first is this prospectus supplement, which describes the specific terms of this offering and adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference herein and therein. The second part, the accompanying prospectus base dated June 1, 2010, gives more general information some of which may not apply to this offering, about the common stock which may be sold in this offering and about us. You should read the entire prospectus supplement, the accompanying base prospectus, as well as the information incorporated by reference herein and therein, before making an investment decision.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. If the description of the offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement. Neither we nor the selling stockholder have authorized any dealer, salesman or other person to provide you with information different from that contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying base prospectus. This prospectus supplement and the accompanying base prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus supplement and the accompanying base prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus or the documents incorporated by reference is accurate on any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, when we refer to Encore Capital Group, Inc. and use phrases such as the Company, Encore, we, our and us, we are referring to Encore Capital Group, Inc. and its subsidiaries as a whole, except where it is clear from the context that any of these terms refers only to Encore Capital Group, Inc. Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement to \$ or dollars are to the lawful currency of the United States. Unless we have indicators otherwise, or the context otherwise requires, the information presented in this prospectus supplement assumes no exercise of the underwriter's over-allotment option.

Our logo and other trademarks mentioned in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein are our property. Certain trademarks referred to in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein may be without the ® or TM symbol, as applicable, but this is not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our right to these trademarks. Other brand names or trademarks appearing in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein are the property of their respective owners.

WHERE YOU CAN FIND MORE INFORMATION

We are currently subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith file periodic reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). You may read and copy (at prescribed rates) any such reports, proxy statements and other information at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available to you on the SEC's website at <http://www.sec.gov> and in the Investors section of our website at <http://www.encorecapital.com>. Our website and the information contained on that site, or connected to that site, are not incorporated into and are not a part of this prospectus supplement.

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We have filed with the SEC a registration statement on Form S-3 with respect to the common stock offered hereby. This prospectus supplement does not contain all the information set forth in the registration statement, parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the common stock offered hereby, reference is made to such registration statement.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We incorporate information into this prospectus supplement by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, except to the extent superseded by information contained in this prospectus supplement. Information that we file later with the SEC will automatically update and supersede the previously filed information. This prospectus supplement incorporates by reference the documents set forth below, that have been previously filed with the SEC:

our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 14, 2011;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed with the SEC on April 27, 2011, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed with the SEC on August 1, 2011, and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on October 26, 2011;

our Current Reports on Form 8-K filed with the SEC on February 28, 2011, March 1, 2011, April 20, 2011, June 10, 2011, as amended on October 28, 2011 and September 14, 2011 (except for portions of such reports which were deemed to be furnished and not filed);

our Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 28, 2011; and

the description of our common stock contained in our Registration Statement on Form 8-A filed on June 24, 1999, including any amendment or report filed for the purpose of updating such description.

In addition, all documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and until the offering of the common stock covered by this prospectus supplement is completed shall be incorporated by reference into this prospectus supplement from the respective dates of filing such documents. Unless specifically stated to the contrary, none of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC or any other document or information deemed to have been furnished and not filed with the SEC will be incorporated by reference into, or otherwise included in, this prospectus supplement.

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference in this prospectus supplement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

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You may obtain copies of any of these filings by contacting us at the address and telephone number indicated below or by contacting the SEC as described above under the section entitled "Where You Can Find More Information." Documents incorporated by reference are available from us without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into this prospectus supplement, by requesting them in writing or by telephone at:

Encore Capital Group, Inc.

Attention: Investor Relations

3111 Camino Del Rio North, Suite 1300

San Diego, California 92108

(877) 445-4581

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying base prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Exchange Act. Forward-looking statements may include the words may, will, estimate, intend, continue, believe, expect, plan or anticipate and other similar words. Forward-looking statements include, but are not limited to, statements regarding:

risks associated with worldwide financial markets and the global economy;

the fluctuation of our quarterly operating results;

the ability to purchase receivables at sufficiently favorable prices or terms, or at all;

losses on portfolios consisting of new types of receivables;

the purchase of receivable portfolios that contain unprofitable accounts and our ability to collect sufficient amounts to cover our costs and to fund our operations;

sellers delivering portfolios that contain accounts which do not meet our account collection criteria;

our ability to purchase sufficient quantities of receivable portfolios or collect sufficient amounts on receivables we may own;

a significant portion of our portfolio purchases during any period that may be concentrated with a small number of sellers;

the statistical models we use to project remaining cash flows from our receivable portfolios;

allowance charges based on the authoritative guidance for loans and debt securities acquired with deteriorated credit quality;

the statutory and regulatory oversight of our business is extensive, and may increase;

our failure to comply with governmental regulation could result in the suspension or termination of our ability to conduct business, require the payment of significant fines and penalties, or require other significant expenditures;

the ongoing risks of litigation, including individual lawsuits brought against consumers and individual and class action suits brought against us;

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negative publicity associated with litigation, governmental investigations, regulatory actions and other public statements could damage our reputation;

our making acquisitions that may prove to be unsuccessful or divert our resources; and

assumptions relating to the foregoing.

Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein or therein. Important risks and factors that could cause our actual results to be materially different from our expectations include the factors that are disclosed in the section "Risk Factors" in this prospectus supplement and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011. You should read these factors and the other cautionary statements made in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein or therein as being applicable to all related forward-looking statements wherever they appear in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein. Each forward-looking statement contained in this prospectus supplement, the accompanying base prospectus and any document incorporated by reference herein or therein reflects management's view only as of the date on which that forward-looking statement was made. You

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should not place undue reliance on any forward-looking statements we make. We are not obligated to update forward-looking statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events. If we do not update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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SUMMARY

This summary highlights selected information from this prospectus supplement and the accompanying base prospectus to help you understand us and our common stock. The Description of Common Stock section of the accompanying base prospectus contains more detailed information regarding our common stock. You should carefully read this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein and therein to fully understand our common stock and the other considerations that are important to you in making a decision about whether to invest in our common stock.

The Company

Encore is a Delaware holding company whose assets consist of investments in its subsidiaries. Encore was incorporated in Delaware in 1999. Our principal executive offices are located at 3111 Camino Del Rio North, Suite 1300, San Diego, California 92108, and our telephone number is (877) 445-4581.

We are a leader in consumer debt buying and recovery. We purchase portfolios of defaulted consumer receivables at deep discounts to face value based on robust, account-level valuation methods, and employ a suite of proprietary statistical and behavioral models when building account collection strategies. We use a variety of operational channels to maximize our collections from the portfolios that we purchase, including seeking to partner with individuals as they repay their obligations and work toward financial recovery. In addition, we provide bankruptcy support services to some of the largest companies in the financial services industry through our wholly owned subsidiary, Ascension Capital Group, Inc. (Ascension).

Four competitive, strategic advantages underpin our success and drive our future growth:

The sophisticated and widespread use of analytics;

Broad investments in data and behavioral science;

Significant cost advantages based on our operations in India, as well as our enterprise-wide, account-level cost database; and

A demonstrated commitment to conduct business ethically and in ways that support our consumers' financial recovery.

