George: Good morning, ladies and gentlemen. I'm George Lund, the Executive Chairman and Director of Encore Capital. I will be presiding at this meeting. I would like to call the meeting to order and welcome you to the company's Annual Meeting of Stockholders.

Before I go any further, I would like to introduce several of the company's officials who are here today. As directors of the company, we have present and I'll ask them to stand real quick: Will Mesdag, Frank Quinlan, Norman Sorensen, Christopher Teets, Ron Weissman, and Warren Wilcox. And from management today, we have Ken Vecchione, President and CEO and Director of the Company; Paul Grinberg, Executive Vice President and Chief Financial Officer; Amy Anuk, Senior Vice President, Business Development; Greg Call, Senior Vice President, General Counsel, and Secretary; Carl Eberling, Senior Vice President, Information Technology; Steve Gonabe, Senior Vice President, Human Resources; Ashish Masih, Senior Vice President, Legal Collection Operations; Jack Nelson, Chief Executive Officer, Propel Financial Services; Manu Rikhye, Senior Vice President, Indian operations; Jim Syran, Senior Vice President, operations; Chris Trepel, Senior Vice President, Chief Scientific Officer; and Sheryl Wright, Senior Vice President, Corporate and Government Affairs.

I would also like to introduce a special guest today, Neil Clyne, the CEO of Cabot is here today. And Neil, if you would say hello to everybody. Greg Call, Senior Vice President, General Counsel, and Secretary of the company will act as Secretary of the Meeting, and Tom Tie of Broadridge, also present with us today, will act as the Inspector of Elections. Attending the meeting by telephone is Joe Johnson, a partner with BDO USA, LLP, the company's independent registered public accounting firm. During the question-and-answer period at the end of the meeting, Mr. Johnson will be available to respond to appropriate questions regarding BDO USA, LLP's audit of our consolidated financial statements and records for the fiscal year ended December 31, 2012.

Before I turn to today's agenda, I want to briefly mention one corporate matter previously disclosed. Brandon Black, our former Chief Executive Officer and a member of the Encore board of directors who is with us today, is not standing for reelection. Brandon has been an invaluable member of the executive team and the board during his tenure with Encore and we wish him great success in his future endeavors.

The agenda for our meeting today is as follows: First, we will present the formal portion of the meeting and discuss the three proposals to be voted upon. After the votes are counted and the formal portion of our meeting is concluded, we will begin the investor presentation portion of the meeting. Upon entering the meeting, each of you is presented with the rules of procedure for the meeting. To conduct an orderly meeting, we ask that all participants abide by these rules.

Please note that certain forward-looking statements within the meaning of Private Securities Litigation Reform Act of 1995 may be made today. Such statements are subject to a number of risks and uncertainties that could cause the company's actual results to differ materially from the results and expectations discussed in the forward-looking statements. Factors that could cause such a difference include but are not limited to those discussed in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on February 13, 2013, and subsequent SEC filings.

As noted in the notice and proxy statement previously furnished to you, the record date for voting at the meeting was the close of business on April 12, 2013. A list of stockholders on the record date is available for your review at the entrance of this meeting. Based upon the proxies we received prior to the meeting, we have a quorum, and I declare this meeting duly convened for the purposes of transacting such businesses as properly comes before it.

We'll begin the investor presentation in just a few moments. However, first, we would like to attend to the election of directors, approval of the Encore Capital Group 2013 Incentive Compensation Plan for Employees, Non-Employee Directors, and Independent Contractors and the ratification of BDO USA as the company's independent registered public accounting firm for 2013, all as described in our proxy statement. If you have not already voted by proxy or if you wish to change your vote on any item of business, you may vote by ballot at this meeting. Are there any stockholders who would like to receive a ballot? Very good.

The first proposal to be considered and voted upon is the election of eight directors to the company's Board of Directors for a one-year term expiring at the annual meeting to be held in 2014. The Board of Directors has nominated Messrs. Vecchione, Lund, Mesdag, Quinlan, Sorensen, Teets, Weissman, and Wilcox to serve as directors. No other nominations for directors have been received in accordance with the bylaws of the company. The chair will entertain a motion. We proceed with the election of directors as set forth in the proxy statement. May we have a motion?

Attendee: [inaudible]

George: May we have a second?

Attendee: Second.

George: A motion to elect the board of directors' nominees for directors has been made and seconded. Are there any questions or comments concerning the nominees for election as directors? The second proposal to be considered and voted upon is the approval of the 2013 Incentive Compensation Plan for Employees, Non-Employee Directors, and Independent Contractors. The chair will entertain a motion. We proceed with the approval of the 2013 incentive compensation plan for Employees, Non-Employee Directors, and Independent Contractors as set forth in the proxy statement. May we have a motion?

Attendee: [inaudible]

George: May we have a second?

Attendee: [inaudible]

George: The motion to approve the 2013 Incentive Compensation Plan for Employees, Non-Employee Directors, and Independent Contractors has been made and seconded. Are there any questions concerning that plan?

The third proposal to be considered and voted upon is the ratification and appointment of BDO as the company's independent public accountants for the fiscal year ended December 31, 2013. The Audit Committee of the Board of Directors has appointed BDO USA to serve in such capacity for the fiscal year ending December 31, 2013. The Chair will entertain a motion. We proceed with the ratification of the company's independent registered public accounting firm as set forth in the proxy statement. The motion?

Attendee: [inaudible]

George: May we have a second?

Attendee: [inaudible]

George: A motion to ratify the appointment of BDO for fiscal year ending December 31 has been made and seconded. Are there any questions or comments concerning the ratification of BDO?

There's no further discussion on the motions. We'll proceed with the voting. The ballots have been distributed and the polls are declared open at 10:06 in the morning on June 5, 2013, under the supervision of Tom Tie, who's serving as the Inspector of Elections.

I now declare the polls closed, 10:07, June 5, 2013, the Inspector of Elections will now tabulate the votes and prepare his report.

The inspector of elections has completed the count of the proxies and ballots. Based on the inspector's report, I hereby declare that the nominees for election as directors Vecchione, Lund, Mesdag, Quinlan, Sorensen, Teets, Weissman, and Wilcox have been duly elected as directors for a one-year term. The 2013 incentive compensation plan for employees, non-employee directors, and independent contractors has been approved. And the appointment of BDO USA as the company's independent public accountants for fiscal year ending December 31, 2013, has been duly ratified.

As there's no other business to address at this meeting, the chair would entertain a motion for the formal portion of the meeting to be adjourned. May we have a motion?

Attendee: [inaudible]

George: May we have a second?

Attendee: [inaudible]

George: The meeting is now officially adjourned. We will proceed now with investor presentations.

It's my pleasure, ladies and gentlemen, to get a chance to begin this year. I've not had a chance to be part of the presentations for the last couple of years and the amount of information we've been trying to convey, but this is a very special day in the life of Encore Capital Group, and I wanted to take some time to talk about the transition that's occurring and say a few words about what's been happening as we have pulled all this together. It's worth noting that since Encore went public in 1999, it's created over $850 million of market capitalization for 3,000 jobs, nearly $3 billion in estimated remaining collections. And through this entire period, it's been animated and led by Brandon Black, both as Chief Operating Officer first and then as CEO. In an age when the average tenure of a public company leader rarely exceeds five years, Brandon's nearly decade and a half of people-centered leadership sets an example for what it means to lead a public company. As those of you have followed Encore Capital know, ours is a people business. We create value through person-to-person interactions, working in teams internally and working one-to-one with our consumers. Brandon has always ensured that all major decisions at Encore consider our employees and the consumers we are working with first. Integrity and fairness have been the cornerstones of the decision-making that Brandon's process has delivered.

But it goes beyond that. Brandon has set the standards high at Encore from the start, building a vision of a company that was never just about collections. And, in fact, Encore doesn't even hire collectors. We hire account managers, an important distinction.

Encore is a company where smart people can build a career. Encore is a company where ethics matter and where we invest in and train our people to succeed at work and encourage them to take care of their health and families at home. Industry operating advantages like lowest cost-to-collect don't come from technology in our business, though good technology is important. It comes from industry-leading low turnover in all of our operation centers. It comes from an innovative health insurance program that delivers affordable quality care that improves attendance and performance. And it comes from having people-centered policies that promote individual and team excellence.

This is the legacy that Brandon Black leaves us at Encore. It is not just the best platform in analytics that have been created. It is not just the strong balance sheet. It is the team of achievers that create those advantages and works to improve them every day. Certainly, there can be no higher compliment to leadership than that.

Before I bring Brandon up to start us off, I want to talk about the gentleman who has joined us to lead the next stage of Encore's growth. The Encore of the future is a larger and more complex company than the company that went public in 1999. The scale and scope of Encore today reflects not only its historic performance but it also points to the size of the opportunity that lay ahead. At the board level, we have long envisioned at Encore that first had a sophistication to create great value from distressed consumer assets in the U.S. and around the world. And second, had the acumen and resources to be a meaningful partner to the large global suppliers of those distressed assets. I believe that vision is being realized and that the opportunities exist to continue our growth well into the future, all the while meeting the appropriate regulatory demands that have been and will continue to be placed on our industry.

My mission during this transition then was to identify and recruit a leader who had executive experience in fast-growth, large-scale, complex financial service companies in a regulatory environment. The short version of my shortlist was a head for the business and a heart for the company. Ladies and gentlemen, I do not believe we could have found a better leader who meets those criteria than Ken Vecchione. From his successful tenures at Citigroup and MBNA, we knew he had the experience and scale, growth and regulatory complexity. From his tenure at Apollo, we knew he had the savvy to think through different kinds of businesses. But importantly, it was his time at Western Alliance that demonstrated his ability to lead and grow a midsized institution recruiting quality people and creating an environment where they could succeed. Our board support for his candidacy was unanimous. Over the past few weeks, he has visited our major operation centers and he is rapidly earning the trust and confidence of the entire Encore team. All of us at Encore look forward to his leadership in the years to come.

