FMC CORP
Form DEF 14A
March 21, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to ss.240.14a-12

FMC CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

FMC Corporation

March 21, 2014

Dear Stockholder:

It1 is my pleasure to invite you to attend the Company's 2014 Annual Meeting of Stockholders. The meeting will be held on Tuesday, April 29, 2014, at 2:00 p.m. local time at the Top of the Tower, 1717 Arch Street, 50th Floor, Philadelphia, Pennsylvania. The Notice of Annual Meeting and Proxy Statement accompanying this letter describe the business to be conducted at the meeting.

During the meeting, I will report to you on the Company's earnings, results and other achievements during 2013 and on our outlook for 2014. We welcome this opportunity to have a dialogue with our stockholders and look forward to your comments and questions.

Your vote is important. **Please vote your proxy promptly so your shares can be represented**. Please see your proxy card for specific instructions on how to vote.

If you plan to attend the meeting, please send written notification to the Company's Investor Relations Department, 1735 Market Street, Philadelphia, Pennsylvania 19103, so that your name can be put on an admission list held at the registration desk at the entrance to the meeting. If your shares are held by a bank, broker or other intermediary and you plan to attend, you must enclose with your notification evidence of your ownership, such as a letter from the bank, broker or intermediary confirming your ownership or a bank or brokerage firm account statement. If you wish to vote at the meeting, please refer to the section of this proxy statement entitled "How to Vote" for specific instructions.

I look forward to seeing you on April 29th.

Sincerely,

Pierre Brondeau

President, Chief Executive Officer and Chairman of the Board

Notice of Annual Meeting of Stockholders

Tuesday, April 29, 2014

2:00 p.m.

Top of the Tower, 1717 Arch Street, 50th Floor, Philadelphia, Pennsylvania

Dear Stockholder:

You are invited to the Annual Meeting of Stockholders of FMC Corporation. We will hold the meeting at the time and place noted above. At the meeting, we will ask you to:

1. Elect three directors, each for a term of one year.
2. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2014.
3. Hold an advisory (non-binding) vote on executive compensation.
4. Consider and act upon any other business properly brought before the meeting.

THE BOARD RECOMMENDS A VOTE FOR ITS NOMINEES FOR DIRECTOR AND FOR PROPOSALS 2 and 3.

Your vote is important. To be sure your vote counts and assure a quorum, please vote, sign, date and return the enclosed proxy card whether or not you plan to attend the meeting; or if you prefer, please follow the instructions on the enclosed proxy card for voting by Internet or by telephone whether or not you plan to attend the meeting in person.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 29, 2014:

The proxy statement and the annual report to security holders are available at *www.fmc.com*

March 21, 2014

By order of the Board of Directors,

Andrea E. Utecht

Executive Vice President, General Counsel and Secretary

Table of contents

I. Information About Voting **5**

II. The Proposals To Be Voted On **7**

PROPOSAL 1 Election of Directors 7
PROPOSAL 2 Ratification of Appointment of Independent Registered Public Accounting Firm 7
PROPOSAL 3 Advisory (Non-Binding) Vote on Executive Compensation 8

III. Board of Directors **9**

Nominees for Director 9
Directors Continuing in Office 10

IV. Information about the Board of Directors and Corporate Governance **12**

Meetings 12
Committees and Independence of Directors 12
Director Compensation 14
Corporate Governance 16

V. Security Ownership of FMC Corporation **19**

Management Ownership 19
Other Security Ownership 20

VI. Executive Compensation **20**

Compensation Discussion and Analysis 20
Executive Compensation Tables 26
Potential Payments Upon Termination or Change in Control 34
Compensation and Organization Committee Report 38

VII. Other Matters **39**

Section 16(a) Beneficial Ownership Reporting Compliance 39
Audit Committee Report 39
Expenses Relating to this Proxy Solicitation 39

Back to Contents

This page was intentionally left blank.

Back to Contents

I. INFORMATION ABOUT VOTING

Solicitation of Proxies

The Board of Directors of FMC Corporation (the “Company” or “FMC”) is soliciting proxies for use at the Company’s 2014 Annual Meeting of Stockholders and any postponements or adjournments of that meeting (as so postponed or adjourned, the “2014 Annual Meeting” or the “Annual Meeting”). The Company first mailed this proxy statement, the accompanying form of proxy and the Company’s Annual Report for 2013 on or about March 21, 2014.

Agenda Items

The agenda for the Annual Meeting is to:

1. Elect three directors;
2. Ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for 2014;
3. Hold an advisory (non-binding) vote on executive compensation;
4. Conduct other business properly brought before the meeting.

Who Can Vote

You can vote at the Annual Meeting if you are a holder of the Company’s common stock, par value of $0.10 per share (“Common Stock”), on the record date. The record date is the close of business on March 4, 2014. You will have one vote for each share of Common Stock. As of March 4, 2014, there were 133,074,265 shares of Common Stock outstanding.

How to Vote

You may vote in one of four ways:

- You can vote by signing and returning the enclosed proxy card. If you do, the individuals named on the card will vote your shares in the way you indicate;

- You can vote by Internet;

- You can vote by telephone; or

- You can cast your vote at the Annual Meeting.

If you plan to cast your vote at the meeting, please send written notification to the Company's Investor Relations Department, 1735 Market Street, Philadelphia, Pennsylvania 19103, so that your name can be put on an admission list held at the registration desk at the entrance to the meeting. In addition, if you hold your shares through a broker, bank or other intermediary and you wish to vote at the Annual Meeting, you must obtain a legal proxy from them authorizing you to vote at the Annual Meeting. We will be unable to accept a vote from you at the Annual Meeting without that authorization. If you are a registered stockholder and wish to vote at the Annual Meeting, in addition to the above attendance notification, you must provide proper identification as the stockholder of record at the registration desk, but no additional authorization will be required in order to cast your vote.

Use of Proxies

Unless you tell us on the proxy card to vote differently, we plan to vote signed and returned proxies FOR the Board nominees for director, and FOR Proposals 2 and 3, and in the discretion of the proxy holders as to any other matters that may properly come before the Annual Meeting.

Quorum Requirement

We need a quorum of stockholders to hold a valid Annual Meeting. A quorum will be present if the holders of at least a majority of the outstanding Common Stock entitled to vote at the meeting either attend the Annual Meeting in person or are represented by proxy at the Annual Meeting. Abstentions, broker non-votes (described below) and votes withheld are counted as present for the purpose of establishing a quorum.

Back to Contents

Vote Required for Action

Directors are elected by a majority of the votes cast in an uncontested election. Because the number of nominees properly nominated for the Annual Meeting is the same as the number of directors to be elected at the Annual Meeting, the election of directors is an uncontested election. As a result, any nominee who receives a majority of the votes cast with respect to his or her election at the Annual Meeting will be elected to the Board (or re-elected, in the case of any nominee who is an incumbent director). Incumbent nominees have tendered a contingent resignation which would become effective if (i) the nominee does not receive a majority of the votes cast with respect to his or her election at the Annual Meeting and (ii) the Board of Directors accepts such resignation. Adoption of Proposals 2 and 3 require the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote at the meeting.

Abstentions or Lack of Instructions to Banks, Brokers, or Employee Benefit Plan Trustees

Abstentions will not be counted as votes cast for the election of directors, and thus will have no effect on the election of directors. With respect to Proposals 2 and 3, abstentions will have the effect of a vote against such proposals.

A broker non-vote occurs when a bank, broker or other nominee holding shares on behalf of a stockholder does not receive voting instructions from the beneficial owner with respect to a non-routine matter to be voted on at the Annual Meeting by a specified date before the Annual Meeting. Banks, brokers and other nominees may vote undirected shares on matters deemed routine in accordance with New York Stock Exchange rules, but they may not vote undirected shares on matters deemed non-routine in accordance with such rules. For this purpose, the ratification of the appointment of the independent registered public accounting firm is considered a routine matter, but the election of directors and the advisory vote regarding executive compensation are considered non-routine matters. In the event of a broker non-vote in the election of directors or with respect to Proposals 2 and 3 at the Annual Meeting, the broker non-vote will not have any effect on the outcome inasmuch as broker non-votes are not counted as votes cast or as shares present and entitled to be voted with respect to any matter on which the broker has expressly not voted.

If you are entitled to vote shares held under an employee benefit plan and you either do not direct the trustee by April 25, 2014 how to vote your shares, or if you vote on some but not all matters that come before the Annual Meeting, the trustee will, in the case of shares held in the FMC Corporation Savings and Investment Plan, vote your undirected shares in proportion to the votes received from other participants, and in the case of the Company's other employee plans, vote your shares in the trustee's discretion, except to the extent that the plan or applicable law provides otherwise.

Revoking a Proxy

You may revoke your proxy at any time before it is exercised. You can revoke a proxy by:

- Sending a written notice to the Corporate Secretary of FMC;
- Delivering a properly executed, later-dated proxy;
- Attending the Annual Meeting and voting in person, provided that you comply with the conditions set forth in the section of this proxy statement above entitled “How to Vote”; or
- If your shares are held through an employee benefit plan, your revocation must be received by the trustee by April 25, 2014.

Back to Contents

II. THE PROPOSALS TO BE VOTED ON

Proposal 1 Election of Directors

The Company is in the process of declassifying its Board, which previously had three classes of directors, each with a term of three years. As their class terms expire on a rolling basis, directors will come up for election over the next three Annual Meetings, beginning with 2014, and will be elected for one year terms only thereafter. By the 2016 Annual Meeting, all directors will be up for election for a one year term.

Nominees for Director

The nominees for director this year are K'Lynne Johnson, who was appointed to the Board of Directors in 2013 to fill a vacancy, William H. Powell and Vincent R. Volpe, Jr., each of whose term expires at the 2014 Annual Meeting. If elected, these directors' next term will expire at the 2015 Annual Meeting. Information about the nominees and the continuing directors is contained in the section of this proxy statement entitled "Board of Directors".

The Board of Directors expects that all of the nominees will be able and willing to serve as directors. If any nominee becomes unavailable, the proxies may be voted for another person nominated by the Board of Directors to fill the vacancy, or the size of the Board of Directors may be reduced.

Edward J. Mooney, a director since 1997, will retire from the Board effective at the 2014 Annual Meeting. The Board extends its thanks to him for his counsel and service.

The Board of Directors recommends a vote FOR the election of K'Lynne Johnson, William H. Powell and Vincent R. Volpe, Jr. to the Board of Directors as described above.

Proposal 2 Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has approved KPMG LLP ("KPMG") continuing to serve as the Company's independent registered public accounting firm for 2014. For the years 2012 and 2013, KPMG's fees, all of which were approved by the Audit Committee, were as follows:

($000)	2013	2012

Audit Fees[1]	2,802	2,675
Audit Related Fees[2]	1,336	246
Tax Fees[3]	852	1,089
All Other Fees[4]	302	351
TOTAL	5,292	4,361

[1] Fees for professional services performed by KPMG for the integrated audit of the Company's annual consolidated financial statements and review of financial statements included in the Company's Form 10-Q filings, and other services that are normally provided by KPMG in connection with statutory and regulatory filings or engagements.

[2] Fees for services performed by KPMG that are reasonably related to the performance of the audit or review of the Company's financial statements. This includes employee benefit and compensation plan audits, any acquisition-related audit work, and attestations by KPMG that are required by statute or regulation.

[3] Fees for professional services performed by KPMG with respect to tax compliance, tax advice and tax planning. This includes preparation of original and amended tax returns for the Company and its consolidated subsidiaries, refund claims, payment planning, and tax audit assistance.

[4] Fees for other permissible work performed by KPMG that does not fall within the categories set forth above. For the years listed above, this work consists of tax filings for individual employees involved in the Company's expatriate program.