Although we have enabled approximately one million consumers to retire a portion of their outstanding debt since 2007, one of the industry's most formidable challenges is that many distressed consumers will never make a payment, much less retire their total obligation. In fact, at the peak of the collection cycle, we generate payments from fewer than one percent of our accounts every month. To address these challenges, we evaluate portfolios of receivables that are available for purchase using robust, account-level valuation methods and we employ a suite of proprietary statistical and behavioral models across the full extent of our operations. We believe these business practices contribute to our ability to value portfolios accurately, avoid buying portfolios that are incompatible with our methods or goals, and align the accounts we purchase with our operational channels to maximize future collections. We believe that our specialized knowledge, along with our investments in data and analytic tools, have enabled us to realize significant returns from the receivables we have acquired. From inception through September 30, 2011,

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we have invested approximately \$2.0 billion to acquire 37.3 million consumer accounts with a face value of approximately \$62.6 billion. We maintain strong relationships with many of the largest credit providers in the United States, and believe that we possess one of the industry's best collection staff retention rates.

While seasonality does not have a material impact on our business, collections are generally strongest in our first calendar quarter, slower in the second and third calendar quarters, and slowest in the fourth calendar quarter.

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Relatively higher collections in the first quarter could result in a lower cost-to-collect ratio compared to the other quarters, as our fixed costs would be constant and applied against a larger collection base. The seasonal impact on our business may be influenced by our purchasing levels, the types of portfolios we purchase, and our operating strategies.

Collection seasonality can also impact our revenue recognition rate. Generally, revenue for each pool group declines steadily over time, whereas collections can fluctuate from quarter to quarter based on seasonality, as described above. In quarters with lower collections (like the fourth calendar quarter), revenue as a percentage of collections can be higher than in quarters with higher collections (like the first calendar quarter).

In addition, seasonality could have an impact on the relative level of quarterly earnings. In quarters with stronger collections, total costs are higher, as a result of the additional efforts required to generate those collections. Since revenue for each pool group declines steadily over time, in quarters with stronger collections and higher costs (like the first calendar quarter), all else being equal, earnings could be lower than in quarters with slower collections and lower costs (like the fourth calendar quarter). Additionally, in quarters where a greater percentage of collections come from our legal and agency outsourcing channels, cost to collect will be higher than if there were more collections from our internal collection sites.

Board of Directors

The Company’s board of directors consists of nine members, one of whom, Mr. Oros, is affiliated with the selling stockholder. Mr. Oros has indicated that he intends to remain on the board following the conclusion of the offering and to facilitate an orderly transition of his board seat.

The Offering

Common stock offered by the selling stockholder	3,610,000 shares, or 3,971,315 shares if the underwriter’s option to purchase additional shares is exercised in full.
Nasdaq Global Select Market symbol	ECPG
Use of proceeds	We will not receive any proceeds from the sale of shares of common stock by the selling stockholder.
Risk Factors	Investing in our common stock involves a high degree of risk. Potential investors are urged to read and consider the risk factors relating to an investment in our common stock set forth under “Risk Factors” in this prospectus supplement as well as other information we include or incorporate by reference in this prospectus supplement and the accompanying base prospectus.

Summary Consolidated Financial Data

The following table presents our summary consolidated historical financial and other data as of and for the nine months ended September 30, 2011 and 2010 and for the years ended December 31, 2010, 2009, 2008, 2007 and 2006. The summary consolidated historical financial and other data as of December 31, 2010 and for the years ended December 31, 2010, 2009 and 2008 are derived from our audited consolidated

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financial statements which are incorporated herein by reference. The summary consolidated historical financial and other data as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 are derived from our unaudited financial statements, which are incorporated herein by reference, and are not necessarily indicative of the results to be expected for the full year. The unaudited interim summary consolidated historical financial data reflects all

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adjustments (consisting primarily of normal recurring adjustments except as described in the footnotes to the interim consolidated financial statements) which are, in the opinion of management, necessary to presently fairly the financial data for the interim periods.

The summary consolidated historical financial and other data set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2011, June 30, 2011 and September 30, 2011, which are incorporated by reference into this prospectus supplement.

(in thousands , except per share data)	Nine Months Ended		Year Ended December 30,				
	September 30, 2011	2010	2010	2009	2008	2007	2006
Revenue							
Revenue from receivable portfolios, net ⁽¹⁾	\$ 332,262	\$ 268,574	\$ 364,294	\$ 299,732	\$ 240,802	\$ 241,402	\$ 239,340
Servicing fees and other related revenue ⁽²⁾	14,434	12,962	17,014	16,687	15,087	12,609	15,800
Total revenue	346,696	281,536	381,308	316,419	255,889	254,011	255,140
Operating expenses							
Salaries and employee benefits	59,982	48,135	65,767	58,025	58,120	64,153	63,962
Stock-based compensation expense	5,980	4,756	6,010	4,384	3,564	4,287	5,669
Cost of legal collections	117,364	91,519	121,085	112,570	96,187	78,636	52,079
Other operating expenses	30,157	27,653	36,387	26,013	23,652	21,533	22,585
Collection agency commissions	10,774	17,098	20,385	19,278	13,118	12,411	18,030
General and administrative expenses	30,964	21,286	31,444	26,920	19,445	17,478	17,310
Depreciation and amortization	3,352	2,241	3,199	2,592	2,814	3,351	3,894
Total operating expenses	258,573	212,688	284,277	249,782	216,900	201,849	183,529
Income from operations	88,123	68,848	97,031	66,637	38,989	52,162	71,611
Other (expense) income							
Interest expense	(16,137)	(14,346)	(19,349)	(16,160)	(20,572)	(34,504)	(35,310)
Gain on repurchase of convertible notes, net				3,268	4,771		
Other (expense) income	(207)	250	316	(2)	358	1,071	609
Total other expense	(16,344)	(14,096)	(19,033)	(12,894)	(15,443)	(33,433)	(34,701)
Income before income taxes	71,779	54,752	77,998	53,743	23,546	18,729	36,910
Provision for income taxes	(27,955)	(19,871)	(28,946)	(20,696)	(9,700)	(6,498)	(15,436)
Net income	\$ 43,824	\$ 34,881	\$ 49,052	\$ 33,047	\$ 13,846	\$ 12,231	\$ 21,474
Earnings per share:							
Basic	\$ 1.79	\$ 1.47	\$ 2.05	\$ 1.42	\$ 0.60	\$ 0.53	\$ 0.94
Diluted	\$ 1.71	\$ 1.39	\$ 1.95	\$ 1.37	\$ 0.59	\$ 0.52	\$ 0.92
Weighted-average shares outstanding:							
Basic	24,493	23,793	23,897	23,215	23,046	22,876	22,754
Diluted	25,636	25,012	25,091	24,082	23,577	23,386	23,390
Cash flow data:							
Cash flows provided by (used in):							
Operating activities	\$ 58,231	\$ 52,502	\$ 73,451	\$ 76,116	\$ 63,071	\$ 19,610	\$ 38,027

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Investing activities	(16,496)	(71,777)	(142,807)	(79,171)	(107,252)	(95,059)	(37,190)
Financing activities	(41,968)	22,418	71,873	1,102	45,846	73,334	2,928

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As of September 30, 2011

(in thousands)

Consolidated statements of financial condition data:

Cash and cash equivalents	\$ 10,672
Investment in receivable portfolios, net	649,682
Total assets	747,440
Total debt	344,196
Total liabilities	393,519
Total stockholders' equity	353,921

- (1) Includes net allowance charges of \$8.1 million and \$16.8 million for the nine months ended September 30, 2011 and 2010, respectively, and net allowance charges of \$22.2 million, \$19.3 million, \$41.4 million, \$11.2 million and \$1.4 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.
- (2) Includes revenue from Ascension of \$14.4 million and \$12.9 million for the nine months ended September 30, 2011 and 2010, respectively, and revenue from Ascension of \$16.9 million, \$16.7 million, \$15.0 million, \$12.5 million and \$15.7 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

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RISK FACTORS

*This section highlights some specific risks related to our common stock and this offering. The list of risks is not intended to be exhaustive and the order in which the risks appear is not intended as an indication of their relative weight or importance. Investing in our securities involves a high degree of risk. You should carefully consider the risks described below and the information set forth under the heading *Risk Factors* in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, together with all other information included or incorporated by reference in this prospectus supplement and the accompanying base prospectus, before you decide to invest in our common stock. See also *Cautionary Note Regarding Forward-Looking Statements* above.*

Risks Related to Our Common Stock and this Offering

Our common stock price may be subject to significant fluctuations and volatility.