I'd also like to compliment Brandon and Ken on the extraordinary partnership they have developed during this transition, enabling us to maintain our focus and momentum during this important handoff.

And so to the business at hand today, for the past several years, it has been my pleasure to work with Brandon Black and introduce him onto this stage. While this is his last time to appear before all of you, this is not the end of his association with Encore. As has already been announced, Brandon is seeing through the integration of Asset Acceptance, so we will continue to draw on his wisdom and expertise for many months to come. So Brandon, I would like you to come on up and, before you start, let me say on behalf of the Board of Directors and the entire Encore family, well done, godspeed, thank you very much for all you've done for us.

Brandon: Thank you, George. I do appreciate the -- that Ken lets me spend a few minutes up here talking to you today. And we're here to talk about where Encore has been, not necessarily where it's going to go. I think that's what Ken's going to do, what Paul's going to do. But if you think about Encore today, it is a different company than where it's been in the past, and I get a chance to reflect back on how far we've come. But you're talking about a company today that's primary business is investing in defaulting consumer receivables, but now you add to that the Propel business where we're refinancing consumers who are delinquent on their taxes. And then with the acquisition with Neil and his team in the U.K., expanding that geographically, it's an incredible business that's very diverse.

In the U.S. alone though, we have a relationship with one out of every seven American consumers. It's an amazing size of a business, and that information that we built over the past many years are going to allow us to grow beyond what we do today. But it's certainly driving what we've seen over the past few years, growth now to where we almost collected about $1 billion in the last 12 months. And as George said, with the acquisition of Asset Acceptance, we'll have $3 billion of estimated remaining collections.

And the theme around all of our business is, are there acquisitions that pay off over a very long period of time? This is a business where we're collecting dollars on assets we bought last month and assets we bought a decade ago, and you got this layering effect over time where the contribution comes from all the different channels that we have and you see investments that pay off, like I said, year 1, 2, 3, 4, 5, 10. So as an organization, we're generating a lot of value on those assets that we've acquired recently and over a long period of time.

As a company, we focus on doing two things well. We focus on growth and scale and we focus on driving costs down as part of that growth and scale, and what you've seen over the last six years is tremendous growth in both. We've grown from having about $350 million in collections to $950 million last year, all the while bringing our cost down from the high -- from the low 50s, actually in the mid-50s for a while to the low-50s, to the low-40s in the first quarter and the high-30s. You look at that 1100 basis-point decrease and apply just the 2012, and you have over $100 million in cost we aren't spending to run the business. That's money we're investing back in portfolio and growth in the future.

If you do that well, you can create the returns your shareholders are looking for. Shareholders care about two things: Cash flow and earnings, and you see the same story over that same period of time where cash flow, which is collections and revenue minus the cost to run the business, has gone from $175 million in 2007 to almost $600 million last year. That's cash that again goes back into redeveloping the business. And then, finally, earnings per share. And earnings per share has grown from less than $1.50 a share to $3 last year and we certainly had a great run rate starting in 2013.

So we've achieved the goal that our shareholders have looked for us to do and that's really positioned us today to take the next step forward. Certainly, our financial results are focused on analytics, are focused on lowering our cost, positions us today as a consistent earnings grower and a leader in our market, and more importantly, into a business where we can succeed regardless of what the macro economy is doing. I think we've now proven we can be successful when the macro economy is strong and when it's weak and when our industry is strong and when it's weak. But the Encore is one of the very few companies who are going to be around 5 years from now in our industry.

George talked about ethics and integrity. I often say within the company, nobody picks debt collection as a career. No one in this room says, of all the places I'd like to go work, let me go to a debt buyer and collector of debt. And because you don't put that on your list, there has to be something special about the company to get you to join and it has to be a very high ethical bar, very high level of integrity. The people on this management team have choices. They can work anywhere. They choose to work here because of what we do and how we do it.

And what it allows us to do also is to take a leadership position as it relates externally to thinking about our consumer, which I'll talk about in a minute, the final piece of scale and understanding the regulatory environment. Certainly, for the last four or five years, our industry has gone through a lot of challenge and a lot of pain and we're in opposites of that. We didn't really know how to work with the government, through the government. We hired Sheryl about a year ago to really accelerate what we're going to be able to do. So we sit here today now pretty good experts in how to deal with all the levels of government bureaucracy, both on a positive side in driving change and also in a partnership side to work with regulators as they want to think about the collection business. And it will allow us now to take that step forward as the industry consolidates like it should. There should not be a bunch of small companies in this business. It requires a lot of scale, a lot of technology investment and it should only be reserved for those companies who can make those investments. Encore's one of them.

So we find ourselves today entering a new phase where we're going to be a consolidator of the industry, where we're going to drive change because of our very high ethical bar, and where we'll continue to deliver excellent results for our shareholders. And as the CEO, one of the things that I am most proud of now, as I was, is the 16 consecutive quarters we've had of meeting or exceeding analyst expectations. If you go back and you think about Encore's earnings relative to estimates and, as a CEO, you don't really appreciate how much that matters. It really matters, Ken. Make sure you don't -- you get this right.

But as a company, we relentlessly focus on not only doing well as it relates to absolute levels of performance but it has to do well in relative levels of performance. We had to make sure that our returns met the expectations of our shareholders over a very consistent period of time. And I think this track record since 2009 shows that we've been focused on it and we've delivered the results people are looking for in a consistent fashion, in a growing fashion over time. So it's one of the things I'm most proud of leaving today knowing that that will continue going forward.

I often were asked questions about our business and why it gets so much speculation, why there's so much attention on the debt-buying business. And I think it's continued to be misunderstood. And one of the things that we spend a lot of time and I'm going to continue to spend my time on is really talking about why this business is the right business for consumers who go into financial distress. And we think about these individuals, these individuals start out having a credit card or mobile communications bill or auto loan with a creditor, and the creditor at some point sees them not make their payments and at some point they cut off access to the credit cards they have or their mobile phone.

At that point of the relationship with them being a consumer ceases. They're going to write that account off. That customer is not someone they focus on any longer. They're moving on with life. They want to get some return on that asset. So they have two choices. The first choice is to give it to third parties, and those third parties then have a very short window of time where they will work the account and they will work with the consumer to try to get them to repay, and this causes a great amount of stress for the consumer because we have very definite windows of repayment, they have urgency that's not necessary. They have a rotation who they work with, so they go from one agency to the next agency, to the next agency. And in a day of consumer privacy where you want to make sure information is maintained, these consumers find their information being transferred 1, 2, 3, 4, 5, 6, 7 times along the way. That's one model.

The other model -- we'll talked about the renter model. One is owner model, which is our model, which we're actually going to pay to acquire the assets and then we're going to manage it over a very long period of time. That's best for the issuer because they're going to get paid the most for that asset. It's best for the consumer because they know who they're going to work with over the seven-year period of time or eight-year period of time. They know that if they can't pay us, we're not going to spend any time working with them because it's ultimately only worthwhile for us to spend our time if the consumer can pay us back. So we can take a long-term view and wait for the customer to recover. It's a very different model. It's the right model going forward.

And I get questions around why do you talk about people as consumers. They really are consumers from our lens. They are people who we have to convince with their limited dollars to pay us back. And as a company, we put a lot of time and effort in building this consumer model, and it starts with our decision to really take the time to understand what it's like to experience the collection process through their lens. We started sending out surveys to really gauge, what does the consumer experience look like? What the customer experience looks like for you and how can we make it better? Because as we've said in prior presentations, we buy a portfolio today, around 50% of the consumers we already have a relationship with. And so it's not -- if we're not going to see these folks again, they have to feel good about our experience. They have to know what we're doing makes sense for them, so we want to make sure that what we're doing is in line with what they expect and with best practices.

The second thing we've done is invest in places that better understand these consumers. We talked about the CCRI. Chris Trepel is here today. Chris founded the CCRI and has brought in now a wealth of partnerships to help us think about why these consumers make the decisions they make and how we can tailor our processes to both help them move forward as quickly enough and maximize our returns. We're making investments in the company to make sure we understand who these consumers are. And finally, we're trying to find ways to get them resources whether it's how to get their taxes paid for free or a partnership with payoff.com where we're getting them to think about, how do you solve your whole problem?

And fortunately, we solve part of somebody's problem. We solve their relationship to debt and the overlap with Encore. If they've got accounts with five other people, we don't so solve their whole problem. We solve part of their problem. Our partnership with Payoff was designed to solve their whole situation. How do you get out of debt and move forward? It's not a service we can provide but we can find people to help them get better what they do. We think all these activities will drive both greater returns for Encore that will allow us to spend time having discussions in the regulatory environment about how collection should be done, about the investments that should be made as we go into 2013 and 2014 and beyond. And we think we're really positioned well to take advantage of that.

So they didn't come here to hear me speak. That's my sort of quick retrospective on the company where we stand. I will say, you ask a lot of questions -- often I get asked the question why I'm leaving. I have had a long answer to that. But the simple answer to it is, because I've been given the gift of choice. Very few people get the choice to make the decision I've made, which is to step back and figure out what they want to do. And as a result I've made that choice. It says nothing about Encore. I love Encore, I love these people. But I have an opportunity to make a choice that many people can't and I think I'd be wasting that gift if I didn't take it. And so I'll be around. I'm a big supporter of what's happening, I'm a big supporter of Ken, he and I get along incredibly well. And so I'm excited about what's going to happen. And I'm excited to turn it over to Ken and have him talk about what's going to happen in the future.

Ken: Thank you, Brandon. Some impressive results over your term as CEO, and thank you, George, for those kind words. I think I'll pick up with the CEO transition as a common first and then talk about why I came to Encore, a little bit about me, but then most importantly, how are we going to create value for our shareholders. The CEO transition actually started the day Brandon and I met for lunch. I walked away from that lunch realizing a few things. One, Brandon had a great deal of passion for the company; and number two, he was committed to a deliberate and methodical handoff and a thoughtful handoff of the CEO responsibilities.