Back to Contents

Pre-Approval of Independent Registered Public Accounting Firm Services

The Committee has adopted a Pre-Approval Policy with respect to audit and non-audit services performed by its independent registered public accounting firm. The following is a summary of the Policy.

Prior to the commencement of services for a given year, the Audit Committee will grant pre-approvals of expected services and estimated fees, as presented by the independent registered public accounting firm. The independent registered public accounting firm will routinely update the Committee during the year in which the services are performed as to the actual services provided and related fees pursuant to the Pre-Approval Policy.

Unexpected services not captured under the Pre-Approval Policy, or where fees to be incurred would exceed pre-approved amounts, will require specific approval before the services may be rendered. Requests or applications to provide such services that require specific approval by the Audit Committee will be submitted to the Chairman of the Audit Committee and to the Company’s Chief Financial Officer or his designee by the independent registered public accounting firm.

The request or application must include a statement as to whether, in the view of both the independent registered public accounting firm and the Chief Financial Officer or his designee, such request or application is consistent with the rules of the Securities and Exchange Commission (“SEC”) regarding auditor independence. Authority to grant approval for such services has been delegated to the Chairman of the Audit Committee, subject to a $100,000 limit for each request, and provided that any such approval would then be reviewed by the full Committee at the next regularly scheduled meeting. Any such request exceeding that amount would require the approval of the full Audit Committee.

The Audit Committee has determined that the independence of KPMG has not been adversely impacted as a result of the non-audit services performed by such accounting firm.

We expect a representative of KPMG to attend the Annual Meeting. The representative will have an opportunity to make a statement if he or she desires and also will be available to respond to appropriate questions.

The Board of Directors recommends a vote FOR ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for 2014.

Proposal 3 Advisory (Non-Binding) Vote on Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires virtually all publicly-traded companies to permit their stockholders to cast a non-binding advisory vote on executive compensation paid to their executive officers named in this proxy statement (“named executive officers” or “NEOs”). At our 2011 Annual Meeting of Stockholders, our stockholders were asked to vote on whether the advisory vote on executive compensation should be held annually, every two years or every three years. Our stockholders indicated a preference for holding such a vote on an annual basis. Our Board determined as a result of such vote on the frequency of the advisory vote to approve our executive compensation, that we will hold a stockholder advisory vote to approve our executive compensation every year.

This advisory vote on executive compensation is non-binding on the Board, will not overrule any decision by the Board and does not compel the Board to take any action. However, the Board and the Compensation and Organization Committee may consider the outcome of the vote when considering future executive compensation decisions. Specifically, to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, the Board will consider our stockholders’ concerns and the Compensation and Organization Committee will evaluate whether any actions are necessary to address those concerns.

The Board and the Compensation and Organization Committee believe that the Company’s executive compensation programs and policies and the compensation decisions for 2014 described in this proxy statement (i) support the Company’s business objectives, (ii) link the interests of the executive officers and stockholders, (iii) align NEO pay with individual and the Company’s performance, without encouraging excessive risk-taking that could have a material adverse effect on the Company, (iv) provide NEOs with a competitive level of compensation and (v) promote retention of the NEOs and other senior leaders.

For the reasons discussed above (and further amplified in the compensation disclosures made in this proxy statement), the Board recommends that stockholders vote in favor of the following resolution:

RESOLVED that the stockholders approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table and other related tabular and narrative disclosures set forth in this proxy statement).

The Board of Directors unanimously recommends a vote FOR the above resolution.

Back to Contents

III. BOARD OF DIRECTORS

Nominees for Director

New Term Expiring in 2015

K'Lynne Johnson

Principal Occupation: CEO and President of Elevance Renewable Sciences, Inc., a global specialty chemicals company.

Age: 45

Director Since: 2013

Ms. Johnson is Chief Executive Officer and President of Elevance Renewable Sciences, Inc. Elevance products and technologies are used in personal care products, detergents and cleaners, lubricants and additives, engineered polymers and other specialty chemicals markets. Prior to being named CEO and President of Elevance, Ms. Johnson was Senior Vice President of the Global Derivatives operating company within BP Innovene, one of the world's largest global petrochemical and refining companies. She has served in a variety of leadership and executive positions for more than 20 years at Amoco, BP Chemicals, Innovene and Elevance. Ms. Johnson brings both operational and chemical industry experience which are of great value to the Board.

William H. Powell

Principal Occupation: Retired Chairman and Chief Executive Officer of The National Starch and Chemical Company, a producer of specialty polymers, electronic and engineering materials, and specialty food ingredients

Age: 68

Director Since: 2011

Mr. Powell retired as Chairman and Chief Executive Officer of The National Starch and Chemical Company in 2006. He joined National Starch in 1976 and held numerous management and executive positions in the company. When National Starch was a subsidiary of the UK chemical company ICI PLC, Mr. Powell was an Executive Vice President and a director of ICI PLC. Prior to joining National Starch, he was with Novamont Corporation and Air Products and Chemicals, Inc., and served as an officer in the United States Air Force. He currently serves as a non-executive director for Granite Construction Incorporated and PolyOne Corporation. Mr. Powell's deep background in the chemical industry, his global expansion and innovation systems experience, his extensive public company board service, and his role as a chief executive officer during periods of growth add great value to the Board of the Company.

Vincent R. Volpe, Jr.

Principal Occupation: Chief Executive Officer and President of Dresser-Rand Group, Inc., an industrial equipment supplier

Age: 56

Director Since: 2007

Mr. Volpe is the Chief Executive Officer, President and a director of Dresser-Rand Group, Inc., a leading supplier of rotating equipment solutions to the worldwide oil, gas, petrochemical and process industries. He has served in those positions since his election in September 2000. Previously he served as Chief Operating Officer of Dresser-Rand Group, Inc. from 1999 until September 2000. Since joining Dresser-Rand in 1981, Mr. Volpe has held several diverse management positions. He served as President, Turbo Products Division from 1997-1999; President-Europe from 1996-1997; Vice President and General Manager, Turbo Products Division-European Operations from 1993-1996; Executive Vice President, European Operations from 1992-93; Vice President, Marketing and Engineering, Steam & Turbo Products-European Operations. Mr. Volpe is currently an advisor to the Board of Directors of Archbishop Walsh High School (Olean, NY). In his current role as the CEO of a large manufacturing company and with his significant international experience, Mr. Volpe has the experience necessary to provide valuable oversight to the Company in the conduct of its business.

Back to Contents

Directors Continuing in Office

Term Expiring in 2015

Eduardo E. Cordeiro

Principal Occupation: Executive Vice President and Chief Financial Officer of Cabot Corporation, a global specialty chemicals and performance materials company

Age: 46

Director Since: 2011

Mr. Cordeiro has served as Executive Vice President and Chief Financial Officer of Cabot Corporation since 2009. He joined Cabot in 1998 and has held several corporate, business and executive management positions including General Manager of Cabot's Fumed Metal Oxides and Tantalum businesses and Vice President of Corporate Strategy. Prior to joining Cabot, Mr. Cordeiro was a consultant with The Boston Consulting Group and a founding partner of The Economics Resource Group. Mr. Cordeiro brings extensive strategy, finance and chemical industry experience to the Board. He has developed corporate strategy experience working for The Boston Consulting Group and more specifically chemical industry strategy experience leading Cabot's corporate strategy function for the last several years. He also brings deep financial experience having held multiple finance roles at Cabot over the last 15 years, including, most recently, the CFO position. Mr. Cordeiro also brings operational and chemical industry business experience to the Board having been General Manager for two of Cabot's core specialty chemical businesses.

Peter D'Aloia

Principal Occupation: Managing Director and member of the Board of Directors of Ascend Performance Materials Holdings, Inc., a producer of Nylon 66 and related chemicals

Age: 69

Director Since: 2002

Mr. D'Aloia has served as Managing Director and a member of the Board of Directors of Ascend Performance Materials Holdings, Inc. since June 1, 2009. From February 2000 until June 2008, Mr. D'Aloia served as Senior Vice President and Chief Financial Officer of Trane, Inc. (formerly American Standard Companies, Inc.). Prior to that, he was employed by AlliedSignal Inc. (now known as Honeywell), a diversified industrial company, most recently serving as Vice President-Strategic Planning and Business Development. He spent 28 years with AlliedSignal Inc. in diverse management positions, including Vice President-Taxes, Vice President and Treasurer, Vice President and Controller, and Vice President and Chief Financial Officer for the Engineered Materials sector. He is a member of the Boards of Directors of ITT Corporation and Wabco, Inc. Mr. D'Aloia's significant financial and business experience resulting from senior executive and financial roles in large manufacturing operations, and service as a director of other public companies, make him eminently qualified to be a director of the Company and to serve as a financial expert on the Audit Committee.

C. Scott Greer

Principal Occupation: Principal, Greer and Associates, a private investment management firm

Age: 63

Director Since: 2002

Since June 2006, Mr. Greer has been a principal in Greer and Associates, a private investment management firm. Until June 2005, he was Chairman, President and Chief Executive Officer of Flowserve Corporation, a manufacturer of industrial flow management equipment. He served as Chairman from April 2000 and as its President and Chief Executive Officer from January 2000. Mr. Greer joined Flowserve Corporation in 1999 as President and Chief Operating Officer. In March 2005, without admitting or denying the SEC's charges, Mr. Greer consented to the issuance by the SEC of an administrative order concluding that he caused Flowserve to violate the SEC's periodic reporting requirements and Regulation FD, and he consented to the entry of a final judgment requiring him to pay a related $50,000 civil penalty. Prior to joining Flowserve, Mr. Greer was President of UT Automotive, a subsidiary of United Technologies Corporation, a supplier of automotive systems and components, from 1997 to 1999. He was President and a director of Echlin, Inc., an automotive parts supplier, from 1990 to 1997, and its Chief Operating Officer from 1994 to 1997. Mr. Greer served on the Board of Directors of Washington Group from 2002 to 2007. He was also a member of the Board of Directors of eMedicalFiles, Inc. Mr. Greer's experience in senior executive roles, including as Chairman and CEO of a publicly-traded global manufacturing operation, as well as his service as a director of other public companies, enable him to make a significant contribution as a director of the Company.

Paul J. Norris

Principal Occupation: Retired Chairman and Chief Executive Officer of W. R. Grace & Co., a manufacturer of specialty chemicals

Age: 66

Director Since: 2006

Until May 2005, Mr. Norris served as Chairman and Chief Executive Officer of W. R. Grace & Co., a manufacturer of specialty chemicals. Mr. Norris was actively engaged in W. R. Grace's businesses for the six years prior to his retirement as Chief Executive Officer. He resigned as a member of W. R. Grace's Board of Directors in February 2010. Mr. Norris joined W.R. Grace as President and CEO in November 1998 and became Chairman in January 1999. Prior to joining W.R. Grace, Mr. Norris was at AlliedSignal Inc. (now known as Honeywell) for nine years and served as Senior Vice President and President, Specialty Chemicals, from 1997 to 1998; President, AlliedSignal Polymers Division from 1994 to 1997; and President, AlliedSignal Chemicals & Catalysts (formerly Fluorine Products Division) from 1989 to 1994. From 1981 to 1989, Mr. Norris served in various executive capacities with Engelhard Corporation (now a part of BASF Corporation), including President of Catalysts and Chemicals, Senior Vice President and General Manager of Catalysts, and Vice President and Business Director for Petroleum Catalysts. Mr. Norris has previously served on the Board of Directors of Borden Chemicals, Inc., Ecolab, Inc. and Nalco Holding Company, and he served as the Non-Executive Chairman of the Board of Directors of Sealy Corporation. He currently performs advisory services for Kohlberg Kravis Roberts & Co. As the former Chairman and CEO of a specialty chemical company and with over 30 years in the chemical industry, Mr. Norris has significant business experience relevant to the Company which makes him well qualified to serve as a director.