The market price of our common stock has been subject to significant fluctuations. Since the beginning of fiscal year 2011, our closing stock price has ranged from a low of \$19.32 on August 22, 2011 to a high of \$33.09 on May 31, 2011. These fluctuations could continue. Among the factors that could affect our stock price are:

our operating and financial performance and prospects;

our ability to repay our debt;

our access to financial and capital markets to refinance our debt;

investor perceptions of us and the industry and markets in which we operate;

future sales of equity or equity-related securities;

changes in earnings estimates or buy/sell recommendations by analysts;

changes in the supply of, demand for or price of debt portfolios;

regulatory changes affecting our industry generally or our business and operations; and

general financial, domestic, international, economic and other market conditions.

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The stock markets in general have experienced high volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

If securities or industry analysts have a negative outlook regarding our stock or our industry, or our operating results do not meet their expectations, our stock price could decline. The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us. If one or more of the analysts who cover our company downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

Future sales of our common stock or the issuance of other equity may adversely affect the market price of our common stock.

Except as described under the heading **Underwriters**, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of additional shares of our common stock or convertible securities, including our outstanding options and restricted shares, or otherwise, will dilute the ownership interest of our common stockholders.

The liquidity and trading volume of our common stock is limited due to the substantial portion of our common stock held by the selling stockholder and other parties. Sales of a substantial number of shares of our common stock or other equity-related securities in the public market by us, the selling stockholder or others

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could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

Provisions in our charter documents and Delaware law may delay or prevent acquisition of us, which could decrease the value of shares of our common stock.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions include advance notice provisions, limitations on actions by our stockholders by written consent and special approval requirements for transaction involving interested stockholders. We are authorized to issue up to five million shares of convertible preferred stock, the relative rights and preferences of which may be fixed by our board of directors, subject to the provisions of our articles of incorporation, without stockholder approval. The issuance of preferred stock could be used to dilute the stock ownership of a potential hostile acquirer. The provisions that discourage potential acquisitions of us and adversely affect the voting power of the holders of common stock may adversely affect the price of our common stock. See [Description of Common Stock](#) in the base prospectus.

We do not intend to pay dividends on our common stock for the foreseeable future.

We have never declared or paid cash dividends on our common stock. In addition, we must comply with the covenants in our revolving credit facility if we want to pay cash dividends. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, capital requirements, restrictions contained in current or future financing instruments and such other factors as our board of directors deems relevant. Accordingly, you may need to sell your shares of our common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder. The selling stockholder will receive all of the net proceeds from the sale of shares of our common stock.

The selling stockholder will pay any underwriting discounts and commissions incurred by the selling stockholder in connection with sales by it. We will bear all other costs, fees and expenses incurred in effecting the registration of the common stock covered by this prospectus supplement including, but not limited to, all registration and filing fees, expenses of our counsel and accountant and expenses of counsel to the selling stockholder, as such expenses pertain to this offering.

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The following table sets forth our cash and capitalization as of September 30, 2011 on an actual basis.

You should read the information in this table together with Management's Discussions and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as updated in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, which is incorporated by reference into this prospectus supplement and the accompanying base prospectus.

As of September 30, 2011

(in thousands, except per share data)

Cash and cash equivalents	\$ 10,672
Debt:	
Revolving credit facility	\$ 261,000
Senior secured notes	75,000
Capital lease obligation	8,196
Total debt	344,196
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, 24,472 shares issued and outstanding as of September 30, 2011	245
Additional paid-in capital	122,082
Accumulated earnings	232,718
Accumulated other comprehensive loss	(1,124)
Total stockholders' equity	353,921
Total capitalization	\$ 698,117

Table of Contents**PRICE RANGE OF OUR COMMON STOCK AND DIVIDEND POLICY****Market Information**

Our common stock is traded on the Nasdaq Global Select Market under the symbol ECPG. The high and low sales prices of the common stock, as reported by the Nasdaq Global Select Market, for each quarter during our two most recent fiscal years and this year are reported below.

	High	Low
Year Ending December 31, 2011		
Fourth Quarter (through October 31, 2011)	\$ 28.50	\$ 20.68
Third Quarter	\$ 31.78	\$ 18.96
Second Quarter	\$ 33.16	\$ 23.85
First Quarter	\$ 27.67	\$ 21.65
Year Ended December 31, 2010		
Fourth Quarter	23.67	16.70
Third Quarter	22.92	17.50
Second Quarter	24.09	16.50
First Quarter	18.66	14.65
Year Ended December 31, 2009		
Fourth Quarter	19.89	11.79
Third Quarter	17.50	10.30
Second Quarter	14.14	4.20
First Quarter	8.43	2.62

On November 1, 2011, the closing sale price of our common stock, as reported on the Nasdaq Global Select Market, was \$25.74 per share. As of October 28, 2011, there were approximately 15 record holders.

Dividend Policy

As a public company, we have never declared or paid dividends on our common stock. However, the declaration, payment and amount of future dividends, if any, is subject to the discretion of our board of directors, which may review our dividend policy from time to time in light of the then existing relevant facts and circumstances. Under the terms of our revolving credit facility, we are permitted to declare and pay dividends in an amount not to exceed, during any fiscal year, 20% of our audited consolidated net income for the then most recently completed fiscal year, so long as no default or unmatured default under the facility has occurred and is continuing or would arise as a result of the dividend payment. We may also be subject to additional dividend restrictions under future financing facilities.

Table of Contents**SELLING STOCKHOLDER**

A total of 3,610,000 shares of common stock are being offered by the selling stockholder. The following table sets forth information with respect to the selling stockholder and the shares of common stock beneficially owned by the selling stockholder and reflects the shares of common stock offered by this prospectus supplement. Beneficial ownership is determined in accordance with the rules and regulations of the SEC.

Name	Shares Beneficially Owned Prior to Offering		Number of Shares Offered ⁽²⁾	Shares Beneficially Owned After Offering	
	Number	Percent ⁽¹⁾		Number	Percent ⁽¹⁾
JCF FPK ⁽³⁾	3,971,315	16.20%	3,610,000	361,315	1.47%