Now CEO transitions are tricky and they only work if both people want them to work. And they only work if there's no ego attached to it. And one of the things I think that was obvious from our lunch was that our friendship began immediately and our friendship was absolute. And during this time of the CEO transition, we have learned to defer to each other. At first when I came, I defer to Brandon still running the company and then in the last week or two, he has begun to defer to me, and I think that relationship has made the CEO transition work so well.

But I'll also tell you that I would not have taken the CEO job if Brandon didn't agree to remain engaged in the company or if he was going to another company. In fact, his association, his continuous association with this company going forward, I think, will benefit customers, it will benefit the shareholders, it will benefit me, it will benefit senior management, and it'll certainly benefit all the people of Encore.

So let me just provide you a little bit of an inside baseball story on my decision-making process. But just before that, 30 seconds. As George said, I've spent some time at Citibank. I spent some time at MBNA, First Data Corp. and Western Alliance Bancorp. And all these companies had several things in common. One, they were complex, large companies and they were also growth companies. And they also had some very specific characteristics. One, they were all brand names in their industry. Two, they had growth aspirations and orientation. They had outright terrific management teams, some were highly acquisitive, some had to do a lot of integration, some had to start new product lines, de novo, and all of them relied on analytic modeling and, most importantly, they were all from a highly regulated industry. So my background, actually, I think, fits nicely where Encore is going in the future.

So let's get back to the baseball story. When I first got the call from the recruiter and said would you think about spending some time in talking to the folks at Encore, I said no. Encore was not on my radar screen. In fact, I had no interest. In fact, I wasn't even contemplating leaving. I was very happy. But because I had a long relationship with this recruiter over many years, he just said, do me a favor, just take a look at it. After you take a look at it, if you want to say no, say no. So I spun around, fired up the old Bloomberg, and started to do a little research. And what I was impressed with was the 26% total shareholder return over the last five years and just being a president of another company at the time, I had to ask why, how did that happen? And what I found out was, over the last five years, that revenue doubled from $256 million to $562 million. The EBITDA tripled from $42 million to $153 million during the same period, and EPS rose nearly 6x from $0.54 and change to $3.04.

So with all that, I decided to meet George and spend some time with him, and we had a series of dinners, and drinks that evolved to texts and calls. And over time we started to get a feel for each other, a feel for where the strategy and where Encore was going, and I said, yes, I'm interested in taking the next step. And I spent some time with Will Mesdag and Chris Teets from Red Mountain LP, and I started to like what they had to say about the inactive owners of the company and where their vision for Encore should be and where it was going. And that led me again to my lunch with Brandon, my dinner with Paul, and then from there, it was many phone calls, many conversations, many e-mails as they started to bring me under the tent for the Asset Acceptance deal and then what we were thinking was going to be Cabot and eventually became Cabot.

So when I took a step back, I said, these are impressive results. In fact, not only impressive but they are absolute -- in absolute terms and in relative terms, so I just said to myself I just had to know how they did that. So there's a little saying in New York, you ask anyone on the streets in New York and you say to them, how do you get to Carnegie Hall? They'll tell you practice, practice, practice. You ask anyone in Encore, how do you grow EPS, they'll tell you the same thing, ERC, ERC, and ERC. So how do you generate consistent earnings? You move it from ERC from $892 million to nearly $2 billion by the end of 2012 and then you add another $1 billion on top of that for Asset Acceptance, and now you have $3 billion of ERC before we talk about the Cabot acquisition.

But ERC alone does not make a company and generating scale requires Encore to be a successful marketer to issuers. Our capital deployment since 2007 rose from $209 million to $562 million. And in fact, as Paul will share with you in a few minutes, in 2013, our deployment will rise to nearly $700 million in 2013.

Let me get back to the inside baseball story for a moment. I concluded by looking at this chart that Encore was better and smarter than our competitors when marketing to our suppliers. But Encore's leadership wasn't just focused on the top line of ERC and deployment of marketing dollars but also focused on cost-to-collect where we have a meaningful difference. And cost-to-collect, as Brandon said, dropped from 51.5% in 2007 to 40.4%, and that in itself was impressive. So when I read through the K and the Qs, what I found to be even more impressive was the fact that during this same time, they increased their investment in audit, compliance, oversight, and risk management. It takes a special company to make those types of increases while simultaneously decreasing its cost-to-collect. And during that whole time, they also came out with and supported the Consumer Bill of Rights. So our cost-to-collect of 40%, which was 36.5% in Q1, creates competitive advantage for us when we bid portfolios.

But it also told me a little bit about the company, and this was pretty important to me, that Encore is an and Company, an A-N-D company. And what that means to me is that an and company takes two events and does simultaneously. But those two events should intuitively be at odds with each other, all right, which would make you an or company, an O-R company, so an or company is when someone says to you, hey, I want to see a decline in cost-to-collect but I want to see an increase in our investment. And usually someone will say, which one do you want? I'm going to give you one, or I'm going to give you the other. At Encore, we do both. That's an and company and that makes us somewhat special. But it also indicates to me that the Encore management team will go above and beyond to make these types of things work between the trade-off of cost-to-collect and compliance investment, and this attitude separates us from our competitors. It provides significant and sustainable advantage to us. It's highly important.

Now during the same time as I said, Encore continued to invest in our compliance and risk management systems. In my 30 years, I've worked with the FRB, the

FDIC, the OCC, the SEC, FINRA, FHFA, there isn't a set of letters that you can put together that I haven't worked with. And all of these regulators have several common themes to them. First, they believe in self-monitoring. Second, they absolutely hate it when you look at compliance as a check-the-box exercise. If you don't embed it to the way you do business, it will come back to bite you. Third, they want you to be a learning organization and learn from your mistakes. They recognize that you're never going to be perfect. And four, they want to see continuous improvement. So that's my experience in dealing with all the regulators.

I have not yet dealt with the CFPB, all right, but Brandon has reached out to them, Sheryl Wright has reached out to them, Greg Call has reached out to them in advance and told them our story and told them that we want to be a leader in this industry and we want to set the standard in this industry. And I believe by doing that, by setting the standard, that simultaneously decreasing our cost-to-collect, this is a competitive advantage, a strategic advantage for us, that the smaller competitors will not be able to keep up with. And I think that's going to be one of the reasons why we are going to continue to see consolidation in this industry.

And, in fact, what was it in The Godfather the movie, when -- Godfather 3, which we all recognize as not the best Godfather to begin with, okay. But Al Pacino said, every time I step out they pull me back in again. So that's a little bit like what we're doing to Brandon, all right? Before he can even leave here, we're now sending him to Washington to sit on the CFPB panel. So I wish you good luck. And if anything goes wrong, I will disavow, as they said in Mission Impossible, anything that you said.

So my past eight weeks, so let me just recap. I like the scale of the company. I like the cross-leadership of the company, and I like the marketing aspects of the company, but that doesn't matter if you don't have the right people. And my last eight weeks have been spent getting to know everyone. There's a strong talent bench in this company, it is deep, it goes deep inside the company, and it is a team that is seasoned, professional, thoughtful, and just generally flat out smart.

I define management as a team of people that like being a team of people. Think about your own organizations, think about some of the most competitive organizations in this world, very seldom do you see a team of people come together who are collaborative, who want to win together, and if there's anyone on our team that struggles, and we all do, the others gather around and to move he or she forward. They don't take advantage of that for their own personal award and they also, as I said, have a culture of going above and beyond in everything they do.

I also believe in two sayings that come with me from my old company, one of my old companies. Number one, success is not final. Every day you've got to earn it. There's no entitlement in this business. And the second saying that goes very well with "success is not final," complacency is devastating and when what we have to do in terms of integrating Asset Acceptance, getting to know and help the folks at Cabot and bring our 2 companies together plus run the core business, plus continue with Propel, we cannot be a complacent organization.

So the more time I spend with the management team, the more energized I am. I really get a kick out of coming to work. And if you promise not to tell the Compensation Committee, I can't believe they're actually paying me to do this, okay. I like this stuff. This is what I like. This is my choice. Years ago, and I mean years ago, I used to be a competitive swimmer. I know you're not going to believe that, but I really was, okay, and I was pretty good. I actually swam here for one of the New York City teams and we were a championship team several years and I miss that competitive spirit. Quite frankly, if I had any talent in golf, I would not be here today, but I don't. And with a 40 handicap and you know how bad that is, this is what I do, this is what I enjoy and I enjoy being around this management team.

So let me summarize this inside baseball thought process here and bring it down to maybe three simple reasons as to why I joined Encore. Number one, I think the ultimate challenge of any leader is to help keep a great company great. That is very difficult. You can go out and look at some of the great companies. You can look at CEO transitions of the most accomplished CEOs coming in and those that were accomplished going out, that is a very, very hard thing to do. I want to see if I can do that. I think keeping Encore great as we move into the future is a wonderful challenge to have. Second, you just know, it's the best way I can say it. You just know, it's a feeling. I like what I heard from the management team. I like what I heard from the board. I like walking around in the company. It was just a feeling that made me say this is right and after 30-plus years, you do get an intuitive gut, my gut said this is a place to come to. And lastly, there is a financial aspect to this, and the financial aspect is I think the company can continue to grow 15-plus percent or greater in EPS going out in the future. And if we do that, we will close the valuation gap and we will hopefully raise our P/E multiple.

Now this is a good jumping off point to talking about strategy, and everyone has said, what's your strategy, Ken, what are you going to do? What I'm going to tell you is I'll tell you what I'm not going to do. I'm not going to tell you about my strategy. I've been here eight weeks. And I think if I said anything, I don't think you would take it with a seriousness that I would be offering it and I'm not ready to offer that. But what I can offer and what I have worked with the management team on is a way to develop and increase the valuation of the company and this is our valuation roadmap that I'm going to show you. And today after I present it, Paul will take over and take you through what I'm about to show you in more -- in individual -- through the individual components of it.