Back to Contents

Term Expiring in 2016

Pierre Brondeau

Principal Occupation: President, CEO and Chairman, FMC Corporation

Age: 56

Director Since: 2010

Mr. Brondeau was elected Chairman of the Company in October 2010. Before joining the Company as President and Chief Executive Officer in January 2010, Mr. Brondeau served as President and Chief Executive Officer, Dow Advanced Materials Division, until his retirement in September 2009. Prior to Dow's acquisition of Rohm and Haas Company in April 2009, he was President and Chief Operating Officer of Rohm and Haas from May 2008. Mr. Brondeau held numerous executive positions during his tenure at Rohm and Haas from 1989 through May 2008. He is also a member of the Board of Directors of TE Connectivity and Marathon Oil Corporation. Mr. Brondeau's current role as President, CEO and Chairman of the Company and his former senior executive positions in the chemical industry make him an important contributor to the Board.

Dirk A. Kempthorne

Principal Occupation: President and CEO, American Council of Life Insurers

Age: 62

Director Since: 2009

Governor Kempthorne was appointed to his current position with the American Council of Life Insurers in November 2010. Prior to that, he served as the 49th United States Secretary of the Interior from June 2006 until January 2009. From January 1999 until his appointment as Secretary of the Interior, Governor Kempthorne served as the Governor of Idaho. He was also a United States Senator representing the State of Idaho from 1993 to 1999 and was the Mayor of Boise, Idaho from 1986 to 1993. Governor Kempthorne has been Chairman of the National Governors Association, Chairman of the Western Governors Association and President of the Council of State Governments. He also served as a member of the Homeland Security Task Force. Governor Kempthorne is a member of the Board of Directors of Olympic Steel. His lengthy experience in government, both on the federal and state level, makes Governor Kempthorne well qualified to serve as a director of the Company, which interfaces with numerous regulatory agencies in several facets of its operations.

Robert C. Pallash

Principal Occupation: Retired President, Global Customer Group and Senior Vice President of Visteon Corporation, an automotive parts manufacturer

Age: 62

Director Since: 2008

Until December 2013, Mr. Pallash served as President, Global Customer Group and Senior Vice President of Visteon Corporation, an automotive parts manufacturer, since January 2008. From August 2005 to January 2008, Mr. Pallash was Senior Vice President, Asia Customer Group for Visteon. He joined Visteon in September 2001 as Vice President, Asia Pacific. Visteon filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in May 2009 and exited in October 2010. Prior to joining Visteon, Mr. Pallash served as President of TRW Automotive Japan from 1999. Until December 2013, Mr. Pallash served on the Board of Directors of Halla Climate Controls in South Korea, a majority-owned subsidiary of Visteon Corporation. Mr. Pallash's international experience, particularly in Asia where the Company seeks to grow its business, enables him to bring significant value as a member of the Board.

Back to Contents

IV. INFORMATION ABOUT THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Meetings

During 2013, the Board of Directors held five regular meetings and three telephonic meetings. All incumbent directors attended at least 75% of the total number of meetings of the Board and all Committees on which they served.

Committees and Independence of Directors

The Board of Directors has five standing Committees: an Audit Committee, a Compensation and Organization Committee, a Nominating and Corporate Governance Committee, an Executive Committee, and a Sustainability Committee.

The Audit Committee, Compensation and Organization Committee, and Nominating and Corporate Governance Committee are all composed of non-employee directors, each of whom has been determined by the Board to be independent on the basis set forth below. With the exception of the Chief Executive Officer, Mr. Brondeau, no director or nominee is currently, or was within the past three years, employed by the Company, its subsidiaries or affiliates.

The Board has affirmatively determined that none of the non-employee directors has any material business, family or other relationship with the Company, its subsidiaries or affiliates other than as a director, and that they all qualify as independent. Specifically, the independent directors are Messrs. Cordeiro, D’Aloia, Greer, Kempthorne, Mooney, Norris, Pallash, Powell and Volpe, and Ms. Johnson. In order to be considered independent by the Board, a director or nominee must meet the requirements set forth in the SEC and New York Stock Exchange (“NYSE”) rules regarding independence.

Mr. Volpe is an executive officer of a business that has engaged in transactions with the Company within the past three years. The Board has determined that none of these transactions, individually or in the aggregate, were material to either the Company or the other entity, and that Mr. Volpe does not have a material interest in the transactions. Furthermore, the Board noted that the transaction amounts involved fall below the thresholds established by the NYSE for determining independence. FMC’s purchases from Dresser-Rand Group, Inc., for which Mr. Volpe served as an executive officer, were $373,430 in 2011, $859,466 in 2012, and $724,308 in 2013. There were no FMC sales to Dresser-Rand Group, Inc. during that three-year period. On the basis of its evaluation, the Board has concluded that Mr. Volpe meets the independence standards applied by the Board.

Audit Committee

The Board of Directors has adopted a written charter that outlines the duties of the Audit Committee, including conducting an annual self-assessment. A current copy of the Charter is posted on the Company's website, as described in the section below entitled "Corporate Governance Documents". The principal duties of this Committee, among other things, include:

- Review the effectiveness and adequacy of the Company's internal controls
- Review the annual report, proxy statement and periodic SEC filings such as the Company's reports on Form 10K and 10Q, including Management's Discussion and Analysis, and ensure that the Company's financial reports fairly represent its operations
- Review the effectiveness, scope and performance of activities of the independent registered public accounting firm and the internal auditor function
- Review significant changes in accounting policies
- Select the independent registered public accounting firm and confirm its independence
- Review potentially significant litigation
- Review federal income tax issues
- Review the Company's policies with respect to risk assessment and risk management
- Review with management the Company's earnings releases

Back to Contents

- Monitor the Company’s compliance with legal and regulatory requirements
- Pre-approve audit and non-audit services provided by the independent registered public accounting firm

Members: Mr. D’Aloia (Chair), Mr. Cordeiro, Mr. Mooney (retiring at the Annual Meeting), Mr. Pallash, and Mr. Volpe. The Board of Directors has determined that both Messrs. D’Aloia and Cordeiro meet the SEC requirements for an “audit committee financial expert” and all current members of the committee are “financially literate” as required by the NYSE. The Board has also determined that no current Committee member sits on the audit committee of more than three public companies.

Number of Meetings in 2013: 6

Compensation and Organization Committee

The Board of Directors has adopted a written charter that outlines the duties of the Compensation and Organization Committee, including conducting an annual self-assessment. A current copy of the Charter is posted on the Company’s website, as described in the section below entitled “Corporate Governance Documents”.

The principal duties of this Committee are discussed more fully in the Compensation Discussion and Analysis, and include, among other things:

- Review and approve compensation policies and practices for senior executives
- Review as necessary the Company’s compensation programs, policies and practices with respect to risk assessment
- Establish the total compensation for the Chief Executive Officer
- Review and approve major changes in the Company’s employee benefit programs
- Approve Annual Incentive awards and equity awards and grants made under the Company’s Incentive Compensation and Stock Plan
- Review the Compensation Discussion and Analysis and based on such review, recommend to the Board of Directors that it be included in the annual proxy statement
- Review significant organizational changes and management succession planning
- Recommend to the Board of Directors candidates for officers of the Company

- Evaluate the Chief Executive Officer and oversee evaluation of management performance

Members: Mr. Mooney (Chair, retiring at the Annual Meeting), Mr. Greer, Ms. Johnson, Mr. Norris and Mr. Powell.

Number of Meetings in 2013: 3

Nominating and Corporate Governance Committee

The Board of Directors has adopted a written charter that outlines the duties of the Nominating and Corporate Governance Committee, including conducting an annual self-assessment. A current copy of the Charter is posted on the Company's website, as described in the section below entitled "Corporate Governance Documents". The principal duties of this Committee, among other things, include:

- Review and recommend candidates for director
- Recommend Board of Directors meeting formats and processes
- Oversee corporate governance, including an annual review of governance principles
- Review and approve director compensation policies, including the determination of director compensation
- Oversee Board of Directors and Committee evaluation procedures
- Determine director independence
- Recommend whether to accept or reject a director resignation or take other action, where a director has failed to receive a majority of votes cast in an uncontested director election

Members: Mr. Greer (Chair), Mr. Cordeiro, Mr. D'Aloia, Mr. Kempthorne and Mr. Volpe.

Number of Meetings in 2013: 4

Executive Committee

The Executive Committee acts in place of the Board of Directors when the full Board of Directors is not in session.

Members: Mr. Brondeau (Chair), Mr. D'Aloia and Mr. Mooney (retiring at the Annual Meeting).

Number of Meetings in 2013: The Executive Committee did not meet in 2013.

Back to Contents

Sustainability Committee

The Board of Directors has adopted a written charter that outlines the duties of the Sustainability Committee, including conducting an annual self-assessment. A current copy of the Charter is posted on the Company's website, as described in the section below entitled "Corporate Governance Documents". The principal duties of this Committee, among other things, are to:

- Monitor the Company's Sustainability Program, including program development and advancement, goals and objectives, and progress toward achieving those objectives
- Monitor the Company's environmental responsibility, employee occupational safety and health, and process safety programs
- Monitor the Company's programs with regard to the American Chemistry Council's Responsible Care® initiative

Members: Mr. Kempthorne (Chair), Mr. Norris, Mr. Pallash and Mr. Powell.

Number of Meetings in 2013: 3

Director Who Presides Over Executive Sessions

In accordance with the FMC Corporation Statement of Governance Principles, Policies and Procedures, the non-employee members of the Board of Directors meet in regularly scheduled executive sessions without management. The Lead Director, who will be Mr. D'Aloia after Mr. Mooney retires at the Annual Meeting, presides over these sessions. See the section below entitled "Board Leadership Structure" for additional information regarding the role of the Lead Director. In addition, see the section below entitled "Communicating with the Board" for procedures for communicating with the Lead Director.

Director Compensation

Compensation Policy

The Company maintains the FMC Corporation Non-Employee Directors Compensation Policy (formerly the FMC Corporation Compensation Plan for Non-Employee Directors) to provide for the compensation described below. The Nominating and Corporate Governance Committee is responsible for reviewing and approving director compensation. The Non-Employee Directors Compensation Policy is not applicable to directors who are also employees of the Company. Accordingly, Mr. Brondeau received no additional compensation for his service as a director. For a description of the compensation paid to Mr. Brondeau for his service during 2013 as our CEO, see below under the heading “Executive Compensation”.

Retainer and Fees

Currently, each non-employee director is paid an annual retainer of $75,000 or a pro-rata amount for any portion of a year served. The retainer is paid in quarterly installments in cash, or, at his/her election, the director may be compensated in additional restricted stock units. Restricted stock units paid in respect of the annual retainer are subject to forfeiture on a pro-rata basis if the director does not serve for the full year in respect of which the retainer is paid. The forfeiture condition is waived in the event of a change in control of the Company or if the director’s service ceases due to his or her death or disability. Each director who chairs a Committee is paid an additional $10,000 per year except the Chairman of the Audit Committee and the Chairman of the Compensation and Organization Committee, each of whom is paid $15,000 per year. Audit Committee members also receive an additional $5,000 annual retainer. The Lead Director is paid an additional $25,000 annual retainer.

Annual Grant of Restricted Stock Units

Currently, each non-employee director also receives an annual grant of restricted stock units having a value of $125,000 on the date of grant. These restricted stock units vest at the Annual Meeting of Stockholders held in the year following the date of grant or, if sooner, upon a change in control of the Company. In addition, these restricted stock units will vest on a pro-rata basis if the director dies before the Annual Meeting at which the units would have otherwise vested.