- (1) Applicable percentage ownership is based on 24,507,190 shares of common stock outstanding as of October 28, 2011. Beneficial ownership of shares is determined in accordance with the rules of the Securities and Exchange Commission and generally includes shares as to which a person holds sole or shared voting or investment power. Shares of common stock subject to options that are presently exercisable or exercisable within 60 days of October 28, 2011 are deemed to be beneficially owned by the person holding such options for the purpose of computing percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.
- (2) JCF FPK has granted the underwriter the option to purchase from it 361,315 shares of our common stock. If the option to purchase additional shares was exercised in full, after the offering JCF FPK would own none of our common stock.
- (3) JCF FPK I LP (JCF FPK) is offering 3,610,000 shares of common stock. Information with respect to JCF FPK is based in part on a Schedule 13D and Amendment Nos. 1, 2 and 3 thereto filed with the SEC on April 23, May 14, May 18 and October 22, 2007, respectively, by JCF FPK, JCF Associates II-A LP (JCF Associates), JCF Associates II-A LLC (JCF LLC) and J. Christopher Flowers (the Original Reporting Persons) and Amendment No. 4 filed with the SEC on March 8, 2011 by the Original Reporting Persons and JCF Associates II L.P. (JCF II L.P.) and JCF Associates II Ltd. (JCF II Ltd.). JCF Associates is the sole general partner of JCF FPK and has control over its affairs and investment decisions, including the power to vote or dispose of the shares held by JCF FPK. JCF LLC is the sole general partner of JCF Associates and has sole control over its affairs and investment decisions, including, indirectly, the power to vote or dispose of the shares held by JCF FPK. JCF II L.P. is the sole member of JCF LLC and has sole control over its affairs and investment decisions, including, indirectly the power to vote or dispose of the shares held by JCF FPK. JCF II Ltd. is the general partner of JCF II L.P. and has sole control over its affairs and investment decisions, including, indirectly, the power to vote or dispose of the shares held by JCF FPK. Mr. Flowers is the sole director of JCF II Ltd. and thus may be deemed to control JCF II Ltd. and each entity directly or indirectly controlled by JCF II Ltd., including JCF FPK and therefore may be deemed to have voting and/or investment power over these shares. Mr. Flowers disclaims beneficial ownership of these shares. John Oros is a member of our board of directors. Mr. Oros is a managing director of J.C. Flowers & Co. LLC, investment advisor to JCF Associates, and is not a beneficial owner of these shares. Mr. Oros was elected as director of Encore on May 11, 2007. The business address for JCF FPK is 717 Fifth Avenue, 26th Floor, New York, New York 10022. The number of shares offered by JCF FPK excludes (i) 23,214 shares underlying fully vested RSUs which were granted to our former director, Timothy Hanford, and which were subsequently transferred to J.C. Flowers & Co. LLC and (ii) 22,630 shares underlying fully vested RSUs which are held by Mr. Oros, which will be required to be transferred to J.C. Flowers & Co. LLC when paid to Mr. Oros. Mr. Flowers is the sole member of J.C. Flowers & Co. LLC and thus may be deemed to have beneficial ownership of such shares. Mr. Flowers disclaims beneficial ownership of these shares.

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MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by a non-U.S. holder. For purposes of this discussion, you are a non-U.S. holder if you are a beneficial owner of our common stock, and you are not, for U.S. federal income tax purposes:

an individual who is a citizen or resident of the U.S.;

a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., or of any state thereof or the District of Columbia;

an estate whose income is subject to U.S. federal income taxation regardless of its source; or

a trust, in general, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust has made a valid election to be treated as a U.S. person under applicable U.S. Treasury regulations.

This discussion does not consider:

U.S. state, U.S. local or non-U.S. tax consequences;

all aspects of U.S. federal income and estate taxes or specific facts and circumstances that may be relevant to a particular non-U.S. holder's tax position;

the tax consequences for the stockholders, partners or beneficiaries of a non-U.S. holder;

special tax rules that may apply to particular non-U.S. holders, such as partnerships (including any entity treated as a partnership for U.S. federal income tax purposes), financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, broker-dealers and traders in securities; or

special tax rules that may apply to a non-U.S. holder that holds our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment.

If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, is a holder of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership that may acquire our common stock, or a partner in such a partnership, you should consult a tax advisor regarding the tax consequences to you of the partnership's acquisition, ownership and disposition of our common stock.

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The following discussion is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, existing and proposed Treasury regulations and administrative and judicial interpretations, all as of the date of this prospectus supplement, and all of which are subject to change, retroactively or prospectively. The following summary assumes that you hold our common stock as a capital asset. No ruling has been or will be sought from the U.S. Internal Revenue Service, or IRS, with respect to the matters discussed herein, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock, or that any such contrary position would not be sustained by a court. **Each non-U.S. holder should consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.**

Dividends

As stated above under Price Range of Our Common Stock and Dividend Policy Dividend Policy, as a public company, we have never declared or paid dividends on our common stock. In the event that we make

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distributions on our common stock, those payments will constitute dividends for U.S. federal tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, they first will constitute a return of capital and will reduce a non-U.S. holder's basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock (see "Gain on Disposition of Common Stock" below). Any dividend paid to a non-U.S. holder on our common stock will generally be subject to U.S. federal withholding tax at a rate of 30%, or a lower rate under an applicable income tax treaty. You are urged to consult your tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in order for us to withhold tax at a lower treaty rate, you must provide us with an IRS Form W-8BEN certifying your eligibility for the lower treaty rate.

As referenced in the preceding paragraph, if you claim the benefit of an applicable income tax treaty rate, you generally will be required to satisfy applicable certification and other requirements. However,

in the case of common stock held by a foreign partnership, the certification requirement will generally be applied to partners and the partnership will be required to provide certain information;

in the case of common stock held by a foreign trust, the certification requirement will generally be applied to the trust or the beneficial owners of the trust depending on whether the trust is a foreign complex trust, foreign simple trust, or foreign grantor trust as defined in the U.S. Treasury regulations; and

look-through rules apply for tiered partnerships, foreign simple trusts and foreign grantor trusts.

A non-U.S. holder that is a foreign partnership or a foreign trust is urged to consult its tax advisor regarding its status under these U.S. Treasury regulations and the certification requirements applicable to it.

If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund on a timely basis with the IRS.

If the dividend is effectively connected with your conduct of a trade or business in the U.S. and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by you in the U.S., the dividend will generally be exempt from U.S. federal withholding tax, provided that you supply us with a properly executed IRS Form W-8ECI. In this case, the dividend will be taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons and, if you are a foreign corporation, you may be subject to an additional branch profits tax at a rate of 30% or a lower rate as may be specified by an applicable income tax treaty.

Gain on Disposition of Common Stock

You generally will not be subject to U.S. federal income tax on gain recognized on a disposition of our common stock unless:

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the gain is effectively connected with your conduct of a trade or business in the U.S. and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by you in the U.S., in which case the gain will be taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons and, if you are a foreign corporation, you may be subject to an additional branch profits tax at a rate of 30% or a lower rate as may be specified by an applicable income tax treaty;

you are an individual who holds our common stock as a capital asset, are present in the U.S. for 183 days or more in the taxable year of the disposition and meet other requirements, in which case the gain will be taxed at a rate of 30% (or a lower rate as may be specified by an applicable income tax treaty)

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but may be offset by U.S. source capital losses (even though you are not considered a resident of the U.S.), provided that you have timely filed U.S. federal income tax returns with respect to such losses; or

we are or have been a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition and the period that you held our common stock and certain other conditions are met, in which case the gain will be taxed on a net income basis in the manner described in the first bullet paragraph above. We believe that we are not currently, and we do not anticipate becoming in the future, a USRPHC for U.S. federal income tax purposes.

Information Reporting and Backup Withholding

Dividends paid to you are subject to information reporting and may be subject to U.S. backup withholding. The information reporting rules require us to report annually to the IRS and to you the amount of distributions on our common stock paid to you and the amount of any tax withheld with respect to those distributions. These information reporting requirements apply even if no withholding was required because the distributions were effectively connected with your conduct of a trade or business in the U.S., or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which you reside or are established. You will be exempt from backup withholding if you provide an IRS Form W-8BEN or otherwise meet documentary evidence requirements for establishing that you are a non-U.S. person or otherwise establish an exemption.