So first, we call this our valuation creation roadmap. This is the path we'll follow for superior and sustainable, those are the two words, superior and sustainable total shareholder return. It all starts with the management team. I'm not going to repeat all the nice things I said about them but it all starts there. And at Encore, actually we take a step back. I did some research before I came and I read about common mistakes that new CEOs make, and one of the biggest common mistakes is they don't make themselves available to the management team, meaning, we have a wonderful management team, it's a wonderful ecosystem that works and I want to be part of that ecosystem. What I read is many CEOs come in and say, I'm the new person, you're going to do everything the way I want to do it and, by the way, I'm bringing in my own folks. That's not going to happen here. The reason we can do Cabot, the reason why we can do Asset Acceptance, the reason why we can continue to grow is because of this management team.

You don't break up Murderer's Row of the 1927 Yankees. This is what we have here. So it's important for me to get accustomed and work with the management team. I think that's going quite well, actually. What we will do is we will build upon the management team as we go forward. But the management team is the foundation of our value creation and what we have is the right people, the right team, and we have the right attitude. Years ago, one of the first people I ever worked for once said to me, "Ken, it's not your aptitude that will determine your altitude but your attitude." And we have a great attitude here. So as I said, my job is to fit in successfully with the ecosystem of the company. But the foundation also has, as one of its precepts, the fact that we're a learning organization. We learn, we put it back into motion through our decision science capabilities and whatever we do, we treat the customer with absolute respect. These are our precepts. This is the foundation of our value creation.

The value creation has its pillar number one, superior analytics. At the heart of what we do we are a growth company. We pursue growth strategies by developing modeling capabilities that will prevail, prevail against our rivals, and capture new opportunities. We must continuously invest in our decision science capabilities and our focus must be on the individual, not the segment of individuals, to be successful. Pillar number two, operational scale leadership. Brandon referenced it, I talked about it as one of the reasons why I came here. It is one of our core pillars and to maintain our industry-leading cost platforms, we need to continue to refine our debt management recovery model. We need to enhance and emphasize our internal legal platform and we need to continue to invest and evolve our decision science capabilities. It's important for us to determine what customers have the willingness and the capacity to pay. The more we can focus in on that, the lower we can keep our cost-to-collect. So for those two items as pillars 1 and 2, Pillar 3 is the strong capital stewardship.

The most important role a CEO, CFO, and our Board can play is the stewardship of capital, how do you best become a strong and efficient allocator of capital. And by providing the appropriate stewardship to capital in our third pillar, we will make sure that we deploy our dollars to exceed our weighted average cost of capital and to balance the risk/reward equation of any portfolio or business that we purchase and also having access to low-cost capital will help us to have a sustainable borrowing capacity and sustainable EPS into the future and create long-term value. Now I should say this, that we are confident of our ability to deploy capital but if we do not like the returns, we will take that capital and we will return it or repatriate it to our shareholders.

The combination of pillars 1, 2, 3, and 4 -- 1, 2, and 3 is our extendable business model that creates scale for us. Asset Acceptance and Cabot provide examples of our ability to scale and extend our model within the U.S. and in the U.K. Asset Acceptance integrating on to our core platform is one example that Cabot Credit Management is leveraging our decision science capabilities and our Indian operations. These are just two recent examples. And as we develop our corporate strategy over time, we will spend a lot of time in pillar 4 understanding where can go to extend our business model. And in fact, there are several levers that we can pull as we look to extend our business model over time.

First is we continue to buy portfolios. Second, from the issuers, we can continue to buy from resellers and we can continue to buy from our competitors. We could also buy companies like Asset. We can enter into new asset classes. We can extend into new geographies like Cabot or we can go into adjacent businesses like Propel. The combination of pulling all those levers will give us 15% EPS growth over time. So when you put these things together, you get the combination of pillars 1, 2, 3, and 4, growth, margin expansion, an increase in free cash flow that we believe will lead to P/E multiple expansion and the P/E multiple expansion, along with growth and margin, should get us to the top quartile total shareholder return. That is our goal. And let us just define what that is for the moment.

Right now, top quartile TSR for us is defined as 15%. In a recent study we just looked at, the market expects this year going forward 7% total shareholder return. They get there through 3%, through dividends and stock buybacks; 1% in margin expansion; and 3% in net income growth. The difference, if you go back over time between that expectation and the top quartile, is another 800 basis points. So add 800 to the 700, that’s 15%. That’s where we think we ought to be in terms of top shareholder return and top quartile return and that’s what we’re going to be looking. So this is our TSR houses we’ve been referring to it. It’s not a corporate strategy but rather a valuation creation roadmap. And in time I will present the

Encore corporate strategy but only after I spend a lot more time with the management team working on it and certainly not going to come after 8 weeks.

But I think this is a good roadmap for us to have and it will set the stage for how we talk to everyone in the future whether it be on earnings calls, whether it be investor conferences, whether it be relative to anything we buy or any adjacent business we expand into. So at this time, what I'd like to do is turn it over to Paul. He's going to take you through in more detail each one of these pillars. Paul?

Paul: Here we go. Good morning, everyone, and thanks, Ken. It's really been great getting to spend time with you over the last couple of months, Ken, and eating pigeon with you. Inside joke, I apologize for that. And I really look forward to getting a chance to continue to work with you as we all continue to drive Encore's growth strategy.

So let me start out with analytics. Analytics has been a key driver to our success over the last several years. Analytics are embedded in every part of our business, from how we use consumer intelligence to make decisions to how we value in service portfolio at the individual consumer level, and more recently, to the innovative research we're doing as part of the Consumer Credit Research Institute. Our use of sophisticated analytical tools have been part of our DNA for more than a decade.

Just like in the transportation industry, our analytics have improved exponentially over the last 10 years, and they've gone from very simple models to much more sophisticated models. And when we think about analytics, we're thinking about answering questions, very important question. So going back to the beginning of the last decade, the important question from us was who was going to pay us. We knew that most consumers weren't going to pay us. So we had to identify who was going to pay us.

So we leveraged bureau data and we built a consumer level underwriting model which answered the question who was going to pay. We didn't ask the question at the portfolio level. We focused on the individual consumer level. And once we answer the who, it was how much are they going to pay us, so we expanded our valuation models that tell us how much are those individual consumers going to pay us. After we got the who and the how much answered, we had to figure out what our costs were. We knew what our costs were at the channel level, how much it costs us to collect in our call centers or in legal but we really didn't know what it was at the consumer level and we realized that we have made some portfolio decisions where we didn't get the cost right.

So in the middle part of last decade, we had made some investments in buying old auto paper and we -- I'm sorry, telecom paper, and we realized that we got the liquidation right but we really didn't get the cost right and some of those early investments were unprofitable. So we built what we believe to be the industry's first activity level cost database which measured cost at the account level and at the activity level so we could determine how much it cost to make a phone call and how much it cost to mail a letter and for an account how many letters would we send and how many phone calls we would make. And once we figured out the cost, we knew when to stop the activity and so that activity level cost database enabled us to take telecom portfolios, which weren't as profitable and now turn them into a very profitable purchase for us, and we're able to now deploy a lot of capital in that asset class when others in our industry aren't able to.

And more recently, we're asking the question why and the CCRI is helping us answer that question why. The CCRI is using R&D and behavioral science to answer really important questions about our consumer. Why did they stay in the situation that they're in, why can't they get out of it? And for us in our operations, why the certain activities that we engage with them work and why do others not work, and this is helpful for us in a couple of different ways.

First, by understanding why certain activities work and others don't, we're able to tailor those activities more specifically to those consumers and we're able to develop better marketing campaigns which results in improved liquidations. But more importantly, it gets a seat at the table with regulators and legislators because they're also asking that question why. And because of the research that we're doing, because of the R&D that we're doing, we're getting new data and new information, so as those regulators and legislators think about the welfare of low and moderate income consumers, we're actually able to help them answer some of the questions that they have.

One of the practical ways we use our analytics is in how we value a portfolio, and most competitors look at a pool of consumers as one homogenous group. And they value that portfolio on average, what's the average age, what's the average balance, what's the average credit quality. But if you do that, you're not going to value a portfolio as precisely as you should and you're also not going to service it as specifically as you could and as well as you could. So what we do is we take that homogenous group and we break it down into individual consumers. We've shared with you in the past our framework around willingness and capability, what we do is we go and we assess the willingness and capability of the individual consumers in this pool and then we develop strategies tailored to each one of those consumers based on their willingness and capability. Let me give you a couple of examples. On the lower left-hand side is a group of consumers with very high willingness but moderate capability and for those consumers, we work with them to develop payment plans and we build long-term relationships with them so that they can pay us over a long period of time.

On the lower right side are consumers with very low willingness and very low ability. And our goal is actually not to engage with those consumers and actively take them out of the collection process. On the other extreme on the top right are consumers with very low willingness but very high ability and if they don't pay us, we have to enforce their contract through legal means. This investment in analytics shows up in our track record of successful purchases. Going back to 2000, we've done about 1300 deals and nearly 95% of those deals have been profitable, where we've not only collected our principal back, what we've deployed as capital, but we've also recovered all of our servicing costs. And many of those deals that weren't profitable were R&D investments for us.

So for example, we decided to look at old auto paper to see if we could generate a return on it and we've made a few investments and we realized that it wasn't going to be profitable, so what we did was we stopped buying before it became material but our goal every time we do a deal is for it to be a profitable deal and we use our analytics and we use our operating platform to make sure that the forecast that we have on liquidation are realized.