Back to Contents

Payment of Vested Restricted Stock Units

A director is permitted to specify, prior to the year in which the restricted stock units are credited, the date upon which he or she wishes to receive payment in Common Stock of the fully vested restricted stock units. The directors' ability to sell any distributed shares remains subject to the restrictions of the Company's Director Stock Ownership Policy, which policy is described below.

Other Compensation

Non-employee directors receive dividend equivalent rights on all restricted stock units awarded as part of their annual retainers and on any vested restricted stock units awarded as an annual grant. Such dividend equivalent rights are credited in the form of additional restricted stock units equal in value to the cash dividends paid to stockholders. No other remuneration is paid to non-employee directors for services as a director of the Company. Non-employee directors do not participate in the Company's nonqualified deferred compensation plan or employee benefit plans, including, but not limited to, the qualified and nonqualified pension plans. The Company supports the charitable donations of directors under its matching gifts plan that provides a dollar-for-dollar match of gifts up to $15,000 per year to certain educational institutions, arts and cultural organizations, and conservation and civic organizations.

Director Stock Ownership Policy

The Company has established guidelines setting expectations for the ownership of Company stock by directors. The Director Stock Ownership Policy requires that directors hold a minimum of five times the value of the annual retainer, or $375,000. For this purpose, undistributed shares underlying restricted stock units (both vested and non-vested) are considered "held" by a director. Directors are not permitted to sell shares of Company stock, other than to satisfy tax liabilities triggered by Company equity grants, until they are within 5 years from mandatory retirement (a director's mandatory retirement date is the date of the Company's first Annual Meeting that occurs on or after the director's attainment of age 72). If they have less than 5 years until mandatory retirement but at least 4 years, they may sell up to 20% of their shares of Company stock in excess of the $375,000 threshold (their "excess shares"). If they have less than 4 years until mandatory retirement but at least 3 years, they may sell up to 40% of the excess shares they then hold. If they have less than 3 years until mandatory retirement but at least 2 years, they may sell up to 60% of the excess shares they then hold. Finally, if they have less than 2 years until mandatory retirement, they may sell any excess shares they then hold. The policy ceases to apply to a director once he or she ceases to serve as a director, and exceptions may be granted by the disinterested members of the Nominating and Corporate Governance Committee on a case by case basis.

DIRECTOR COMPENSATION TABLE 2013

The table below shows the total compensation paid to each non-employee director who served on the Board during 2013.

	Fees Earned or Paid in Cash	**Stock Awards[1]**	**Option Awards**	**Non-Equity Incentive Plan Compensation**	**Change in Pension Value and Nonqualified Deferred Compensation Earnings**	**All O Comp**
Name	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**
Eduardo E. Cordeiro	53,750	145,516	—	—	—	8,007
G. Peter D'Aloia	68,750	145,516	—	—	—	20,28
C. Scott Greer	58,750	145,516	—	—	—	2,952
K'Lynne Johnson	0	120,620	—	—	—	143
Dirk A. Kempthorne	10,000	192,387	—	—	—	6,505
Edward J. Mooney	93,750	145,516	—	—	—	7,503
Paul J. Norris	0	192,388	—	—	—	20,48
Robert C. Pallash	5,000	192,388	—	—	—	10,40
William H. Powell	48,750	145,516	—	—	—	7,507
Vincent R. Volpe, Jr.	5,000	192,388	—	—	—	24,47

[1] The amounts in Column (c) reflect the grant date fair value of directors' stock awards for 2013 computed in accordance with FASB ASC Topic 718. The grant date for all directors with the exception of Ms. Johnson was May 1, 2013 and the number of shares granted was based on a closing price of $58.37 as of that date. The grant date for Ms. Johnson was September 23, 2013 and the number of shares granted was based on a closing price of $71.12 as of that date. The aggregate number of restricted stock units outstanding at fiscal year-end for each non-employee director is as follows: Mr. Cordeiro, 7,587; Mr. D'Aloia, 12,767; Mr. Greer, 7,367; Ms. Johnson 1,698; Mr. Kempthorne 9,407; Mr. Mooney, 16,977; Mr. Norris, 36,709; Mr. Pallash, 21,045; Mr. Powell, 7,587; and Mr. Volpe, 21,056.

[2] This total includes the value of dividend equivalent rights, as well as Company charitable donations under the matching gifts plan, which are limited to $15,000 per director per year. Such matching gifts included: for Mr. Cordeiro, $5,500; for Mr. D'Aloia, $15,000; for Mr. Kempthorne, $3,250; for Mr. Norris, $2,500; for Mr. Powell, $5,000; and for Mr. Volpe, $15,000.

Back to Contents

Communicating with the Board

Stockholders and any interested parties may communicate with the Board of Directors, the Lead Director, or any individual member of the Board as follows: Communications must be in writing, sent care of the Corporate Secretary, FMC Corporation, 1735 Market Street, Philadelphia, Pennsylvania 19103. All communications with the Board, the Lead Director or any individual director will be delivered as addressed.

Director Nomination Process

The Nominating and Corporate Governance Committee and other members of the Board identify candidates for consideration by the Nominating and Corporate Governance Committee. An executive search firm may also be utilized to identify qualified candidates for consideration. The Nominating and Corporate Governance Committee evaluates candidates based on the qualifications for director described in its Charter. These qualifications shall include at a minimum, integrity and the ability to reach thoughtful, independent and logical judgments on difficult and complex issues. In addition, director candidates will be evaluated on the basis of their business experience, stature in their own fields of endeavor, diversity of perspectives they bring to the Board, and whether the candidate meets the independence standard described in the section above entitled “Committees and Independence of Directors”. In seeking candidates who possess diversity of perspective, the Nominating and Corporate Governance Committee considers candidates whose diversity is based on race, gender, industry experience, type of position held, or other board experience. The Nominating and Corporate Governance Committee then presents qualified candidates to the full Board of Directors for consideration and selection. The Nominating and Corporate Governance Committee will consider nominees for election to the Board that are recommended by stockholders, applying the same criteria for candidates as discussed above, provided that a description of the nominees’ qualifications for the directorship, experience and background, a written consent by a nominee to act as such, and other information specified in the By-Laws, accompany the stockholder’s recommendation. In accordance with the Company’s By-Laws, any stockholder nominations for election as directors at the 2015 Annual Meeting must be delivered to the Company at the address set forth below, not later than January 29, 2015. All nominations must be sent to the Nominating and Corporate Governance Committee, care of the Corporate Secretary, FMC Corporation, 1735 Market Street, Philadelphia, Pennsylvania 19103. Directors appointed by the Board to fill a vacancy outside of the Annual Meeting are required, regardless of the term remaining in the class to which such director is assigned, to agree prior to such appointment to resign and stand for election by the stockholders at the Annual Meeting following the appointment.

Attendance at Annual Meetings

The Company’s policy is that all directors are expected to attend the Annual Meeting of Stockholders. All incumbent directors attended the 2013 Annual Meeting.

Stockholder Proposals for the 2015 Annual Meeting

Stockholders may make proposals to be considered at the 2015 Annual Meeting. In order to make a proposal for consideration at the 2015 Annual Meeting, a stockholder must deliver notice to the Company at the address set forth below, containing certain information specified in the By-Laws, not less than 60 or more than 90 days before the date of the meeting. However, if the Company provides public disclosure of the date of the 2015 Annual Meeting less than 70 days in advance of the meeting date, then the deadline for the stockholder’s notice and other required information is 10 days after the date of the Company’s notice or public disclosure of the date of the Annual Meeting.

In addition to being able to present proposals for consideration at the 2015 Annual Meeting, stockholders may also be able to have their proposals included in the Company’s proxy statement and form of proxy for the 2015 Annual Meeting. In order to have a stockholder proposal included in the proxy statement and form of proxy, the proposal must be delivered to the Company at the address set forth below not later than November 21, 2014, and the stockholder must otherwise comply with applicable SEC requirements. If the stockholder complies with these requirements for inclusion of a proposal in the Company’s proxy statement and form of proxy, the stockholder need not comply with the notice requirements described in the preceding paragraph.

A copy of the Company’s By-Laws may be obtained by writing to the Corporate Secretary, and all notices referred to above must be sent to the Corporate Secretary, FMC Corporation, 1735 Market Street, Philadelphia, Pennsylvania 19103.

Back to Contents

Corporate Governance Documents

The Company's website is located at *www.fmc.com*. The following corporate governance documents are posted on the Investor Relations page of the website:

- Audit Committee Charter
- Compensation and Organization Committee Charter
- FMC Statement of Governance Principles, Policies and Procedures (This document includes both the Nominating and Corporate Governance Committee Charter and the Company's Corporate Governance Principles.)
- Sustainability Committee Charter

Board Leadership Structure

Currently the positions of Chairman of the Board and Chief Executive Officer of the Company are combined. Our Corporate Governance principles provide that the Board should consider the issue of separation of the Chairman and Chief Executive Officer positions under the circumstances prevailing from time to time. When the positions are not separate, a Lead Director shall be appointed from among the independent directors. The Board has determined that the current Board structure, which combines the Chief Executive Officer and Chairman positions, and includes a Lead Director, best serves the interests of the Company and its stockholders. Combining the two roles allows for clear accountability, effective decision-making, alignment with corporate strategy, and continuity of leadership, while maintaining full engagement of the independent directors. As set forth in the Corporate Governance Principles, the responsibilities of the Lead Director under this structure include: serving as the liaison between the Chairman and the independent directors, advising on information sent to the Board, approving meeting agendas and schedules, calling meetings of the independent directors, and presiding at all meetings at which the Chairman is not present, including executive sessions. Peter D'Aloia will succeed Edward J. Mooney as Lead Director for a term of two years beginning at the Annual Meeting, when Mr. Mooney retires.

Board's Role in Overseeing the Risk Management Process

As part of the Company’s risk management process, the Board regularly discusses with management the Company’s major risk exposures, their potential financial impact on the Company, and the steps the Company takes to manage them. The Board also reviews the designation of the management person or entity responsible for managing such risks, and evaluates the steps being taken to mitigate the risks. The Board’s monitoring role is carried out by either the full Board or a Committee that reports to the Board, depending on the risk in question. The Board has determined that a separate Risk Committee is not warranted at this time.

Code of Ethics and Business Conduct Policy

The Company has a Code of Ethics and Business Conduct Policy that applies to all directors, officers (including its Chief Executive Officer, Chief Financial Officer and Controller) and employees. It is posted on the Investor Relations page of the Company website at *www.fmc.com.* The Company intends to post any amendments to, or waivers from, the Policy required to be disclosed by either SEC or NYSE regulations on its website.

Compensation and Organization Committee Interlocks and Insider Participation

During the last fiscal year, Messrs. Mooney, Greer, Norris, Powell and Ms. Johnson served as members of the Compensation and Organization Committee (“Committee”). All members of the Committee during 2013 were non-employee directors, each of whom has been determined by the Board to be independent on the basis described in the above section entitled “Committees and Independence of Directors.” None of the members listed above has been an officer or employee of the Company, and no executive officer of the Company has served on any board of directors or compensation committee of any other company for which any of the Company’s directors served as an executive officer at any time during 2013.

Back to Contents

Related Party Transactions Policy

The Board of Directors Statement of Policy with respect to Related Party Transactions sets forth the Company's position and procedures with respect to review, approval or ratification of related party transactions, including the types of transactions addressed by the Policy, and the corporate function responsible for applying the Policy and related procedures.

Under the Policy, "related parties" are defined to include executive officers and directors of the Company and their immediate family members, a stockholder owning in excess of 5% of the Company (or its controlled affiliates), and entities in which any of the foregoing have a substantial ownership interest or control. With respect to any transaction where a related party receives a benefit in excess of a de minimis amount of $5,000 (when aggregated with all similar transactions) the Policy requires that the transaction be pre-approved (or, if less than $120,000, ratified) by the Audit Committee and disclosed where required by SEC rules. The Policy also provides that any related party who is presented with a "corporate opportunity" within the Company's line of business, must first offer that opportunity to the Company.