The gross proceeds from the disposition of our common stock may be subject to information reporting and backup withholding. If you sell your common stock outside the U.S. through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the U.S., then the U.S. backup withholding and information reporting requirements generally (except as provided in the following sentence) will not apply to that payment. However, U.S. information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the U.S., if you sell our common stock through a non-U.S. office of a broker that:

is a U.S. person;

derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the U.S.;

is a controlled foreign corporation for U.S. tax purposes; or

is a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, or the foreign partnership is engaged in a U.S. trade or business,

unless the broker has documentary evidence in its files that you are a non-U.S. person and various other conditions are met or you otherwise establish exemption.

If you receive payments of the proceeds of a sale of our common stock through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless you provide an IRS Form W-8BEN certifying that you are a non-U.S. person or you otherwise establish an exemption.

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You generally may obtain a refund or credit of any amount withheld under the backup withholding rules that exceeds your income tax liability by filing a refund claim with the IRS.

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Additional Withholding Rules for Foreign Accounts

The Hiring Incentives to Restore Employment Act of 2010 imposes a withholding tax of 30% on certain types of payments made to foreign financial institutions (as specially defined under such legislation) and certain other non-U.S. entities unless such entities satisfy additional certification, information reporting and other specified requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities). Failure to comply with the new reporting requirements could result in withholding tax being imposed on payments to such entities of dividends on, and proceeds from the sale of, our common stock. This legislation is generally effective for payments made after December 31, 2012. However, recent IRS guidance indicates that, under future regulations, these withholding provisions will apply to payments of dividends on our common stock made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of our common stock made on or after January 1, 2015. Prospective investors should consult their tax advisors regarding this legislation.

Federal Estate Tax

Common stock owned or treated as owned by an individual who is a non-U.S. person, as specially defined for U.S. federal estate tax purposes, at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise and, therefore, may be subject to U.S. federal estate tax.

Table of Contents**UNDERWRITERS**

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, Morgan Stanley & Co. LLC, the underwriter, has agreed to purchase, and the selling stockholder has agreed to sell to the underwriter the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	3,610,000
Total	3,610,000

The underwriter is offering the shares of common stock subject to its acceptance of the shares from the selling stockholder and subject to prior sale. The underwriting agreement provides that the obligations of the underwriter to pay for and accept delivery of the shares of common stock offered by this prospectus supplement are subject to the approval of certain legal matters by its counsel and to certain other conditions. The underwriter is obligated to take and pay for all of the shares of common stock offered by this prospectus supplement if any such shares are taken. However, the underwriter is not required to take or pay for the shares covered by the underwriter's over-allotment option described below.

The underwriter initially proposes to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus supplement and part to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the underwriter.

The selling stockholder has granted to the underwriter an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 361,315 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriter may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus supplement.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to the selling stockholder. These amounts are shown assuming both no exercise and full exercise of the underwriter's option to purchase up to an additional 361,315 shares of common stock.

	Per Share	Total	
		Without Over- allotment	With Over- allotment
Public offering price	\$	\$	\$
Underwriting discounts and commissions payable by the selling stockholder	\$	\$	\$
Proceeds, before expenses, to the selling stockholder	\$	\$	\$

The selling stockholder will pay any underwriting discounts and commissions incurred by the selling stockholder in connection with the sales by it. We will bear all other costs, fees and expenses incurred in effecting the registration of the common stock covered by this prospectus supplement, including, but not limited to, all registration and filing fees, expenses of our counsel and accountant and expenses of counsel to the

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selling stockholder, as such expenses pertain to this offering. The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$400,000.

The underwriter has informed us that it does not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by it.

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We, each of our directors and executive officers, Red Mountain Capital Partners II, L.P., Red Mountain Capital Partners III, L.P. and the selling stockholder have agreed that, without the prior written consent of the underwriter, we and they will not, during the period ending 90 days after the date of this prospectus supplement:

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in the above paragraph do not apply to:

the sale of shares to the underwriter pursuant to this offering;

the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus supplement or the issuance or grant by us of equity awards under any employee benefit plan existing on the date of this prospectus supplement;

transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after completion of this offering; provided that no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with such transaction;

the distribution or transfer of shares of common stock or any security convertible into common stock by any stockholder (i) as a bona fide gift, (ii) to its limited partners, stockholders or affiliates or (iii) in connection with the sale or other bona fide transfer in a single transaction of all or substantially all of such stockholder's equity interests, in any such case not undertaken for the purpose of avoiding the restrictions above; provided that, in each case, the donee, distributee or transferee agrees to be bound in writing by the terms of the lock-up agreement prior to such distribution or transfer and no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with such transaction;

the distribution or transfer of shares of common stock or any security convertible into common stock by any director or executive officer (i) as a bona fide gift, (ii) to its limited partners or stockholders, (iii) to any charitable organization, (iv) to pay the exercise price or withholding tax obligations incurred by the undersigned upon vesting of any equity awards, (v) if he is no longer an officer or director of us or (vi) in the event of his death, by the executors or heirs of such person; provided that, (a) in the case of (i) and (ii) above, the donee, distributee or transferee agrees to be bound in writing by the terms of the lock-up agreement prior to such distribution or transfer and no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with such transaction; and (b) in the case of (v) and (vi), no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with such transaction; and

the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that such plan does not provide for the transfer of common stock during the 90 day restricted period and no public

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announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of us or any other person.

However, the underwriter may, in its sole discretion and at any time or from time to time before the termination of the lock-up period, without notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriter or any of our stockholders who have executed a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

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In order to facilitate the offering of the common stock, the underwriter may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriter may sell more shares than it is obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriter under the over-allotment option. The underwriter can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriter will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriter may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriter must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriter may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriter is not required to engage in these activities and may end any of these activities at any time.

We, the selling stockholder and the underwriter have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, and liabilities arising from breaches of representations and warranties contained in the underwriting agreement.

The underwriter and/or its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They receive customary fees and commissions for these services. In particular, an affiliate of the underwriter is a lender under our revolving credit facility.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), the underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of any shares of our common stock to the public in that Relevant Member State, except that it may, with effect from and including such date, make an offer of any shares of our common stock to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives; or

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- (d) at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of any shares of our common stock to the public in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of our common stock, as the

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same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in that Relevant Member State.

United Kingdom

This prospectus supplement and any other material in relation to the shares of our common stock described herein is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospective Directive (qualified investors) that also (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, (ii) who fall within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons). The shares of our common stock referred to herein are only available to, and any invitation, offer or agreement to purchase or otherwise acquire such shares of our common stock will be engaged in only with, relevant persons. This prospectus supplement and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement or any of its contents.

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LEGAL MATTERS

Certain legal matters with respect to the validity of the common stock offered hereby will be passed upon for us by Hogan Lovells US LLP, Los Angeles, California. Certain legal matters with respect to the common stock offered hereby will be passed upon for the underwriter by Latham & Watkins LLP, Los Angeles, California.

EXPERTS

The consolidated financial statements of Encore Capital Group, Inc. as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 (which is included under Part II, Item 9A in Management's Report on Internal Control over Financial Reporting in our Annual Report on Form 10-K for the year ended December 31, 2010) have been incorporated by reference herein and in the registration statement in reliance upon the report of BDO USA, LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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PROSPECTUS

ENCORE CAPITAL GROUP, INC.