Not only does our analytics help us with making profitable purchases but it also helps us determine the liquidation of a portfolio, and this is very apparent in our call centers. If you go back to 2008, a hypothetical account in our call center would have liquidated $100. But because of some of the improvements we've made to analytics, by understanding which consumers are going to pay and which ones aren't and not spending time with those that aren't, by getting smarter about how to make phone calls, by developing specialized teams in our call centers, we've been able to improve that liquidation by 11% and that same account today would generate $111 of collections.

Now if you turn that to real dollars across all our portfolios, it becomes very meaningful. Last year, we collected $442 million in our call centers. If we haven't made these improvements in analytics, we would've only collected $398 million. That's $44 million of additional liquidation through the use of analytics, or all of the analytical tools that we've developed. If you take our marginal cost-to-collect in our call centers of 8% that translates into $0.50 of incremental EPS. So this 11% improvement in liquidation translates into meaningful value for our shareholders.

And while we're very proud of our analytical strengths, our focus on cost leadership and operating efficiency has led to significant value for our shareholders, which takes me to the second pillar and that's our focus on operational scale and cost leadership. Our significant reduction in cost-to-collect over the last few years has been the result of many things, including specialization in our call centers, our investment in international operations that are lower cost and more efficient, and our investment in our internal legal platform that we just launched a couple of years ago will be the driver to future cost improvements going forward. Most of you are very familiar with the 1500 basis point cost -- cost in reduction in cost-to-collect over the last few years and this has been driven by several things.

First, the analytics. We have gotten very good at understanding which consumers will pay but we've also gotten good understanding which consumers won't. And by not collecting on those consumers who don't pay, we accomplish two things. One is we take those consumers that shouldn't be in the collection process out of it but we're also creating a lot of value and we're not spending a lot of money trying to collect from them. And for those consumers who we do engage with and who we do work with, it's all about putting the right account manager in front of the right consumer. And as a result of specialization in our call centers, we've been able to get a lot more efficient in our operations.

An example of this is our Phoenix call center where we've gone from generating $300 of collections per hour paid to $800 of collections per hour paid over the last few years. The third area and probably the most significant is our investment in India. Our account managers in India are just as productive as our counterparts in the United States are but they do it at one third of the cost. And we've significantly increased the volume of collections from India from $10 million collected in India a few years ago to $160 million last year. And the fourth area is actually one where we've made investments over the last few years. We've actually been driving our costs down while making investments in internal legal, and the reason we've made those investments and the reason this has actually hurt our cost over the last couple of years is because when you start a program like this, you need the technology and you need the people but you're not generating a lot of collections through the channel. So let me share with you what our vision was for internal legal and why over time it's going to create significant value in terms of reduced cost-to-collect.

In 2011, our cost-to-collect in internal legal was over 160% and that's because we were developing technology, we were hiring people, we were opening up sites in various states, all of which cost money, and we weren't collecting a lot through the channel. But as we put more into the channel, our costs came down. Last year, they were just over 50% and this year, we expect our cost-to-collect in legal to be a little bit lower than our overall cost-to-collect across the entire organization. Over time, we expect our cost in internal legal to decline to the high-teens.

The cost-to-collect is an important part of this process, but the other benefit we get is that we get much more control. They're our attorneys going into court with our data and they're our systems and processes. And as a result of that, we think we're going to get better compliance, as well as better collections.

The last thing I want to focus on is the fact that our external law firms who we pay about $0.25 on the dollar to collect are never going to spend more than that to generate an incremental dollar of collections because they'll lose money, but what we're able to do is spend $0.26 or $0.30 or $0.35 if it's going to generate an incremental dollar of collections. So not only will internal legal reduce our cost-to-collect, it will get us better control, better compliance, and ultimately we think it's going to generate more money because we can invest more than our external law firms can.

The third area of focus that I wanted to talk about is where I spend most of my time as CFO of the company and that is being stewards of your capital. I view the most important part of my role as being a steward of your capital. Our shareholders and our banks entrust us to deploy their capital and we need to do that prudently and that's the lens that I look through every time we make an operating or investing decision.

We think of ourselves as a company that's very good at raising capital at very attractive rates in deploying that capital. We look at debt as our working capital and with that debt, we acquire portfolio. We use the sophisticated valuation tools to buy that portfolio to make sure we get good returns. We put it through our operating platform that's low cost and efficient and what that does, it generates a stream of steady, predictable cash. Once we get that cash, then we need to make the decision, how do we redeploy that cash. And today, we think there are several opportunities where we can redeploy that cash. I'll spend some more time talking about our core business but we think there are plenty of good opportunities in our core business today. And it's always important for us to create value for the future so we're investing in adjacent asset classes through Propel and in new geographies through Cabot. And then there are times where we'll both deploy as well as return it to shareholders like we did at the end of last year with the $50 million share buyback.

This cycle starts with our ability to raise and manage debt at very attractive rates. And if you go back over time, we've been able to significantly increase our access to capital. We've more than doubled it from $330 million in 2007 to $800 million today with an ability to upsize our core credit facility to almost $1 billion and we've been able to lower our cost of debt throughout this period. With this leverage, what we do is we build value for the future and that reflects itself in estimated remaining collections. Our ERC reflects the value we've generated for the future of the company. And after the Asset Acceptance acquisition, we'll have $3 billion of ERC when you take out our collection costs, when you take out the taxes that we're going to pay, we'll have $1.7 billion of ERC, which is significantly more than the level of debt that we have today. And we're confident with our ERC given our history of over-performance. A lot of times when I meet with new investors they ask me, "How do you know that your ERC is right. When it's based upon estimates, how do you know it's right." Well, we realized that credibility in our numbers is very important so when we set our ERC, we're very cautious and to date, we've outperformed our ERC by about 20%, which means that not only is our ERC real but there's a meaningful amount of collections which haven't been factored in yet.

Our ability to raise capital is not just limited to our core business. As I just mentioned to you, we've raised a significant amount of capital over the years for the core business but when we think about deploying capital and raising capital, rather than creating one pool of capital to deploy amongst lots of opportunities, our focus is to build the multiple pools of capital. So for us it's not a matter of do we invest in the core business or in Propel. It's not either or, it's and. Ken talked about or and and, this is an or and and, too, where we now have separate facilities for Propel where we can use the capital associated with those facilities and deploy it in assets that are generating strong risk-adjusted returns.

So it's $300 million facility for Propel, there are actually two facilities that make that up, so with different banks who will not invest in our core facilities, a different borrowing base, the banks in our core facility have no interest in investing in real estate-related assets, so completely two separate pools of assets that we can deploy separately. And as all of you know because of the superior lien we have on the real estate associated with Propel, we believe that this incremental debt really doesn't add any risk to our business. We view it as debt that we're able to leverage and deploy to generate incremental profit for Encore.

Even though Propel's debt doesn't add incremental risk our business, we, as I know all of you do, we focus a lot on our leverage. And I've been doing this now for almost nine years and inevitably when I have early meetings with investors, the subject of our debt-to-EBITDA ratio comes up, and my first reaction which isn't always a good one is that it doesn't really matter. And what I mean is not that it doesn't matter but it's really not the right metric to look at. This is the debt-to-EBITDA and it shows very, very high multiples here, but this isn't the right metric to look at because debt-to-EBITDA for most companies is a measure of their debt to operating cash flow. But for us, EBITDA does not reflect operating cash flow. So a few years ago we came up with the metric we referred to as adjusted EBITDA and let me explain to you how that one works.

So under traditional business, revenue is largely cash income from which you deduct operating expenses to get to EBITDA but in our business, a significant amount of collections are not reflected in revenue. In fact, nearly 50% of our collections are not reflected in revenue so when we look at EBITDA for our business, a significant amount of the cash that we generate is missing. So what we do is we add that cash back, we take some non-cash items and that results in adjusted EBITDA and when you look at the actual cash that our business generates, you actually see that our leverage is very low. We've kept our leverage at 1.5x or less over the last six years when our banks will actually allow us to go up to 2x. And we're comfortable with that level of leverage and our banks are as well for two reasons. One, I shared with you a couple of minutes ago that we've got $1.7 billion of ERC after collection costs and after we pay taxes, which is significantly higher than our level of debt. And secondly, we're generating a significant amount of cash flow. Last year, we'll have generated almost $600 million of cash flow after we pay our expenses. That's what our adjusted EBITDA was. And if we stop buying portfolio, we would be able to repay all our debt back in 15 months.

So we're generating a lot of cash flow, we've got a lot of value in the portfolio, and as a result, we're very comfortable with our level of leverage. And because the banks will allow us to go up to 2x, we still have a lot of dry powder available for us to deploy in profitable risk-adjusted returns.

So now let me tell you a little bit about our strategy for capital deployment. As Ken mentioned, we're focused on delivering top quartile TSR and to do this we have three main levers. So one is to make reinvestments in our core business and we can buy portfolio from issuers, we can buy portfolio from competitors, we can buy our competitors like we're doing with Asset Acceptance. The latter two are obviously more complicated than buying from issuers so we'll only do that when the return is significantly higher.

The second thing we can do is move into adjacent asset classes like we've done with Propel or geographies like we've done with Cabot. And finally, we can return capital to shareholders like we've done last year with the $50 million share repurchase. Each one of these investments we look at through the lens of TSR, and we make sure that we deliver in each one of these investments.

So given these priorities, how are we going to deploy capital going forward? And before I give you specifics, let me just share with you some thoughts around the core business because we actually think there are opportunities in our core. This year, Asset Acceptance is going to fill up our purchasing basket largely for the year. But going forward, there are other catalysts and drivers to opportunities in the core business that I wanted to share. First, on the demand side, we're seeing smaller competitors being driven out of the market because of the high cost to operate the business, because of the regulatory pressure, because the issuers are being much more selective about who they're selling to. And then we're seeing some positive dynamics on the supply side. Many issuers have paused their selling as they started auditing some of the debt buyers and we expect most of them to resume back in the market by the end of this year or the beginning of next year. Issuers are also starting to lend again which ultimately is going to lead to higher levels of delinquencies and charge-offs.