Notwithstanding the foregoing, in the case of an ordinary course of business transaction between the Company and an entity of which a director of the Company is an executive officer or significant stockholder of the entity, provided the director does not otherwise have a material interest in the transaction, the Policy provides a different standard for the review and approval of transactions that involve payments in any year to or from the Company in excess of either: (i) 1% of the Company's annual consolidated revenue for the most recently completed fiscal year or (ii) the greater of $1 million or 1% of the other entity's consolidated revenue for the most recently completed fiscal year. If the transaction does not exceed the above-mentioned thresholds (and the director does not have a material interest in the transaction), the transaction will be reviewed by the Nominating and Corporate Governance Committee as part of its review of director independence. If the director does have a material interest in the transaction, regardless of whether the above-mentioned thresholds are exceeded, the transaction must be approved or ratified by the Audit Committee in accordance with the preceding paragraph.

In the event of an ordinary course of business transaction that exceeds the above-mentioned thresholds where the director does not have a material interest, the transaction is not required to be pre-approved by the Audit Committee. Instead, the Audit Committee will review the transaction as soon as possible and will determine whether to either ratify or disallow the transaction. In the case of any such transaction associated with prospective directors, review and approval by the Audit Committee must occur prior to the director's election. After approval or ratification, in each case the director will provide updated information at least annually on the aggregate payments involved in the transaction. This information will be reviewed by the Nominating and Corporate Governance Committee in connection with its review of directors' independence. If the aggregate amounts involved in the transaction exceed the thresholds noted above, the Audit Committee shall be required again to review and ratify the transaction.

The Related Party Transactions Policy does not apply to transactions available to all employees generally and transactions involving solely matters of executive compensation.

There were no related party transactions required to be approved or ratified by the Audit Committee under the Policy or disclosed pursuant to SEC rules. Notwithstanding the foregoing, please see information relating to non-material transactions within the past three years between the Company and the organization of which Mr. Volpe is an executive officer, in the above section entitled “Committees and Independence of Directors”.

Back to Contents

V. SECURITY OWNERSHIP OF FMC CORPORATION

Management Ownership

The following table shows, as of December 31, 2013, the number of shares of Common Stock beneficially owned by each current director or nominee for director, the executive officers named in the Summary Compensation Table, and all current directors, nominees for director and executive officers as a group. Each director or nominee and each executive officer named in the Summary Compensation Table ("NEOs") beneficially owns less than one percent of the Common Stock.

Name	**Beneficial Ownership on December 31, 2013 FMC Common Stock**	**Percent of Class**
Pierre Brondeau[1]	359,313	*
Eduardo E. Cordeiro[2]	5,527	*
G. Peter D'Aloia[2]	58,517	*
Mark Douglas[1]	53,715	*
Edward T. Flynn[1]	36,327	*
Paul Graves[1]	29,461	*
C. Scott Greer[2]	44,921	*
K'Lynne Johnson[2]	638	*
Dirk A. Kempthorne[2]	13,245	*
Edward J. Mooney[2]	14,917	*
Paul J. Norris[2]	34,649	*
Robert C. Pallash[2]	22,297	*
William H. Powell[2]	9,527	*
Andrea E. Utecht[1]	169,636	*
Vincent R. Volpe, Jr.[2]	21,722	*
D. Michael Wilson[1][3]	44,692	*
All current directors, nominees and executive officers as a group—18 persons[1][2]	1,082,437	*

* Less than one percent of class

[1] Shares "beneficially owned" include: (i) shares owned by the individual; (ii) shares held by the FMC Corporation Savings and Investment Plan for the account of the individual as of December 31, 2013; (iii) restricted stock units; and (iv) shares subject to options that are exercisable within 60 days of December 31, 2013. Item (iii) includes restricted stock units which the holder has no power to vote or dispose of, but in respect of which the holder is entitled to a cash payment equal to the amount of any dividends paid by the Company on its Common Stock. These units, first granted in 2008, are: 81,008 for Mr. Brondeau, 25,316 for Mr. Douglas, 6,558 for Mr. Flynn, 29,461 for Mr. Graves, 11,560 for Ms. Utecht, and 164,192 for all executive officers as a group. Item (iv) includes options to purchase 141,416 shares for Mr. Brondeau; options to purchase 22,158 shares for Mr. Douglas; options to purchase 12,242 shares for Mr.

Flynn; options to purchase 67,460 shares for Ms. Utecht; options to purchase 11,960 shares for Mr. Wilson; and options to purchase 348,832 shares for all executive officers as a group.

(2) Includes vested restricted stock units credited to individual accounts of non-employee directors (see section above entitled “Director Compensation”). The number of restricted stock units credited to directors included in the table above is as follows: Mr. Cordeiro, 5,527; Mr. D’Aloia, 10,707; Mr. Greer, 5,307; Ms. Johnson, 638; Mr. Kempthorne, 7,347; Mr. Mooney, 14,917; Mr. Norris, 34,649; Mr. Pallash, 18,985; Mr. Powell, 5,527; and Mr. Volpe, 18,996. Directors have no power to vote or dispose of shares represented by restricted stock units until the shares are distributed and, until such distribution, directors have only an unsecured claim against the Company. The holders of these restricted stock units will be credited with additional restricted stock units having a value equal to the amount of any dividends paid by the Company on its Common Stock.

(3) Mr. Wilson’s service as an executive officer in the Company ceased on April 30, 2013.

Back to Contents

Other Security Ownership

Based on available information, the persons listed below beneficially own more than five percent of the Company's outstanding shares of Common Stock as of December 31, 2013:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership		**Percent of Class**	
Capital World Investors 333 South Hope Street Los Angeles, CA 90071	15,143,400 shares	(1)	11.39	%
FMR LLC 245 Summer Street Boston, MA 02210	10,159,471 shares	(2)	7.64	%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	9,219,244 shares	(3)	6.93	%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	9,135,437 shares	(4)	6.87	%

(1) Based on a Schedule 13G/A filing dated February 13, 2014, as of December 31, 2013, Capital World Investors had sole voting power and sole dispositive power as to all of the shares.

(2) Based on a Schedule 13G/A filing dated February 14, 2014, as of December 31, 2013, FMR LLC had sole voting power as to 218,351 of such shares and sole dispositive power as to all of the shares.

(3) Based on a Schedule 13G/A filing dated February 11, 2014, as of December 31, 2013, The Vanguard Group, Inc. had sole voting power as to 218,410 of such shares, shared dispositive power as to 204,010 shares and sole dispositive power as to 9,015,234 shares.

(4) Based on a Schedule 13G/A filing dated January 29, 2014, as of December 31, 2013, BlackRock, Inc. had sole voting power as to 7,945,220 of such shares and sole dispositive power as to all the shares.

VI. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Executive Compensation Philosophy

Compensation and Organization Committee

The Compensation and Organization Committee (“Committee”), composed entirely of independent directors, is guided by its charter to review and approve executive compensation policies and practices and to oversee their administration.

Committee Charter

The Committee’s Charter describes its duties, responsibilities and procedures. The Charter is available on-line at *www.fmc.com* under Corporate Governance. The Committee’s membership is recommended by the Nominating and Corporate Governance Committee and approved by the Board. In 2013, the Committee met three times.

The Committee establishes total compensation for the chairman, president and chief executive officer (“CEO”) annually at its February meeting.

The Committee reviews and evaluates the performance of the CEO and develops base salary and incentive payment recommendations for the review and approval of the full Board of Directors. The CEO does not participate in Committee or Board discussions regarding his own compensation.

The Committee, with the input of the CEO, also establishes compensation for all the other NEOs listed in Column (a) of the Summary Compensation Table. Specifically, the CEO evaluates the performance of the other NEOs annually and makes recommendations to the Committee each February regarding the compensation of those other NEOs. The CEO’s input is particularly important in connection with base salary adjustments, the issuance of “Key Manager Awards” and the determination of Annual Performance Incentive (“API”) ratings as part of our Annual Incentive program, each as further described below. In each of these instances, the process starts with the CEO’s

Back to Contents

recommendation and that recommendation is afforded great weight by the Committee. The CEO participates in Committee discussions regarding other NEOs' compensation. The Committee views the CEO's significant role in the compensation process for other NEOs, and the deference afforded to his recommendations, as appropriate in light of his greater familiarity with the day-to-day performance of his direct reports and the importance of incentive compensation in driving the execution of managerial initiatives developed and led by the CEO. That said, the Committee makes the ultimate determination regarding the compensation of each of the NEOs.

The Committee Chairman provides a full accounting of the Committee's decisions to the Board of Directors following each Committee meeting. All new Committee members are provided a comprehensive executive compensation guide to facilitate their transition to the Committee by enhancing their understanding of the Company's executive compensation policies and practices.

The Committee recognizes its responsibility to maintain a competitive executive compensation program that will ensure the Company's ability to attract, motivate and retain top talent while at the same time aligning the financial interests of the executives with stockholders. Pay for performance and market-based compensation are important elements of the Company's compensation philosophy. The Company considers several measures of corporate performance, job performance and labor market dynamics in the design and administration of the NEO compensation arrangements described later in this section.

The Committee believes its compensation philosophy and the various components of its executive compensation program, when viewed objectively, ensure the necessary balance between the interests of stockholders and the need to reward executives appropriately for both short and long term financial and operational performance. Stockholders are given the opportunity to have a "say on pay" with an advisory vote, the results of which are reviewed carefully by the Board, the Committee and its compensation consultant. Changes may be incorporated into the executive compensation program, when appropriate and feasible to reflect evolving corporate objectives, regulatory requirements and market practices.

Consideration of Results of Stockholder Advisory Votes on Executive Compensation

At our 2013 Annual Meeting, we conducted an advisory (non-binding) stockholder vote on executive compensation, as required by the Dodd-Frank Act. The Compensation and Organization Committee appreciates that over 94% of the shares voting approved the executive compensation discussed and disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and other related tabular and narrative disclosures contained in the 2013 Proxy Statement. In considering the results of this most recent favorable advisory vote on executive compensation, the Compensation and Organization Committee takes note that the Company's current executive compensation program has been effective in implementing the Company's stated compensation philosophy and objectives. Nevertheless, the Compensation and Organization Committee recognizes that executive pay practices and notions of sound governance principles continue to evolve. Consequently, the Compensation and Organization Committee continues to refine our executive compensation practices in its on-going effort to ensure our executive compensation supports our corporate goals and values. The Compensation and Organization Committee intends to continue paying close attention to the advice and counsel of its compensation advisors and invites our stockholders to communicate any concerns or opinions on executive pay directly to the Compensation and Organization Committee or the Board. Please refer to "Communicating with the Board" for information about communicating with the Board.

At the 2011 Annual Meeting, our stockholders expressed a preference that advisory votes on executive compensation occur on an annual basis. In accordance with the results of that vote, the Board implemented an annual advisory vote on executive compensation until the next required vote on the frequency of stockholder votes on the compensation of executives, which is scheduled to occur at the 2017 Annual Meeting.

This year we are again providing stockholders with an opportunity to express their views on this topic in another stockholder advisory vote on executive compensation. For more information, please see "Proposal No. 3 – Advisory (Non-Binding) Vote on Executive Compensation".

Compensation Consultant

Meridian Compensation Partners LLC ("Meridian") is the expert advisor most recently engaged by the Committee on matters of executive compensation.

Meridian has provided the Committee with advice and counsel on a broad range of executive compensation matters. The scope of their services included, but was not limited to, the following:

- Apprising the Committee of compensation-related trends and developments in the marketplace;
- Informing the Committee of regulatory developments relating to executive compensation practices;
- Providing the Committee with an assessment of the market competitiveness of the Company's executive compensation;
- Assessing the executive compensation structure to confirm that no design elements encourage excessive risk taking;
- Assessing the relationship between executive compensation and corporate performance; and
- Recommending changes to the executive compensation program to maintain competitiveness and ensure consistency with business strategies, good governance practices and alignment with stockholder interests.