\$150,000,000

Debt Securities

Common Stock

Preferred Stock

Depository Shares

Warrants

Up to 9,172,094 Shares of Common Stock

Offered by Selling Securityholders

We may, from time to time, offer and sell debt securities, preferred stock, either separately or represented by depository shares, common stock or warrants, either separately or in units, in one or more offerings having a total initial offering price not to exceed \$150,000,000. The debt securities, preferred stock and warrants may be convertible into or exercisable or exchangeable for common or preferred stock or debt securities. In addition, selling securityholders who acquired shares of common stock in the manner described in this prospectus and who will be identified in a prospectus supplement may offer and sell from time to time, up to 9,172,094 shares of our common stock, at prices and on terms that will be determined at the time the securities are offered. We will specify in the accompanying prospectus supplement more specific information about any such offering. We will not receive any of proceeds from the sale of common stock by selling securityholders.

This prospectus describes some of the general terms that may apply to the securities we may offer and sell and the general manner in which they may be offered. Each time we offer securities, we will provide one or more supplements to this prospectus that contains specific information about the offering and the terms of any securities being sold. Before investing, you should carefully read this prospectus and any related prospectus supplement. The prospectus supplements may also add, update or change information contained in this prospectus.

The shares of common to be offered and sold by the selling securityholders or any of their respective pledgees, donees, transferees or other successors-in-interest are being registered to permit the offer and sale of these shares from time to time, in amounts, at prices and on terms determined at the time of offering. The shares of common stock to be offered and sold by the selling securityholders may be sold through ordinary brokerage transactions, directly to market makers of our shares or through any other means described in the section of this prospectus entitled **Plan of Distribution** beginning on page 19, or by any applicable prospectus supplement.

Except in the case of offers and sales by the selling securityholders or any of their respective pledges, donees, transferees or other successors-in-interest in circumstances described under **Plan of Distribution**, this prospectus may not be used to offer or sell securities unless accompanied by a prospectus supplement.

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Our common stock is traded on the NASDAQ Global Select Market under the symbol ECPG. On May 28, 2010, the closing price of our common stock on the NASDAQ Global Select Market was \$20.90 per share.

Investing in our securities involves risks. See the section entitled Risk Factors on page 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 1, 2010.

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You should rely only on the information incorporated by reference or provided in this prospectus, any prospectus supplement and the registration statement. We have not, and the selling securityholders have not, authorized anyone else to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling securityholders are not making an offer to sell these securities in any state where the offer or sale is not permitted. You should assume that the information in this prospectus and any prospectus supplement, or incorporated by reference, is accurate only as of the dates of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration, or continuous offering, process. Under this shelf registration process, we may, from time to time, offer and sell any combination of debt securities, preferred stock, either separately or represented by depositary shares, common stock or warrants, either separately or in units, in one or more offerings with a maximum aggregate offering price of \$150,000,000. The selling securityholders may use this shelf registration statement as supplemented with a prospectus to sell an aggregate 9,172,094 shares of our common stock.

This prospectus provides you with a general description of the securities we or the selling securityholders may offer. Each time we or the selling securityholders sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering and the offered securities. Any prospectus supplement may also add, update or change information contained in this prospectus. Any statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in a prospectus supplement. The registration statement we filed with the SEC includes exhibits that provide more detail of the matters discussed in this prospectus. You should read this prospectus and the related exhibits filed with the SEC and any prospectus supplement, together with additional information described under the heading Where You Can Find More Information, before making your investment decision.

Unless the context otherwise requires, references in this prospectus and the accompanying prospectus supplement to Encore, the Company, we, us and our refer to Encore Capital Group, Inc. and its subsidiaries.

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PROSPECTUS SUMMARY

This summary contains a general summary of the information contained in this prospectus. It may not include all the information that is important to you. You should read the entire prospectus, the prospectus supplement delivered with the prospectus, if any, and the documents incorporated by reference before making an investment decision.

Encore Capital Group, Inc.

We are a systems-driven purchaser and manager of charged-off consumer receivable portfolios and, through our wholly owned subsidiary Ascension Capital Group, Inc. (Ascension), a provider of bankruptcy services to the finance industry. We acquire receivable portfolios at deep discounts from their face values using our proprietary valuation process that is based upon an analysis of the individual consumer attributes of the underlying accounts. Based upon our ongoing analysis of these accounts, we employ a dynamic mix of collection strategies to maximize our return on investment. The receivable portfolios we purchase consist primarily of unsecured, charged-off domestic consumer credit card, auto loan deficiency and telecom receivables purchased from national financial institutions, major retail credit corporations, telecom companies and resellers of such portfolios. From September 2005 through June 2007, we also purchased healthcare receivables from hospitals and resellers of healthcare receivables. In September 2007, we exited our healthcare purchasing and internal collection activities, although we are still receiving collections from certain healthcare portfolios that we own. Acquisitions of receivable portfolios are financed from operating cash flows and borrowings from third parties. See Note 8 to our consolidated financial statements in our most recent Annual Report on Form 10-K and Note 9 to our consolidated financial statements in our most recent Quarterly Report on Form 10-Q for further discussion of our debt. Encore is a Delaware holding company whose assets consist of investments in its subsidiaries.

We have been in the collection business for 56 years and started purchasing portfolios for our own account approximately 19 years ago. From our inception through December 31, 2009, we have invested approximately \$1.4 billion to acquire 28.8 million consumer accounts with a face value of approximately \$43.8 billion.

We have established certain relationships with credit card issuers, other lenders and resellers that allow us to purchase portfolios directly through negotiated transactions, and we participate in the auction-style purchase processes that typify our industry. In addition, we enter into forward flow arrangements in which we agree to buy receivables that meet agreed upon parameters over the course of the contract term.

We evaluate each portfolio for purchase using the proprietary valuation and underwriting processes developed by our in-house team of statisticians. Unlike many of our competitors, which we believe primarily base their purchase decisions on numerous aggregated portfolio-level factors, including the originator, the type of receivables to be purchased, or the number of collection agencies the accounts have been placed with previously, we base our purchase decisions primarily on our analysis of the specific accounts included in a portfolio. Based upon this analysis, we determine a value for each account, which we aggregate to produce a valuation of the entire portfolio. We believe this capability allows us to perform more accurate valuations of receivable portfolios. We have successfully applied this methodology to receivables across multiple asset classes.

After we purchase a portfolio, we continuously refine our analysis of the accounts to determine the best strategy for collection. As with our purchase decisions, our collection strategies are based on account level criteria. Our collection strategies include:

the use of a nationwide network of collection attorneys to pursue legal action where appropriate;

outbound calling, driven by proprietary, predictive software, by our own collection workforce located at our three domestic call centers and our international call center in India;

the use of multiple third party collection agencies;

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direct mail campaigns coordinated by our in-house marketing group;

the transfer of accounts to a credit card provider, generating a payment to us; and

the sale of accounts where appropriate.

Encore was incorporated in Delaware in 1999. Our principal executive offices are located at 8875 Aero Drive, Suite 200, San Diego, California 92123, and our telephone number is (877) 445-4581. Our internet website is www.encorecapitalgroup.com. We make our electronic filings with the Securities Exchange Commission (the "SEC"), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports available on our website free of charge as soon as practicable after we file or furnish them with the SEC. Information on our website is not a part of, or incorporated by reference into, this prospectus.

The Offering

Securities offered by us

We may offer and sell any of these securities from time to time:

shares of our common stock

our debt securities

shares of our preferred stock

depository shares with respect to fractional shares of our preferred stock

warrants to purchase shares of our common stock, debt securities, preferred stock or depository shares; or

any combination of our common stock, debt securities, preferred stock, depository shares or warrants.

Common stock offered by the selling securityholders
Selling securityholders

Up to 9,172,094 shares.
See "Selling Securityholders" on page 19 for more information on the selling securityholders.