So now to the numbers. With the Asset Acceptance acquisition we'll deploy about $550 million in our core business this year and when you combine that with Propel and a few months of our share of Cabot, that will be about $700 million of capital deployment. Going forward, in our core business we're not likely to spend as much as we did this year because of the spike associated with Asset Acceptance. However, as we do see consolidation in our industry, we may get there if there are other competitors who ultimately decide to exit. So next year we'll spend a little bit less in our core business. What we will do is grow our purchasing or grow our capital deployment at Propel and also because we'll own Cabot for an entire year and because Cabot is growing their purchasing, we'll also deploy more capital associated with Cabot.

I know a lot of people are here to see the slide and to hear what we expect to deploy in terms of capital this year and next year, but I wanted to just take a moment to talk about what we think we're doing with this slide, which is we're creating layers of opportunity to invest in. So we've talked a lot today about the foundation that we built, analytical business, efficient low-cost operations, significant access to capital, and with all of that we have multiple businesses where we could deploy capital. We have lots of solid opportunities in our core business. Propel is growing and I'll spend a few minutes talking about the opportunities we have at Propel and then we're very excited about the opportunities we have in the U.K. now. Cabot is a growing business and with some of the synergies we think we can work on together, we think it could grow even faster.

So our ability to deploy capital is largely tied into the fact that we have an extendable business model, and the business we built is very scalable and we've got lots of opportunities for growth but before I talk about some of those growth opportunities, let me just reiterate again that there are plenty of opportunities in the core. Our core business generates $600 million of cash flow and we're very focused on making sure we continue to deploy capital in the core. We'll do that from buying from issuers and from competitors. And then as we look on the horizon, we've shared this slide with you many times before, there's lots of things we can do, but our focus is to leverage the core skills that we've built. And so to leverage those skills we've done several strategic things over the last year.

In 2012, we deployed more than $80 million buying bankruptcy paper and we'll continue to deploy capital buying bankruptcy paper as we see strong returns there. We've moved into adjacent asset classes, the delinquent tax lien space with the Propel. We're leveraging our analytics through Asset Acceptance. We'll be able to collect more money from Asset's portfolio than they were able to. We'll be able to collect on that ERC more efficiently than they were able to and we'll collect more than they were able to. And finally, Cabot leverages a lot of the things we’ve talked about today and there are many synergy opportunities. Ken will talk about a few of them.

So let me just share a few points with you on Propel and then Ashish will talk about Asset Acceptance and Ken will wrap it up with Propel. We shared with you last year, Jack was up here last year and we talked about the three things that we were focused on from a strategic perspective at Propel. The first was to continue to penetrate the Texas market, it’s largely underpenetrated today, by using some of Encore’s analytics and competencies. The second was to introduce tax lien transfer legislation in states where it didn’t exist. And the third was to deploy capital acquiring tax lien certificates in those states which sell them. We’ve made a lot of progress in all three areas.

In Propel’s core business in Texas, we’ve spent a lot of time developing our analytics and refining Propel’s ability to market. We’re marketing to consumers differently than we have in the past. We’re using Encore’s call centers to make outbound calls to contact Propel’s consumers and with both of these over time, we expect to be able to increase our market share in the Texas market.

I’m really excited to announce that two weeks ago, legislation was successfully passed in the state of Nevada, tax lien transfer legislation was passed and that’s the direct result of a lot of hard work by Sheryl and Jack and their teams getting legislation passed. When we started out, we thought it would take us at least a couple of years to get legislation passed. Encore has really never done that before but we were successful in the first year, and I think it’s successful because we worked hard to do it but also because this is a consumer-friendly bill and we’re going to leverage what we learned in Nevada to introduce legislation in other states and expect to bring other states on in the years to come.

And finally, we’ve deployed capital buying tax lien certificates in three states and expect to deploy capital in two more states for the rest of the year. And I think it’s really important to understand that this part of the business creates lots of opportunities and options for us. There are more than 20 states that sell tax lien certificates and many jurisdiction within those states that sell. So we have opportunities to deploy that capital in a number of different areas, and we can deploy it where we’re going to get the best risk-adjusted return.

We can deploy capital on short duration assets or longer duration assets. We can buy in auctions or in bulk or in negotiated transactions with municipalities. So we’ve raised separate capital. It’s incremental to our core business and we can generate incremental profit and choose where we invest that, to generate the best risk-adjusted return.

And all of that has resulted in the growth of Propel's book. It's grown 12% since the end of last year. It's now more than $150 million. And because of what I just talked about in terms of tax lien certificates, we expect this to grow meaningfully throughout the rest of this year. We expect -- and as the book grows, revenue will grow, too. So we continue to expect revenue growth, sequential revenue growth through the rest of this year. And during that whole time, we've maintained our record of no losses.

Asset Acceptance is expected to close next Thursday, and we've been working feverishly over the last 90 days to get our plan in place. Because of the importance of Asset Acceptance to Encore, we've asked one of our most experienced leaders, Ashish Masih, to lead that effort for us. Ashish has been with Encore for four years. He's got 15 years of experience in the financial services space. He's on the board of our trade association, the DBA International. But I think most importantly, Ashish has got a lot of M&A and merger integration experience from his time at McKinsey and at Capital One. So with that, I will turn it over to Ashish who will give you some more details on Asset Acceptance. Thanks.

Ashish: Thank you, Paul, for your kind introduction. Can everybody hear me? Do I have the microphone on? Good morning, everyone, and it's really good to be here. I have not had a chance to speak to you in the past, but I appreciate the opportunity. And it's actually, as I think about it, I've been at the company for four years and it's really an exciting time to be at Encore. And while we have grown the company through the core business and Paul talked about it and Ken and Brandon talked about it, but the last two months have been really, really exciting. There are two major transactions and opportunities that have come to fruition over this time. A week ago, we announced the Cabot acquisition, as well as previous to that we had the announcement of Asset Acceptance acquisition, which is what I'm here to talk to you all about today.

At Encore, we've actually been in the business of acquiring competitor portfolios for many years. We really know how to value the portfolios accurately, on-board them and then we have the scale and operations to really collect on those portfolios in an efficient manner. And we've done this many, many times over. As practice makes perfect, this is something we've learned and honed our skills at doing many times over. And one way to look at it would be our record in the past. I'll show two examples here of two visible large transactions we did over the past several years. The first one was about eight years ago and back in 2005, a very large transaction for Encore at that time. And the second example is from just about one year ago, a large transaction as well. And in both cases, if you notice, we have well exceeded our initial collections expectations, not just over a year or so, but over seven or eight years as well. So we've really exceeded what we set out to collect in terms of the top line collections on both these portfolios. So I hope you can see the results from this as a proof of what we have as expertise of acquiring, on-boarding, and then collecting on portfolios. So we have the expertise and experience. We have the track results -- track record to prove it and this is what we bring to bear on the asset transaction. And actually, as we thought about this transaction and went into due diligence, this is what made us very confident and comfortable thinking about this transaction, which is not just a large portfolio but actually is a large company as well. So Asset, once it closes, it is going to add about $1 billion to our ERC.

And it also satisfies for about for 2013 largely our purchasing goals. Now in itself a large transaction, a large portfolio to collect on, it also allow us to be more selective for the remainder of the year when the portfolios come up for purchasing. Now we will collect on this portfolio and it creates a value, but we are also acquiring a company. And as we are starting to think about integration, we're thinking about how to create the best value out of this. What are the synergies from the best practices and the best operations in both companies so that Encore, going forward, could be a much more stronger company and more competitive company. And what it's also going to do is as the industry consolidates, we will stand in a very strong position to capitalize on the consolidation. It started happening a couple of years ago and I expect it's going to continue for a few more years to come.

So what are the value levers or value creation from this transaction? The first is analytics. We talk about it often. Paul described in detail the examples of how we think about portfolios. So we don't just use analytics in valuing portfolios upfront, which is very important. From my point of view in operations, we use analytics across all spectrum, all levels of operations. For example, we first used analytics to match accounts to the right channels that maximizes collections and minimizes costs. And once the accounts move into the channels, we continue to use account level decision-making on account treatment. For example, in our lettering and marketing campaign, we use analytics to decide what offers to make, what settlement offers to make, what sequence to send them out, how often to send each one out. In the call centers, we use analytics to define dialer campaigns, who to call, how often to call and who not to call, as Paul talked about. And then finally, in the legal channel, which is close to me, we use metrics-driven approach and analytics to manage our law firms. We can compare them in a very grounded and analytical way how they're performing against their peers, how they're performing against historical performance, which leads us to improve the collections on our portfolio. And we expect the multiple on this portfolio to be between 2 and 2.5.

The second lever is our cost advantage. We talk about this often as well. Now cost advantage comes also from analytics in which we are working the accounts in the right channels. But it also comes from a global footprint. We have operations in call centers in the U.S., in Costa Rica, and in India. And you're going to use this operations infrastructure to collect on this portfolio. But as I mentioned, we're going to use the best practices of both companies. We're also going to use certain parts of infrastructure of asset to collect on this. What I expect to happen as I start moving accounts, within a month after closing, it'll take about six to nine months to on-board accounts and get us to a target cost-to-collect, which is Encore's cost-to-collect on this very large ERC portfolio. And by spring next year, we should be at that target.