FMC did not engage Meridian for any consulting work in 2013 other than executive compensation.

In determining the independence of Meridian from Company management, the Committee considered the following factors, among others: (i) the fact that Meridian did not provide other services to the Company; (ii) the modest amount of fees Meridian received from the Company relative to Meridian's total revenue; (iii) Meridian's policies and procedures that are designed to prevent conflicts of interest, including policies prohibiting their consultants from investing in client securities; and (iv) the absence of other business or personal relationships between Meridian personnel and any member of the Committee or any executive officer of the Company. The decision to engage Meridian was not made by management, but was determined solely by the Committee. The Committee is confident that there is no conflict of interest between Meridian and the Company.

Back to Contents

Compensation Philosophy

As previously stated, the Company’s compensation program for NEOs is designed to attract, motivate and retain top talent, to pay for performance and to align the financial interests of the NEOs with those of the Company’s stockholders. In designing compensation arrangements for NEOs, the Committee has considered the importance of:

- Balancing variable compensation components so that appropriate focus is put on achieving both short and long-term operating and strategic objectives;
- Motivating the NEOs to achieve desired financial and operational results using sound business judgment and without inappropriate risk taking;
- Ensuring that the achievement of key financial goals and strategic objectives is financially rewarding for the NEO.

The Committee believes that subjecting a significant percentage of total direct compensation (“TDC”) to performance conditions helps focus the executive on achieving key objectives that are important to delivering the performance expected by stockholders. The Committee has determined, based on an assessment of the Company’s executive compensation programs by its consultant, that its compensation policies and programs do not give rise to inappropriate risk taking or risks that are reasonably likely to have a material adverse effect on the Company.

Components of Executive Compensation

The components of the Company’s compensation program with respect to NEOs include base salary, an annual incentive and a long-term incentive. Together, these three elements comprise the NEOs’ TDC.

The Company relies on both industry surveys and analysis of proxy statements from peer companies (the “Market”) to benchmark the components of its NEO compensation and to validate TDC, including the appropriate mix of cash and equity, as well as NEO benefits and perquisites. Proxy statement data may not be reported for jobs that are direct comparisons to jobs held by the Company’s NEOs. In such cases, the Company relies more on the broader survey data to benchmark elements of executive compensation. The Company also believes that internal equity is an important and necessary consideration in valuing jobs. The Company benchmarks TDC so that performance at target delivers compensation at approximately the 50th percentile of the Market. The Company may, as a matter of policy, adjust individual components of TDC to align with its general executive pay philosophy as described in the preceding section. However, the Company does not adjust components of TDC based on the amount of compensation earned by an NEO in any prior period.

Below are peer companies from which proxy data was used in the most recent executive compensation study. The peer group is reviewed for comparability at the time of each biennial executive compensation study.

Airgas, Inc.
Air Products & Chemicals, Inc.
Albermarle Corporation
Ashland, Inc.
Cabot Corporation
Celanese Corporation
Chemtura Corporation
Cytec Industries Inc.
Eastman Chemical Company
Ecolab Inc.
Grace, (W.R.) & Company

Huntsman Corporation
International Flavors and Fragrances, Inc.
Olin Corporation
PPG Industries, Inc.
Rockwood Holdings, Inc.
RPM International, Inc.
Scott's Miracle-GRO Company
Sigma-Aldrich Corporation
The Valspar Corporation
Westlake Chemical Corporation

Base Salary

Salary ranges for NEOs are established based on similar positions in other companies of comparable revenue, size and complexity included in the Market. Performance levels from "needs improvement" to "outstanding" are delineated within the salary range structure and provide guidance for the administration of salaries.

The Company establishes base salary range midpoints at the 50th percentile of the Market. Salary ranges are expressed as grades with each grade having a range from 75% to 125% of midpoint. This structure allows the Company to differentiate in the delivery of base salary in accordance with its pay for performance philosophy. As reflected in the chart below, base salary relative to TDC is consistent with the Company's compensation philosophy, which emphasizes pay-at-risk for executives who are chiefly responsible for delivering short and long term financial results for stockholders.

Starting salaries are set within the above-described ranges based on the employee's skills, experience, expertise and expected job performance. Subsequent salary adjustments for the NEOs (except the CEO) are&nbsD VALIGN="bottom"> **December 31, 2007**

Deferred court costs

$76,320 $66,636

Court cost reserve

(52,881) (46,103)

Deferred court costs, net

$23,439 $20,533

Note 6: Other Assets

Other assets consist of the following *(in thousands):*

	March 31, 2008	December 31, 2007
Debt issuance costs	$ 2,868	$ 3,177
Deferred compensation assets	2,744	3,158
Prepaid employment agreement	278	444
Purchased servicing assets	55	159
Other	2,054	1,862
	$ 7,999	$ 8,800

Note 7: Debt

The Company is obligated under borrowings as follows *(in thousands)*:

	March 31, 2008	**December 31, 2007**
Convertible Senior Notes	$ 100,000	$ 100,000
Revolving Credit Facility	170,000	172,169
Capital Lease Obligations	168	251
	$ 270,168	$ 272,420

Convertible Senior Notes

In 2005, the Company issued $100.0 million of 3.375% convertible senior notes due September 19, 2010 (the Convertible Notes). Interest on the Convertible Notes is payable semi-annually, in arrears, on March 19 and September 19 of each year. The Convertible Notes rank equally with the Company s existing and future senior indebtedness and are senior to the Company s potential future subordinated indebtedness. Prior to the implementation of the net-share settlement feature discussed below, the Convertible Notes were convertible, prior to maturity, subject to certain conditions described below, into shares of the Company s common stock at an initial conversion rate of 44.7678 per $1,000 principal amount of notes, which represented an initial conversion price of approximately $22.34 per share, subject to adjustment. As of March 31, 2008, the Company is making the required interest payments on the Convertible Notes and no other changes in the balance or structure of the Convertible Notes has occurred.

In October 2005, the Company obtained stockholder approval of a net-share settlement feature that allows the Company to settle conversion of the Convertible Notes through a combination of cash and stock. Based on the provisions of Emerging Issues Task Force No. 90-19, *Convertible Bonds with Issuer Option to Settle for Cash upon Conversion* (EITF 90-19), and Emerging Issues Task Force No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company s Own Stock* (EITF 00-19), the net-settlement feature is accounted for as convertible debt and is not subject to the provisions of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133). As a result of the net-settlement feature, the Company will be able to substantially reduce the number of shares issuable in the event of conversion of the Convertible Notes by repaying principal in cash instead of issuing shares of common stock for that amount. Additionally, the Company will not be required to include the underlying shares of common stock in the calculation of the Company s diluted weighted average shares outstanding for earnings per share until the Company s common stock price exceeds $22.34.

The aggregate underwriting commissions and other debt issuance costs incurred with respect to the issuance of the Convertible Notes were $3.4 million, which have been capitalized as debt issuance costs on the Company s consolidated statements of financial condition and are being amortized using the effective interest rate method over the term of the Convertible Notes.

The Convertible Notes also contain a restricted convertibility feature that does not affect the conversion price of the Convertible Notes but, instead, places restrictions on a holder s ability to convert their Convertible Notes into shares of the Company s common stock. A holder may convert the Convertible Notes prior to March 19, 2010, only if one or more of the following conditions are satisfied:

the average of the trading prices of the Convertible Notes for any five consecutive trading day period is less than 103% of the average of the conversion values of the Convertible Notes during that period;

the Company makes certain significant distributions to holders of the Company s common stock;

the Company enters into specified corporate transactions; or the Company s common stock ceases to be approved for listing on the NASDAQ National Market and is not listed for trading on a U.S. national securities exchange or any similar U.S. system of automated securities price dissemination.

Holders may also surrender their Convertible Notes for conversion anytime on or after March 19, 2010, until the close of business on the trading day immediately preceding September 19, 2010, regardless of whether any of the foregoing conditions have been satisfied. Upon the satisfaction of any of the foregoing conditions, on the last day of a reporting period, or during the twelve months prior to September 19, 2010, the Company would write off to expense all remaining unamortized debt issuance costs in that period.

If the Convertible Notes are converted in connection with certain fundamental changes that occur prior to March 19, 2010, the Company may be obligated to pay an additional make-whole premium with respect to the Convertible Notes converted.

Convertible Notes Hedge Strategy. Concurrent with the sale of the Convertible Notes, the Company purchased call options to purchase from the counterparties an aggregate of 4,476,780 shares of the Company s common stock at a price of $22.34 per share. The cost of the call options totaled $27.4 million. The Company also sold warrants to the same counterparties to purchase from the Company an aggregate of 3,984,334 shares of the Company s common stock at a price of $29.04 per share and received net proceeds from the sale of these warrants of $11.6 million. Taken together, the call option and warrant agreements have the effect of increasing the effective conversion price of the Convertible Notes to $29.04 per share. The call options and warrants must be settled in net shares, except in connection with certain termination events, in which case they would be settled in cash based on the fair market value of the instruments. On the date of settlement, if the market price per share of the Company s common stock is above $29.04 per share, the Company will be required to deliver shares of its common stock representing the value of the call options and warrants in excess of $29.04 per share.

The warrants have a strike price of $29.04 and are generally exercisable at anytime. The Company issued and sold the warrants in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, because the offer and sale did not involve a public offering. There were no underwriting commissions or discounts in connection with the sale of the warrants. In accordance with EITF No. 00-19 and Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,* the Company recorded the net call options and warrants as a reduction in additional paid in capital as of December 31, 2005, and will not recognize subsequent changes in fair value of the call options and warrants in its consolidated financial statements.

Revolving Credit Facility

During 2005, the Company entered into a three-year revolving credit facility (Revolving Credit Facility), to be used for the purposes of purchasing receivable portfolios and for general working capital needs. This Revolving Credit Facility has been amended several times to meet the needs of the Company, and is due to expire in May 2010.

On February 27, 2007, the Company amended the Revolving Credit Facility to allow for the Company to repurchase up to $50 million of a combination of its common stock and Convertible Notes, subject to compliance with certain covenants and available borrowing capacity. The entire $50 million may be used to repurchase common stock, but only $25 million may be used to repurchase the Convertible Notes. This amendment also reset the Company s minimum net worth threshold.

Effective May 7, 2007, the Company amended the facility in connection with an agreement reached with the lender under the Company s Secured Financing Facility. This amendment allows the Company to exclude the expense associated with a one-time payment of $16.9 million in connection with its termination of all future obligations under its Secured Financing Facility as further discussed below.

Effective October 19, 2007, the Company amended the facility to change the definition of change of control to exclude from that definition acquisitions of stock by Red Mountain Capital Partners LLC (Red Mountain), JCF FPK I LP (JCF FPK) and their respective affiliates. The amendment was entered into in contemplation of a shareholders agreement between Red Mountain affiliates and JCF FPK. This agreement was subsequently executed.

Effective December 27, 2007, the Company amended the facility to expand the capacity to $230 million, with an accordion feature that provides for an additional $70 million in availability. As a result, the allocated revolving loan commitments of each of the lenders under the facility has been increased as stated in the amendment.

Other provisions of the amended Revolving Credit Facility remain unchanged following the most recent amendments, and include:

Interest at a floating rate equal to, at the Company s option, either: (a) reserve adjusted LIBOR plus a spread that ranges from 175 to 225 basis points, depending on the Company s leverage; or (b) the higher of the federal funds rate then in effect plus a spread of 50 basis points or the prime rate then in effect.

$5.0 million sub-limits for swingline loans and letters of credit.