Use of proceeds

We intend to use the net proceeds from the sale of our securities offered by us for general corporate purposes. Any accompanying prospectus supplement will set forth our intended use of net proceeds.

We will not receive any proceeds from the sale of shares of common stock by the selling securityholders.

Common Stock

We or the selling securityholders may offer shares of our common stock. See Description of Common Stock on page 16.

Debt Securities

Our debt securities may be convertible into our common stock, preferred stock, debt securities or other securities or property. For any particular debt securities we offer, the applicable prospectus supplement will describe the specific designation, the aggregate principal or face amount and the purchase price; the ranking, whether senior or subordinated; the stated maturity; the redemption terms, if

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any; the conversion terms, if any; the rate or manner of calculating the rate and the payment dates for interest, if any; the amount or manner of calculating the amount payable at maturity and whether that amount may be paid by delivering cash, securities or other property; and any other specific terms. We will issue the senior and subordinated debt securities under separate indentures between us and a trustee we will identify in an applicable prospectus supplement.

Preferred Stock

We may offer our preferred stock in one or more series. For any particular series we offer, the applicable prospectus supplement will describe the specific designation; the aggregate number of shares offered; the rate and periods, or manner of calculating the rate and periods, for dividends, if any; the stated value and liquidation preference amount, if any; the voting rights, if any; the terms on which the series will be convertible into or exchangeable for other securities or property, if any; the redemption terms, if any; and any other specific terms.

Warrants

We may offer warrants to purchase our common stock, debt securities and preferred stock. For any particular warrants we offer, the applicable prospectus supplement will describe the underlying security; expiration date; the exercise price or the manner of determining the exercise price; the amount and kind, or the manner of determining the amount and kind, of any security to be delivered by us upon exercise; and any other specific terms. We may issue the warrants under warrant agreements between us and one or more warrant agents.

Plan of Distribution

We and the selling securityholders may offer and sell the securities from time to time through ordinary brokerage transactions, directly to market makers of our shares or through any other means described in the section entitled *Plan of Distribution* beginning on page 19 or otherwise as described in any accompanying prospectus supplement. Any particular offering by us or the selling securityholders of securities will be made through a plan of distribution described in an accompanying prospectus supplement.

Listing

If any securities other than our common stock are to be listed or quoted on a securities exchange or quotation system, the applicable prospectus supplement will say so.

Nasdaq Global Select Stock Market symbol for
Common Stock

ECPG

Risk Factors

See *Risk Factors* and the other information contained in this prospectus and to which we refer you for a discussion of factors you should consider carefully before deciding to invest in our securities.

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RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider and evaluate all of the information contained in this prospectus, any accompanying prospectus supplement, and in the documents we incorporate by reference in this prospectus before you decide to purchase our securities. In particular, you should carefully consider and evaluate the risks and uncertainties described in Part I Item 1A. Risk Factors of our most recent Form 10-K, as updated by the additional risks and uncertainties set forth in other filings we make with the SEC or any accompanying prospectus supplement, which information is incorporated in this prospectus by reference. Any of the risks and uncertainties set forth therein could materially and adversely affect our business, results of operations and financial condition, which in turn could materially and adversely affect the trading price or value of our securities. As a result, you could lose all or part of your investment.

FORWARD-LOOKING STATEMENTS

When used in this prospectus, the words expects, believes, anticipates, estimates, may, could, intends, and similar expressions are intended to identify forward-looking statements. These statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those projected or otherwise implied by the forward-looking statements. These forward-looking statements speak only as of the date of this prospectus. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. We will discuss many of these risks and uncertainties in greater detail in any prospectus supplement under the heading Risk Factors. Additional cautionary statements or discussions of risks and uncertainties that could affect our results or the achievement of the expectations described in forward-looking statements may also be contained in the documents we incorporate by reference into this prospectus.

These forward-looking statements speak only as of the date of this prospectus. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. You should, however, review additional disclosures we make in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with the SEC.

USE OF PROCEEDS

Unless we state otherwise in the accompanying prospectus supplement, we intend to use the net proceeds from the sale of the securities offered by this prospectus for general corporate purposes. General corporate purposes may include additions to working capital, financing of capital expenditures, repayment or redemption of existing indebtedness, and future acquisitions and strategic investment opportunities. Pending the application of net proceeds, we expect to invest the net proceeds in investment grade, interest-bearing securities. We will not receive any proceeds from the sale of common stock by selling securityholders.

The selling securityholders will pay any underwriting discounts and commissions and expenses incurred by the selling securityholders for brokerage, accounting, tax or legal services or any other expenses incurred by the selling securityholders in connection with sales by them. We will bear all other costs, fees and expenses incurred in effecting the registration of the securities covered by this prospectus, including, but not limited to, all registration and filing fees and fees and expenses of our counsel and accountants and certain expenses of counsel to certain selling securityholders.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The ratio of earnings to fixed charges for each of the periods indicated are set forth in the following table. We have not included a ratio of earnings to combined fixed charges and preferred stock dividends because we do not have any preferred stock outstanding as of the date of this prospectus.

	Year Ended December 31,					Quarter
	2005	2006	2007	2008	2009	Ended March 31, 2010
Ratio of earnings to fixed charges ⁽¹⁾	2.48	2.02	1.53	2.08	4.05	4.54

⁽¹⁾ The ratio of earnings to fixed charges is computed by dividing earnings before taxes plus fixed charges by fixed charges. Fixed charges means the sum of the following: (i) interest expense (including interest expense from capital leases), (ii) amortized premiums, discounts and capitalized expenses related to indebtedness, and (iii) the estimated portion of rental expense deemed by us to be representative of the interest factor of rental payments under operating leases.

DESCRIPTION OF DEBT SECURITIES

As of May 28, 2010, we have approximately \$42.9 million principal amount of outstanding 3.375% Convertible Subordinated Notes due September 19, 2010.

The following is a summary of the general terms of the debt securities. We will file a prospectus supplement that may contain additional terms when we issue debt securities. The terms presented here, together with the terms in a related prospectus supplement, will be a description of the material terms of the debt securities. You should also read the indenture under which the debt securities are to be issued. We have filed a form of indenture governing different types of debt securities with the SEC as an exhibit to the registration statement of which this prospectus is a part. All capitalized terms have the meanings specified in the indenture.

We may issue, from time to time, debt securities, in one or more series. The debt securities we offer will be issued under an indenture between us and the trustee named in the indenture. These debt securities that we may issue include senior debt securities, subordinated debt securities, convertible debt securities and exchangeable debt securities. The following is a summary of the material provisions of the indenture filed as an exhibit to the registration statement of which this prospectus is a part. For each series of debt securities, the applicable prospectus supplement for the series may change and supplement the summary below.

General Terms of the Indenture

The indenture does not limit the amount of debt securities that we may issue. It provides that we may issue debt securities up to the principal amount that we may authorize and they may be in any currency or currency unit that we may designate. Except for the limitations on consolidation, merger and sale of all or substantially all of our assets contained in the indenture, the terms of the indenture do not contain any covenants or other provisions designed to give holders of any debt securities protection against changes in our operations, financial condition or transactions involving us. For each series of debt securities, any restrictive covenants for those debt securities will be described in the applicable prospectus supplement for those debt securities.

We may issue the debt securities issued under the indenture as discount securities, which means they may be sold at a discount below their stated principal amount. These debt securities, as well as other debt securities that are not issued at a discount, may, for United States federal income tax purposes, be treated as if they were issued with original issue discount, or OID, because of interest payment and other characteristics. Special United States federal income tax considerations applicable to debt securities issued with original issue discount will be described in more detail in any applicable prospectus supplement.