Now I talked about this as if it's a portfolio and which it is in large case -- in large part, a very large ERC portfolio. But as I look at the company and my team looked at it and many of us in the leadership at Encore look at this company, we got very excited about some of the capabilities that Asset brings, the first one being -- the most important being actually their internal legal platform. This is something it's close to me. I'm responsible for legal collections and internal legal is one of my responsibilities, and we've been on a journey to build this for the last 2.5 to 3 years. What Asset brings to bear is an internal legal platform that has couple of very critical advantages. The first is the technology. They have a technology called Cogent. It's a legal collection software that's built on modern technology platform. It's used by many law firms actually for their legal collection, and some of these firms we know very well. The second thing is Asset has been at it for much longer. They've been doing this for over a decade. They are active in 12 states and the District of Columbia. And it takes time to learn legal collections so their people, their employees, really know the documentation requirements at the court level, the rules, and the procedures. They also know the state-level requirements and they have developed this expertise and it's a much more mature legal collections platform, which we are really excited about to combine that with Encore's internal legal platform, and that will accelerate our growth by about two years, I expect.

Let me dig a little bit deeper on this. So we started our journey on internal legal at Encore back in January 2011. We started our first state back then, California, and since then we've met pretty much every objective we set out for ourselves. We are active in 10 states now. We're placing about 25% of our legal volume into our internal legal, and I expect that to be about one-third by end of the year, on the road to 50% soon after. And I expect we will collect about $50 million or so from Encore's internal legal this year. Now when you combine that with Encore's internal legal with Assets', you almost double the collections within 1 year. I expect it to be well over $100 million, perhaps close to $125 million for the year. So you can see it simply allows us to double the capacity on internal legal collections, which basically means it accelerates our growth on this journey, but also on the combined company today.

So as Paul had mentioned, the second pillar of our cost leadership and one of the levers to continue on it is internal legal and driving the cost-to-collect down. This will accelerate our journey towards that and not just cost-to-collect. We will have more control and more states on to the litigation process and also have opportunities to see better liquidation as we are already starting to see in some of the states.

Now I say instantaneously double the capacity as somewhat likely because it will be a lot of hard work to combine the infrastructure of these two companies. We need people to be trained, systems to be deployed, there's lot of work required and it will take several months to do that. I expect by later this year or by January, we should be ready to go with a combined internal legal platform. And I use that as an example to say -- to describe that there's work to be done on this integration. It's not just a simple portfolio acquisition. And as we started thinking about this integration right from day one, from March 6, day of announcement, many of us started planning on this right at that point. One of the first things we did was we got some external help, people with expertise who have M&A experience, and more importantly, acquisition integration experience. And not just experience to supplement our resources because our people are very busy running our core business.

The second thing we did was to go and protect our investment. We made retention offers to many asset employees and the management team members. We know this is a time of uncertainty and change and anxiety for many of them. We wanted to make sure that was not what will bother them. So they are focused on mitigating risks as well as keeping the collections going while we combine the two companies.

We then started with our planning efforts. First, within Encore, we spent a lot of time thinking through various combinations of how to create value in this transaction by combining the best of two companies. And then we developed very detailed plans that run into hundreds of pages long. And we did this initially just within Encore, but soon after with the Asset management team. I must say I've been very pleased to see the collaboration and the cooperation I've gotten and we have gotten collectively from the Asset management team. They have been extremely helpful in identifying issues, highlighting detail to work through. They're jointly working on our plans and our teams jointly stand ready to start integrating after the close date next Thursday.

What will happen on the close date? The first thing that'll happen is we will install an Encore executive to be head of Asset division, which is what it will become at that point. His name is Ryan Stanley. He actually works for me right now. He's been involved with building the internal legal platform, so he's very familiar with the legal collections business. He's a great leader of people and leading organizations through change. He and his family are actually relocating to Michigan as we speak. Soon after that, we will get going on our integration plans, call centers, on-boarding accounts to Encore's platform, clearly integrating the internal legal. We would also bring our approach to managing their law firm inventory, which is significant, and then, of course, some of the back office integration whether its payroll, general ledger, benefits, and so forth.

So I hope from this brief presentation, you take away a couple of things: The acquisition of Asset Acceptance is going to be transformative for Encore. Not only do we get a large portfolio and an ERC to collect on, we actually get some capabilities, most importantly, internal legal that will create value going forward. To capture value from this transaction, we have the right leadership and the right resources deployed. We have the right game plan, and we are ready to go on the day of closing, and I'm very confident that we will capture value from this transaction as we expect to.

I thank you for your time. And now, I will give it back to Ken to close out with Cabot.

Ken: Okay. I'm going to rush through, I think, the next two or three slides only because we had a presentation on that before and I want to make sure that we leave some time here for questions.

So we announced last week that we purchased a controlling stake in Cabot on May 30th, and the transaction expands Encore's reach in the U.K. and provides another geographic channel to deploy capital. As we mentioned on our conference call, there are four reasons why we like this transaction. Number one, we wanted to be united with a market leader and Cabot is that market leader in the U.K. Number two, it positions us to capitalize on the $10 billion-plus of face value that will be coming to the market. Number three, we like the semi-performing nature of the paper that Cabot purchases, and 60% of their purchases is in semi-performing paper, and these are portfolios where significant percentage of the consumers are already paying. So semi-performing paper produces an annuity-like revenue stream and gives us cash -- generates cash immediately. The third thing is Cabot's skilled and professional and highly seasoned management team will allow us to manage this company in an independent manner as an independent entity. And fourth, we can leverage Encore's analytics and decision science modeling. And last but not least, we're able to partner with JC Flowers, which enabled Encore to make this deal a manageable sized deal in terms of leverage for us.

So Cabot's size, scale, and cost leadership, that's exactly what we discussed with the pillars. They have a 14-year track record. You could see the numbers: ERC of 940 -- £934 million; over 3 million additional accounts; they did £161 million in collections; and last year, they deployed ₤130 million in purchases. The transaction produces net income immediately and that's without synergies. However, and we do plan on leveraging our analytics and the Indian operations to produce greater value over time. And leveraging our experience in the secondary and tertiary market will help produce incremental synergy value for Cabot. And as I said, it is something that we did not count on in our models, but we see as a real opportunity for us. We also see the legal channel as an opportunity for us and Cabot as well.

So Cabot, in quick summary, will do several things for us: one, it will help us deploy capital into a growing market; two, we will take advantage of IRRs that are strong and very favorable and it supports our long-term value creation of total shareholder goal of 15-plus percent; and lastly, we are on track to close this deal by the middle of the third quarter, if maybe not sooner.

So let me finalize and end with the following: We have a lot going on, all right. Thomas Edison once said, "Vision without execution is hallucination." So I can tell you what our strategy is going to be over the next several months and that is to execute, execute, and execute, and that's where our attention will be. But we have listened to you for the last -- for the last several weeks and we've had some work going on before I even came led by Brandon and Paul, and it was important for us to tell you what our value -- valuation road map was going to be all about and keep coming back to that valuation road map as we make future presentations, so you can hold us accountable to what we say here today and what we will do in the future. So this road map you will see, as I said on earnings calls, you'll see at investor conferences and if we do any other type of integral acquisition or expansion or new product offering, we will always continue to refer back to the value-creation road map that we have here in pursuit of top quartile total shareholder return.

So with that, I want to thank the management team for helping with this presentation. I want to thank the board for their support. One more time, I want to thank Brandon. I think the commercial was, "I love you, man." So you'll be missed, but you're not going too far away from us and we'll always be able -- actually, we know where you live so we can reach out and get to you at any time.

So with that, we're very happy to take some questions. The way it's going to work is I'll take all the easy ones and Paul has all the hard ones. So just let us know who you want to speak out first.

And do we have a couple of microphones? Okay. We have about -- there's a time -- there's a hard time stop in this room for us, so we have about 15 minutes or so to ask.

Paul: And there will be a luncheon afterwards, right back there to your left and we'll all be around there, so be happy to continue the discussion afternoon. Yes?

Q: Chuck. On Asset Acceptance, you're going to close it on the 13th. Will you be able to include a full month of revenues since it closed before mid-month? That's one question. The second question it's going to be 10-Q, so I was wondering if you could just tell us what the IRR is going to be or the yield off the Asset Acceptance portfolio?

Paul: So we will only be including half a month of revenue associated with Asset Acceptance unlike a typical portfolio purchase where we have a convention that if we acquired prior to mid-month we'd take the whole month and after we don't take anything. Given the magnitude of the deal and the fact that we're acquiring a business, not just the portfolio, we'll just have it for the half a month. And if you can figure out what the IRR is just by our 10-Q, I'll let you go do that, but we're not going to talk about what the IRR is on the deal. But it is a very good one. As I said before, when we're evaluating opportunities, whether we buy from issuers or from competitors, or in this case buying a competitor, we'll only do the latter two if it's going to generate a better return than buying from issuers because as Ashish described, it is a more complicated deal. So we'll only do something more complicated if it's going to generate a better return than we would get in the market from issuers.

Q: Better return, better than what we saw in your first quarter purchases or better than we saw in your 2012 purchases?

Paul: Better than what we could do in the market at the time we're doing this. So we've got capital deployed and we're always looking to deploy that capital. And at any given point in time, we've got alternatives in front of us. At the time we did the Asset -- we announced the Asset deal, that was a great return for us as it relates to other things that we were looking at the market at the time.

Q: Sameer Gokhale from Janney Capital. I guess one of my first questions is in talking about the Credit Research Institute, can you give us some tangible examples, maybe Chris can speak to that, of learnings or insights that have specifically helped in terms of improving performance? We've heard about the segmentation and the like for a while but a couple of tangible examples, I think, would be useful. And then the other thing is, on a separate note, you talked about the core purchasing expectations for 2014. It seems like you're signaling how much you're going to be deploying into the market. Hopefully, your competitors are listening to that and then they get a sense for how much you're buying. They can plan according to the expectation that pricing will become more rational in 2014 as a result of that. So is that kind of the partial intent of signaling the purchasing? Just those two questions. Thanks.