A borrowing base that provides for an 85.0% initial advance rate for the purchase of qualified receivable portfolios. The borrowing base reduces for each qualifying portfolio by 3% per month beginning after the third complete month subsequent to the initial purchase. The aggregate borrowing base is equal to the lesser of (a) the sum of all of the borrowing bases of all qualified receivable portfolios under this facility, as defined above, or (b) 95% of the net book value of all receivable portfolios acquired on or after January 1, 2005.

Restrictions and covenants, which limit, among other things, the payment of dividends and the incurrence of additional indebtedness and liens.

Events of default which, upon occurrence, may permit the lenders to terminate the Revolving Credit Facility and declare all amounts outstanding to be immediately due and payable.

Collateralization by all assets of the Company.

At March 31, 2008, of the $230.0 million commitment, the outstanding balance on the Revolving Credit Facility was $170.0 million, which bore a weighted average interest rate of 6.20%. The aggregate borrowing base was $230.0 million, of which $60.0 million was available for future borrowings.

Secured Financing Facility

The Company repaid in full the principal balance of the Secured Financing Facility at the end of 2006 and will make no further borrowings under that facility. Prior to May 7, 2007, the Company and the lender shared the residual collections, net of servicing fees paid to the Company. The residual collections paid to the lender were classified as contingent interest (Contingent Interest).

On May 7, 2007, the Company entered into an agreement with the lender under its Secured Financing Facility to eliminate all future Contingent Interest payments, for a one-time payment of $16.9 million. This agreement released the lender s security interests in the remaining receivables originally financed under the Secured Financing Facility. Subsequent to the second quarter of 2007, the Company is no longer obligated to make any Contingent Interest payments under the Secured Financing Facility and, as a result, no longer records such interest in its statements of operations.

The following table summarizes interest expense associated with the Secured Financing Facility for the periods presented *(in thousands):*

	For the Three Months Ended March 31,	
	2008	**2007**
Stated interest	$	$
Contingent interest		3,235
Total	$	$ 3,235

Derivative Instruments

On April 11, 2007, the Company entered into two separate interest rate swap agreements intended to more effectively manage interest rates by establishing a set level of fixed rates associated with a portion of the borrowings under its Revolving Credit Facility. The first agreement is for a notional amount of $25 million, a term of three years and a fixed interest rate of 4.99%. The second agreement is for a notional amount of $25 million, a term of four years and a fixed interest rate of 5.01%. Giving effect to these hedges, the interest rate the Company will pay on $50 million of the outstanding balance under the Revolving Credit Facility will be the fixed interest rates mentioned above plus the required credit spread, which ranges from 175 to 225 basis points.

FAS 133 requires that the derivatives be recorded on the balance sheet as either an asset or liability measured at its fair value. The effective portion of the change in fair value of the derivative is recorded in other comprehensive income. The ineffective portion of the change in fair value of the derivative, if any, is recognized in interest expense in the period of change. From the inception of the hedging program, the Company has determined that the hedging instruments are highly effective. Accordingly, for the three months ended March 31, 2008, the Company has recorded the change in fair value as other comprehensive loss. As of March 31, 2008, the fair value of the hedges represented a liability of $3.1 million and is included in other liabilities and accumulated other comprehensive loss.

The amount recorded in accumulated other comprehensive loss related to cash flow hedging instruments was as follows:

		Three Months Ended March 31, 2008
Beginning balance at December 31, 2007	$	(995)
Changes in fair value of derivatives		(1,431)
Deferred income tax benefit		578
Ending balance at March 31, 2008	$	(1,848)

Capital Lease Obligations

The Company has capital lease obligations for certain computer equipment. These lease obligations require monthly payments aggregating approximately $21,000 through November 2008 and have implicit interest rates ranging from 2.9% to 3.1%.

Note 8: Income Taxes

The Company recorded an income tax provision of $5.0 million, reflecting an effective rate of 40.1% of pretax income during the three months ended March 31, 2008. The effective tax rate for the three months ended March 31, 2008, consists primarily of a provision for Federal income taxes of 32.1% (which is net of a benefit for state taxes of 2.9%), a provision for state taxes of 8.2% and the benefit of permanent book versus tax differences of 0.2%. For the three months ended March 31, 2007, the Company recorded an income tax provision of $3.9 million, reflecting an effective rate of 40.8% of pretax income. The effective tax rate for the three months ended March 31, 2007, consists primarily of a provision for Federal income taxes of 31.9% (which is net of a benefit for state taxes of 3.1%), a provision for state taxes of 8.8%, and the effect of permanent book verses tax differences of 0.1%.

Effective January 1, 2007, the Company adopted the provisions of Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). As of December 31, 2007, the Company had a gross unrecognized tax benefit of $1.3 million, that if recognized, would result in a net tax benefit of approximately $1.0 million and would have a positive effect on the Company s effective tax rate. During the three months ended March 31, 2008, there were no material changes to the unrecognized tax benefit.

For the three months ended March 31, 2008, the Company has not provided for the United States income taxes or foreign withholding taxes on the quarterly undistributed earnings from continuing operations of its subsidiary operating outside of the United States. Undistributed earnings of the subsidiary for the three months ended March 31, 2008, were approximately $0.2 million. Such undistributed earnings are considered permanently reinvested.

The Company s subsidiary operating outside of the United States is currently operating under a tax holiday in India. The tax holiday is due to expire on March 31, 2010. The impact of the tax holiday on the Company s consolidated financial statements is immaterial.

Note 9: Purchase Concentrations

The following table summarizes the concentration of the Company s purchases by seller sorted by total aggregate costs for the three months ended March 31, 2008 and 2007 *(in thousands, except percentages*):

	Concentration of Initial Purchase Cost by Seller For The Three Months Ended			
	March 31, 2008		**March 31, 2007**	
	Cost	**%**	**Cost**	**%**
Seller 1	$ 19,024	39.7%	$	0.0%
Seller 2	17,266	36.0%	17,129	37.8%
Seller 3	6,852	14.3%	732	1.6%
Seller 4	1,974	4.1%		0.0%
Seller 5	1,531	3.2%	196	0.4%
Other	1,255	2.7%	27,329	60.2%
	$ 47,902	100.0%	$ 45,386	100.0%
Adjustments[1]	(42)		(54)	
Purchases, net	$ 47,860		$ 45,332	

[1] Adjusted for Put-backs and Recalls.

Note 10: Commitments and Contingencies

Litigation

On October 18, 2004, Timothy W. Moser, one of the Company s former officers, filed an action in the United States District Court for the Southern District of California against the Company, and certain individuals, including several of the Company s officers and directors. On February 14, 2005, the Company was served with an amended complaint in this action alleging defamation, intentional interference with contractual relations, breach of contract, breach of the covenant of good faith and fair dealing, intentional and negligent infliction of emotional distress and civil conspiracy arising out of certain statements in the Company s Registration Statement on Form S-1 originally filed in September 2003 and alleged to be included in the Company s Registration Statement on Form S-3 originally filed in May 2004. The amended complaint seeks injunctive relief, economic and punitive damages in an unspecified amount plus an award of profits allegedly earned by the defendants and alleged co-conspirators as a result of the alleged conduct, in addition to attorney s fees and costs. On May 2, 2006, the court denied the Company s special motion to strike pursuant to California s anti-SLAPP statute, denied in part and granted in part the Company s motion to dismiss, denied a variety of *ex parte* motions and applications filed by the plaintiff and denied the plaintiff s motion for leave to conduct discovery or file supplemental briefing. The court granted the plaintiff 30 days in which to further amend his complaint, and on June 1, 2006, the plaintiff filed a second amended complaint in which he amended his claim for negligent infliction of emotional distress. On May 25, 2006, the Company filed a notice of appeal of the court s order denying the anti-SLAPP motion and on June 16, 2006, the Company filed a motion to stay the case pending the outcome of the appeal. The appeal is pending and the motion to stay the case against the

Company was granted. Management of the Company believes the claims are without merit and intends to vigorously defend the action. Although the outcome of this matter cannot be predicted with certainty, management does not currently believe that this matter will have a material adverse effect on the Company s consolidated financial position or results of operations.

On September 7, 2005, Mr. Moser filed a related action in the United States District Court for the Southern District of California against Triarc Companies, Inc. (Triarc), which at the time was a significant stockholder of the Company, alleging intentional interference with contractual relations and intentional infliction of emotional distress. The case arises out of the same statements made or alleged to have been made in the Company s Registration Statements mentioned above. On January 7, 2006, Triarc was served with an amended complaint seeking injunctive relief, an order directing Triarc to issue a statement of retraction or correction of the allegedly false statements, economic and punitive damages in an unspecified amount and attorney s fees and costs. Triarc tendered the defense of this action to the Company, and the Company accepted the defense and will indemnify Triarc, pursuant to the indemnification provisions of the Registration Rights Agreements dated as of October 31, 2000 and February 21, 2002, and the Underwriting Agreements dated September 25, 2004 and January 20, 2005 to which Triarc is a party. Although the outcome of this matter cannot be predicted with certainty, management does not currently believe that this matter will have a material adverse effect on the Company s consolidated financial position or results of operations.

Claims based on the Fair Debt Collection Practices Act (FDCPA) and comparable state statutes may result in class action lawsuits, which can be material to the Company due to the remedies available under these statutes, including punitive damages. A number of cases styled as class actions have been filed against the Company. A class has been certified in several of these cases. Several of these cases present novel issues on which there is no legal precedent. As a result, the Company is unable to predict the range of possible outcomes. There are a number of other lawsuits, claims and counterclaims pending or threatened against the Company. In general, these lawsuits, claims or counterclaims have arisen in the ordinary course of business and involve claims for actual damages arising from alleged misconduct or improper reporting of credit information by the Company or its employees or agents. Although litigation is inherently uncertain, based on past experience, the information currently available and the possible availability of insurance and/or indemnification in some cases, management of the Company does not believe that the currently pending and threatened litigation or claims will have a material adverse effect on the Company s consolidated financial position or results of operations. However, future events or circumstances, currently unknown to management, will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on the Company s consolidated financial position, liquidity or results of operations in any future reporting periods.

Purchase Commitments

In connection with the Company s acquisition of certain assets of Jefferson Capital Group in June 2005, the Company entered into a forward flow agreement to purchase a minimum of $3.0 billion in face value of credit card charge-offs over a five-year period at a fixed price. As of March 31, 2008, future minimum purchase commitments under this agreement are as follows *(amounts in thousands*):

2008	2009	2010	Total
$21,593	$28,790	$14,395	$64,778

The purchase commitment above assumes that the remaining commitment as of March 31, 2008, will be incurred ratably over the remaining term of such agreement.

Note 11: Securities Repurchase Program

On February 27, 2007, the Company s board of directors authorized a securities repurchase program under which the Company may buy back up to $50 million of a combination of its common stock and Convertible Notes. The entire $50 million may be used to repurchase common stock, but only $25 million may be used to repurchase the Convertible Notes. The purchases may be made from time to time in the open market or through privately negotiated transactions and will be dependent upon various business and financial considerations. Securities repurchases are subject to compliance with applicable legal requirements and other factors. As of March 31, 2008, the Company has not repurchased any of its common stock or its Convertible Notes under this program.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This information should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2007 contained in our 2007 Annual Report on Form 10-K. The Form 10-K contains a general description of our industry and a discussion of recent trends affecting the industry. Certain statements herein may constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995 (the Reform Act), for which we claim the protection of the safe harbor of the Reform Act. See Part II, Item 1A Risk Factors for more discussion on our forward-looking statements.

Introduction

We are a systems-driven purchaser and manager of charged-off consumer receivable portfolios and a provider of bankruptcy services to the finance industry. We acquire receivable portfolios at deep discounts from their face values using our proprietary valuation process that is based on the consumer attributes of the underlying accounts. Based upon the ongoing analysis of these accounts, we employ a dynamic mix of collection strategies to maximize our return on investment.