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You should refer to the prospectus supplement relating to a particular series of debt securities for a description of the following terms of the debt securities offered by that prospectus supplement and by this prospectus:

the title and authorized denominations of those debt securities;

any limit on the aggregate principal amount of that series of debt securities;

the date or dates on which principal and premium, if any, of the debt securities of that series is payable;

interest rates, and the dates from which interest, if any, on the debt securities of that series will accrue, and the dates when interest is payable and the maturity;

the right, if any, to extend the interest payment periods and the duration of the extensions;

if the amount of payments of principal or interest is to be determined by reference to an index or formula, or based on a coin or currency other than that in which the debt securities are stated to be payable, the manner in which these amounts are determined and the calculation agent, if any, with respect thereto;

the place or places where and the manner in which principal of, premium, if any, and interest, if any, on the debt securities of that series will be payable and the place or places where those debt securities may be presented for transfer and, if applicable, conversion or exchange;

the period or periods within which, the price or prices at which, the currency or currencies in which, and other terms and conditions upon which those debt securities may be redeemed, in whole or in part, at our option or the option of a holder of those securities, if we or a holder is to have that option;

our obligation or right, if any, to redeem, repay or purchase those debt securities pursuant to any sinking fund or analogous provision or at the option of a holder of those securities, and the terms and conditions upon which the debt securities will be redeemed, repaid or purchased, in whole or in part, pursuant to that obligation;

the terms, if any, on which the debt securities of that series will be subordinate in right and priority of payment to our other debt;

the denominations in which those debt securities will be issuable;

if other than the entire principal amount of the debt securities when issued, the portion of the principal amount payable upon acceleration of maturity as a result of a default on our obligations;

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whether those debt securities will be issued in fully registered form without coupons or in a form registered as to principal only with coupons or in bearer form with coupons;

whether any securities of that series are to be issued in whole or in part the form of one or more global securities and the depositary for those global securities;

if other than United States dollars, the currency or currencies in which payment of principal of or any premium or interest on those debt securities will be payable;

if the principal of or any premium or interest on the debt securities of that series is to be payable, or is to be payable at our election or the election of a holder of those securities, in securities or other property, the type and amount of those securities or other property, or the manner of determining that amount, and the period or periods within which, and the terms and conditions upon which, any such election may be made;

the events of default and covenants relating to the debt securities that are in addition to, modify or delete those described in this prospectus;

conversion or exchange provisions, if any, including conversion or exchange prices or rates and adjustments thereto;

whether and upon what terms the debt securities may be defeased, if different from the provisions set forth in the indenture;

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the nature and terms of any security for any secured debt securities;

the terms applicable to any debt securities issued at a discount from their stated principal amount; and

any other specific terms of any debt securities.

The applicable prospectus supplement will present material United States federal income tax considerations for holders of any debt securities and the securities exchange or quotation system on which any debt securities are to be listed or quoted.

Conversion or Exchange Rights

Debt securities may be convertible into or exchangeable for shares of our equity securities or other securities. The terms and conditions of conversion or exchange will be stated in the applicable prospectus supplement. The terms will include, among others, the following:

the conversion or exchange price;

the conversion or exchange period;

provisions regarding our ability or the ability of any holder to convert or exchange the debt securities;

events requiring adjustment to the conversion or exchange price; and

provisions affecting conversion or exchange in the event of our redemption of the debt securities.

Consolidation, Merger or Sale

The terms of the indenture prevent us from (i) consolidating or merging with or into, or transferring or leasing all or substantially all of our assets to, any person, unless the successor corporation or person to which our assets are transferred or leased is organized under the laws of the United States, any state of the United States or the District of Columbia and it expressly assumes our obligations under the debt securities and the indenture or (ii) completing such a transaction unless immediately after completing the transaction, no event of default under the indenture, and no event that, after notice or lapse of time or both, would become an event of default under the indenture, has occurred and is continuing. When the person to whom our assets are transferred or leased has assumed our obligations under the debt securities and the indenture, we will be discharged from all our obligations under the debt securities and the indenture except in limited circumstances.

This covenant would not apply to any recapitalization transaction, a change of control affecting us or a highly leveraged transaction, unless the transaction or change of control were structured to include a merger or consolidation or transfer or lease of all or substantially all of our assets.

Events of Default

The indenture provides that the following will be events of default with respect to any series of debt securities:

failure to pay interest for 30 days after the date payment is due and payable;

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failure to pay principal or premium, if any, on any debt security when due, either at maturity, upon any redemption, by declaration or otherwise and, in the case of technical or administrative difficulties, only if such default persists for a period of more than three business days;

failure to make sinking fund payments when due and continuance of such default for a period of 30 days;

failure to perform other covenants for 60 days after notice that performance was required;

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events in bankruptcy, insolvency or reorganization relating to us; or

any other event of default provided in the applicable officer's certificate, resolution of our board of directors or the supplemental indenture under which we issue a series of debt securities.

An event of default for a particular series of debt securities does not necessarily constitute an event of default for any other series of debt securities issued under the indenture. For each series of debt securities, any modifications to the above events of default will be described in the applicable prospectus supplement for those debt securities.

The indenture provides that if an event of default specified in the first, second, third, fourth or sixth bullets above occurs and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series may declare the principal amount of all those debt securities (or, in the case of discount securities or indexed securities, that portion of the principal amount as may be specified in the terms of that series) to be due and payable immediately. If an event of default specified in the fifth bullet above occurs and is continuing, then the principal amount of all those debt securities (or, in the case of discount securities or indexed securities, that portion of the principal amount as may be specified in the terms of that series) will be due and payable immediately, without any declaration or other act on the part of the trustee or any holder. In certain cases, holders of a majority in principal amount of the outstanding debt securities of any series may, on behalf of holders of all those debt securities, rescind and annul a declaration of acceleration.

The indenture imposes limitations on suits brought by holders of debt securities against us. Except for actions for payment of overdue principal or interest, no holder of debt securities of any series may institute any action against us under the indenture unless:

the holder has previously given to the trustee written notice of default and continuance of such default;

the holders of at least 25% in principal amount of the outstanding debt securities of the affected series have requested that the trustee institute the action;

the requesting holders have offered the trustee indemnity for the reasonable expenses and liabilities that may be incurred by bringing the action;

the trustee has not instituted the action within 60 days of the request and offer of indemnity; and

the trustee has not received inconsistent direction by the holders of a majority in principal amount of the outstanding debt securities of the affected series.

We will be required to file annually with the trustee a certificate, signed by one of our officers, stating whether or not the officer knows of any default by us in the performance, observance or fulfillment of any condition or covenant of the indenture.

Discharge, Defeasance and Covenant Defeasance

We can discharge or decrease our obligations under the indenture as stated below.

We may discharge obligations to holders of any series of debt securities that have not already been delivered to the trustee for cancellation and that have either become due and payable or are by their terms to become due and payable, or are scheduled for redemption, within one year. We may effect a discharge by irrevocably depositing with the trustee cash or government obligations denominated in the currency of the debt securities, as trust funds, in an amount certified to be enough to pay when due, whether at maturity, upon redemption or otherwise, the principal of, and any premium and interest on, the debt securities and any mandatory sinking fund payments.

Unless otherwise provided in the applicable prospectus supplement, we may also discharge any and all of our obligations to holders of any series of debt securities at any time, which we refer to as defeasance. We may also be released from the obligations imposed by any covenants of any

outstanding series of debt securities and