Ken: So I'll let you pass the mic over to Chris and when you're doing that, we'll answer the second question first. And we have an opportunity here, I think what we're signaling, if anything, to our competitors, that isn't our intention, but we've got several channels to deploy our capital. And so we have opportunities to search for the best IRRs and deploy our capital wisely. That's back to the strong capital stewardship that we have. And if you look at that model that we showed for '13 and '14, you'll see roughly be about the same dollar amount for '13 and '14. And the real difference there is our expectation in 2014 that there will not be big portfolio, at least, we did not assume that we were acquiring large portfolios. But if they are there and we like the returns, we will go grab them. And in fact, in our overall model, we'll change before we'll grow and we'll see what other opportunities we have both in Propel and Cabot to deploy capital as well. Chris?

Chris: I want to thank you for the question. So we have presentations on our website and I want to pitch for that first to both drive traffic, but also it may be helpful. The website is encoreccri.org and we've got a number of presentations that try to marry R&D findings, operational metrics, and operational matters. And so you can find sort of slides that describe some of the things I'm going to talk about. Let me give two examples. One is around consumers sort of state of self-awareness. So one of the things we've done is we've gone into the field and we've collected empirical data from prime and sub-prime consumers. And we've asked them, look, where do you think you are as far as your creditworthiness or your credit standing goes? And we said, do you think you're doing well or not doing so well. If you asked prime consumers that question, 93% of them know whether they are roughly a good credit risk or not. If you ask sub-prime consumers that question, it's a coin toss. It is 50-50. They don't know if they're prime or sub-prime. If you want to engage somebody in the collection process, you want to get them back on the road to recovery, where they think they are and what they bring to that conversation is probably pretty important. So we work pretty closely with the marketing channel to craft narrative in the letters and to craft story lines that we can present that will allow them to be brought into the conversation in a way where we are all on a common footing around what the reality of their situation is. That's a concrete example. Let me give another one also from marketing. And I should say my colleague, Brian Enneking is the chap who runs the marketing, very, very talented, one of the best marketing professionals I've met by far, both because he's very open-minded to new ideas but also because he's just very, very focused in how he applies these ideas and I think we've seen great success because of his kind of dedication to marrying some of my activities with a lot of his. So the second example is around numerous mathematical ability. So our letters are intrinsically numeric because they have offers in them. They have discount offers that extend through time that involve a bunch of percentages, in some cases probabilities if you want to think about it that way. There's a wide range of numerical ability amongst everybody, people in this room, people outside this room. We again went into the field and we assessed where people were in terms of mathematical ability. And when you ask people questions to assess that, you find the sub-prime consumers are somewhere between 10% and 20% decision in their ability to use numbers with great facility relative to prime consumers. And it's not that people can't do math, but there is a gap between prime and sub-prime consumers and that matters because we're giving them essentially numeric offers. And so again working with marketing, we thought about ways to take what our bundled complicated mathematical concepts and break them into new ways to think about it, either taking percentages and turning them into frequency format so instead of talking about percentage offers, giving them raw numbers which I think are easier for people to process or by using analogies. So instead of saying you're going to lose X amount of money over time, you say that's equivalent to this many coffees or that's equivalent to sort of this length of entertainment. And it's through, I think, creative ways of presenting information that we are able to connect with consumers more thoroughly. And as Brandon has mentioned in past years, our biggest challenge is that people won't engage with us and our ability to sort of lever these findings to improve consumer engagement, I think that's going to be a real breakthrough key to taking what we're doing and changing the game. So that's an example.

Ken: By the way, Chris promised me while I was talking to him yesterday, I said, okay, let's talk a little about the Credit Institute just so in case I would be prepped for any questions. He said, "Ken, I guarantee you there will not be one question that will be asked."

Q: This is Brian Hogan from William Blair. Couple of things on Cabot. First off, how much goodwill was created from that in that purchase price? And then two, the margins, the adjusted EBITDA to cash collections have gone from 58% in 2010 to 63 -- or 63% in 2011 up to 69% in 2012. That compares to Encore's ratio of around 62%. What is the sustainability of those margins at Cabot, and what can Encore learn from what Cabot does? I mean, there are probably some differences in the cost-to-collect. I look at Encore, learn from what Cabot does to kind of balance that out and where does the difference go?

Ken: Okay, I think there are three questions there. I'm not sure I heard the first one. I did hear Will's name mentioned.

Q: Goodwill.

Ken: Goodwill, oh, okay. You want to take the goodwill question?

Paul: So we haven't talked about yet how much goodwill we're going to allocate. After the transaction closes, we'll do an allocation of the purchase price and we will determine how much goodwill is associated with the transaction. So we just haven't finalized goodwill or talked about it. Obviously, we've modeled it internally, but it's not something that we've put out there yet and we'll do that once we close the transaction and do our purchase price allocation. On the margins, as we shared with you last week and as Ken talked about today, the businesses are a little bit different in that Cabot's really not doing very much legal today, which helps their margins a lot. Cabot has gotten much more efficient about how they work with consumers. They've created -- they've used technology. They've gotten more sophisticated in their operations over the last couple of years, which has driven down those -- or driven up their margins, driven down their cost-to-collect and that's clearly something that's sustainable going forward. The differences between Encore and Cabot are largely because of the differences in our businesses where Cabot's focused on fresher paper that are -- and with consumers that are making lots of recurring payments. And Encore's -- the bulk of our consumers aren't on long-recurring payment plans and there's much more engagement necessary with those consumers. And then we have our legal operations, which obviously are higher costs than what Cabot has in their operations today.

Ken: Yes, the other piece to that deal, the third part of your question was, what can we learn from each other, I think we've said that we're going to help Cabot with their secondary and tertiary collections, with legal operations. But also, we're going to learn in the U.S. and our core about semi-performing paper and how to make that pitch and that offer to consumers, as well as how do you continue -- I think, the term you used, uplift, consumers that are currently paying, say, £5 a month. And using the decision science modeling capabilities that Cabot has, how do you make that £5 to £10. As you think about that, you already have someone paying and there's a lower cost-to-collect to get someone to move up rather than to get someone to engage with you as Chris was talking about. So we're going to learn that as well and we'll see how we can import that from the U.K. over to the U.S.

Q: Yes, David Scharf with JMP. I had a question on internal legal because it seems like that's the biggest opportunity for margin expansion over the next few years. And the question really relates to what some of the barriers are to rolling it out even quicker because it looks like, based on the slides, you were expecting to cut in half the cost of legal collecting over the next few years, four years. And I think the slide said about half of your legal placements next year will be internal legal, but only about $90 million of cash collections will be internal, which is probably less than 20% of your total legal collections. So are there any operational barriers to just getting attorneys hired, on-boarded, driving some of that internal legal even quicker? Obviously, AACC helped somewhat, but seems to be a disparity between how much is being placed with internal legal and how much is actually being collected on the numbers.

Paul: There's definitely always a lag between when you place an account in the legal channel and when it starts generating collections. So it's got to go through the process and Ashish talked about it because Ashish runs our external and internal legal operation so he can certainly go into more detail.

Ashish: Sure. Thanks, Paul. So it's a very good question. So I think the operational challenges, David, you mentioned are true. So it takes a while to hire the attorneys and grow -- develop processes. We want to hire attorneys who are really experienced in this case to be the beachhead. But I think your other question, which is you see about 50-ish percent by end of next year going into internal legal but collections at only $90 million, that is a simple reflection of the legal curve. So there's lot of initial staffing and steps driven by placements you do initially. And just even if you maintain the placements, there's a delay in the legal curve. It's a very long curve, seven years or more actually now that is just a reflection of the curve shape. And if you keep at that level, the collections will come. If you do all the right things in the initial 6 months or 12 months, which is filing the suits, prepping the accounts, and following through on the legal processes.

Paul: So in about two years, we'll be up to about 50% of our actual collections coming from internal legal, so there'll be a lag of a year or two?

Ashish: That is correct.

Q: Rick Biggs, Consector. Last couple of years at the investor days, you've talked about credit origination as a potential adjacency. Just wondering if there's been any new thinking there or progress or do you have any update that you want to talk about?

Ken: Yes, I think that's the question I get the most with my background, when are you go into credit originations. And other than people asking me, I haven't given a lot of thought to that. I'll just say there are several ways that you can monetize the information we have in order to get at these credit originations and we don't necessarily have to generate our own receivables. We can use the old MBNA model where we could be an affinity group and we can sell our information and mine our information to Citibank or to Bank of America or JP on former customers of theirs and say, look, these are the customers we think are right for being offered a credit card or a credit offer. And if we're right and they do accept and you do have a lower cost to acquire because we are targeting them for you, we're going to expect a piece of that cost to acquire that we save you or we'll expect a piece of the interchange income as fee income-based for us and/or maybe there's a profit-sharing arrangement. There are a bunch of different ways to think about that and it's worth a conversation -- sorry, it's obviously worth a conversation, we will have conversations about it. But that's not what's going to be in front of us for the next several, several months. We've got other bigger things. So we know that we've got something that is valuable. We have to figure out how to monetize that and I know I haven't spent any time on that yet.

Paul: I think we've got time for one last question here.

Q: Ken, just looking at my notes, on Cabot you said it will produce net income immediately without synergies. You didn't make any comments on Asset Acceptance. Will Asset Acceptance produce net income immediately without synergies?

Ken: Well, Asset Acceptance really is the substitution of what we would have bought. When I came into the year, I think, and correct me if I'm wrong guys, from last year's Investor Day we said we're going to do $400 million in the U.S. in our core business. Asset Acceptance came up, and one fell swoop we're able to do $400 million -- sorry, $400 million of purchases. And what we have said is with Asset Acceptance and combining Cabot that we think we'll be between a $3.50 and a $3.60 EPS. So it's part of our 15% EPS-plus growth per year and that's how we look at that.

Paul: And just if you take out obviously the deal cost that we will incur immediately after the transaction closes and other deal-related matters, the answer is yes. I mean, it will generate income immediately.

Q: [inaudible]

Ken: Well, I think we hit this thing right on time. We actually have three minutes to spare. So we'll meet you for lunch. And thank you all very much for coming, and thank you for your participation.

END