Purchases and Collections

Purchases by Paper Type

The following tables summarize the types of charged-off consumer receivable portfolios we purchased for the three months ended March 31, 2008 and 2007 *(in thousands):*

	Three Months Ended March 31,	
	2008	**2007**
Credit card	$ 45,280	$ 44,596
Other	2,622	790
	$ 47,902	$ 45,386

During the three months ended March 31, 2008, we invested $47.9 million for portfolios with face values aggregating $1.2 billion for an average purchase price of 4.0% of face value. This is a $2.5 million increase, or 5.5%, in the amount invested, compared with the $45.4 million invested during the three months ended March 31, 2007, to acquire portfolios with a face value aggregating $2.5 billion for an average purchase price of 1.8% of face value.

During the twelve months ended March 31, 2008, we invested $211.5 million for portfolios with face values aggregating $5.6 billion for an average purchase price of 3.8% of face value. This is a $48.9 million increase, or 30.1%, in the amount invested compared with the $162.6 million invested during the twelve months ended March 31, 2007, to acquire portfolios with a face value aggregating $5.6 billion for an average purchase price of 2.9% of face value.

Collections by Channel

During the three months ended March 31, 2008 and 2007, we utilized several business channels for the collection of charged-off credit card receivables and other charged-off receivables. The following table summarizes gross collections by collection channel *(in thousands)*:

	Three Months Ended March 31,	
	2008	**2007**
Collection sites	$ 43,289	$ 33,995
Legal collections	45,292	39,730
Collection agencies	10,961	8,817
Sales	4,214	7,297
Other	599	702
Gross collections for the period	$ 104,355	$ 90,541

Gross collections increased $13.9 million, or 15.3%, to $104.4 million during the three months ended March 31, 2008, from $90.5 million during the three months ended March 31, 2007.

Results of Operations

Results of operations in dollars and as a percentage of revenue were as follows *(in thousands, except percentages)*:

	Three Months Ended March 31,			
	2008		**2007**	
Revenue				
Revenue from receivable portfolios, net	$ 64,068	94.8%	$ 62,153	95.1%
Servicing fees and other related revenue	3,486	5.2%	3,222	4.9%
Total revenue	67,554	100.0%	65,375	100.0%
Operating expenses				
Salaries and employee benefits	14,851	22.0%	17,186	26.3%
Stock-based compensation expense	1,094	1.6%	801	1.2%
Cost of legal collections	20,306	30.1%	17,621	27.0%
Other operating expenses	5,651	8.4%	5,744	8.8%
Collection agency commissions	4,031	6.0%	3,294	5.1%
General and administrative expenses	4,460	6.6%	4,271	6.5%
Depreciation and amortization	722	1.0%	869	1.3%
Total operating expenses	51,115	75.7%	49,786	76.2%
Income before other (expense) income and income taxes	16,439	24.3%	15,589	23.8%
Other (expense) income				
Interest expense	(3,946)	(5.8%)	(2,920)	(4.5%)
Contingent interest expense		0.0%	(3,235)	(4.9%)
Other income	21	0.0%	116	0.2%
Total other expense	(3,925)	(5.8%)	(6,039)	(9.2%)
Income before income taxes	12,514	18.5%	9,550	14.6%
Provision for income taxes	(5,014)	(7.4%)	(3,893)	(5.9%)

Net income	$	7,500	11.1%	$	5,657	8.7%

Comparison of Results of Operations

Revenue

Our revenue consists primarily of portfolio revenue and bankruptcy servicing revenue. Portfolio revenue consists of accretion revenue and zero basis revenue. Accretion revenue represents revenue derived from pools (quarterly groupings of purchased receivable portfolios) with a cost basis that has not been fully amortized. Revenue from pools with a remaining unamortized cost basis is accrued based on each pool s effective interest rate applied to each pool s remaining unamortized cost basis. The cost basis of each pool is increased by revenue earned and decreased by gross collections and impairments. The effective interest rate is the internal rate of return derived from the timing and amounts of actual cash received and anticipated future cash flow projections for each pool. All collections realized after the net book value of a portfolio has been fully recovered (Zero Basis Portfolios) are recorded as revenue (Zero Basis Revenue). We account for our investment in receivable portfolios utilizing the interest method in accordance with the provisions of the AICPA s Statement of Position 03-3, *Accounting for Certain Debt Securities Acquired in a Transfer*

(SOP 03-3). Servicing fee revenue is revenue primarily associated with bankruptcy servicing fees earned from our subsidiary, Ascension Capital Group, Inc. (Ascension), a provider of bankruptcy services to the finance industry.

Effective January 1, 2008, we revised our Unified Collection Score (UCS) and Behavioral Liquidation Score (BLS) methodologies by extending our collection forecast from 72 months to 84 months. UCS is a proprietary forecasting tool that generates portfolio level expectations of liquidation for portfolios that we have owned and serviced for greater than six months. BLS forecasts portfolio level expectations based on credit characteristics for portfolios owned and serviced less than six months. We have observed that receivable portfolios purchased in 2001 and prior have consistently experienced cash collections beyond 72 months from the date of purchase. When we first developed our cash forecasting models in 2001, limited historical collection data was available with which to accurately model projected cash flows beyond 60 months. During the quarter ended June 30, 2006, we determined there was enough additional collection data accumulated over the previous several years, in addition to improvements in our forecasting tools, allowing us to extend the collection forecast to 72 months. During the quarter ended March 31, 2008, we determined that there is enough additional collection data to accurately extend the collection forecast in both our UCS and BLS models to 84 months. The increase in the collection forecast from 72 to 84 months was applied effective January 1, 2008, to each portfolio for which we could accurately forecast through such term and resulted in an increase in the aggregate total estimated remaining collections for the receivable portfolios by $67.3 million, or 7.5%, as of March 31, 2008. We did not extend the forecast on telecom portfolios as we do not anticipate significant collections past 72 months on these portfolios. The extension of the collection forecast is being treated as a change in estimate and, in accordance with Statement of Financial Accounting Standard No. 154, *Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No.3,* is being recognized prospectively in our consolidated financial statements. This prospective treatment resulted in a reduction in our net impairment provision of $3.1 million and an increase in revenue of $0.1 million for the quarter ended March 31, 2008. The impact of the change in estimate resulted in an increase in net income of $1.9 million and an increase in fully diluted earnings per share of $0.08 for the quarter ended March 31, 2008.

The following tables summarize collections, revenue, end of period receivable balance and other related supplemental data by year of purchase (*in thousands, except percentages*):

	For the Three Months Ended March 31, 2008					As of March 31, 2008	
	Collections[1]	Revenue[2]	Revenue Recognition Rate[3]	Net Impairment	Revenue % of Total Revenue	Unamortized Balances	Monthly IRR
ZBA	$ 2,558	$ 2,558	100.0%	$	3.7%	$	
2002	1,665	1,351	81.1%	(69)	1.9%	1,437	27.1%
2003	4,189	3,781	90.3%	(289)	5.4%	3,714	30.7%
2004	6,037	4,665	77.3%	(856)	6.7%	18,489	7.8%
2005	20,936	13,976	66.8%	(2,303)	20.2%	78,085	5.6%
2006	21,575	13,940	64.6%	(1,818)	20.1%	86,227	5.1%
2007	40,032	25,617	64.0%		36.9%	166,169	4.8%
2008	7,288	3,515	48.2%		5.1%	44,086	4.8%
Total	$ 104,280	$ 69,403	66.6%	$ (5,335)	100.0%	$ 398,207	5.5%

	For the Three Months Ended March 31, 2007					As of March 31, 2007	
	Collections[1]	Revenue[2]	Revenue Recognition Rate[3]	Net Reversal (Impairment)	Revenue % of Total Revenue	Unamortized Balances	Monthly IRR
ZBA	$ 5,108	$ 5,108	100.0%	$	8.3%	$	
2002	3,447	2,906	84.3%	295	4.7%	3,320	25.4%
2003	9,156	7,706	84.2%	10	12.4%	7,460	29.1%
2004	10,649	7,697	72.3%	(1,008)	12.4%	29,168	7.8%
2005	31,298	18,541	59.2%	920	29.9%	115,637	4.9%
2006	25,218	17,453	69.2%		28.2%	118,615	4.0%
2007	5,536	2,525	45.6%		4.1%	42,322	4.5%
Total	$ 90,412	$ 61,936	68.5%	$ 217	100.0%	$ 316,522	5.6%

[1] Does not include amounts collected on behalf of others.

[2] Gross revenue excludes the effects of net impairment or net impairment reversals.

[3] Revenue recognition rate excludes the effects of net impairment or net impairment reversals.

Total revenue was $67.6 million for the three months ended March 31, 2008, an increase of $2.2 million, or 3.3%, compared to total revenue of $65.4 million for the three months ended March 31, 2007. Portfolio revenue increased $1.9 million, or 3.1%, to $64.1 million. The increase of portfolio revenue was primarily the result of additional accretion revenue associated with higher purchasing volumes and, as discussed above, from the extension of our collection forecast from 72 to 84 months. The increase was partially offset by a greater portion of our revenues coming from our 2004 to 2008 portfolio purchases that have lower effective accretion rates than our 2003 and prior purchases, due to a more competitive pricing environment since 2004, and the recording of a larger impairment provision on certain portfolios during the quarter. During the three months ended March 31, 2008, we recorded a net impairment provision of $5.3 million (net of a reduction in our net impairment provision of $3.1 million as a result of the extension of our collection forecast discussed above), compared to a net impairment provision reversal of $0.2 million during the same period in the prior year. The increase in impairment for the three months ended March 31, 2008, was primarily due to three factors. First, we experienced a shortfall in collections in certain pool groups against our forecast, a large percentage of which came from our older pool groups, which have very high monthly IRRs. Second, we continued to experience a trend in which a larger percentage of collections from our legal channel come from multi-payment settlements versus single-payment settlements. Despite this recent trend in the shift in payment types from single-payment settlements to multi-payment settlements in our legal channel, we have not experienced any material shifts in our overall payer rates or settlement rates. Given the high monthly IRRs in our older pool groups, when payments are extended over a longer period of time and the cash flows are delayed, this generally results in an impairment provision, even if we receive the collections in the future. Finally, as of March 31, 2008, we decided not to pursue certain collections with a very high cost to collect, primarily low balance telecom accounts. This resulted in a reduction in expected future cash flow from these accounts and increased our impairment provision in those pool groups for the quarter.

Revenue associated with bankruptcy servicing fees earned from Ascension, was $3.4 million for the three months ended March 31, 2008, an increase of $0.2 million, or 7.8%, compared to revenue of $3.2 million for the three months ended March 31, 2007. The increase in Ascension revenue for the three months ended March 31, 2008, is due to the slightly higher volume of bankruptcy placements.

Operating Expenses

Total operating expenses were $51.1 million for the three months ended March 31, 2008, an increase of $1.3 million, or 2.7%, compared to total operating expenses of $49.8 million for the three months ended March 31, 2007.

Operating expenses are explained in more detail as follows:

Salaries and employee benefits

Total salaries and employee benefits decreased by $2.3 million, or 13.6%, to $14.9 million during the three months ended March 31, 2008, from $17.2 million during the three months ended March 31, 2007. The decrease was primarily the result of a decrease of $2.0 million in salaries and related payroll taxes and benefits, resulting from the reduction in our workforce, primarily attributable to our cost savings initiatives implemented in September 2007. The decrease is also attributable to a decrease of $0.3 million in personnel severance expenses.

Stock-based compensation expenses

Stock-based compensation expense increased by $0.3 million, or 36.6%, to $1.1 million during the three months ended March 31, 2008, from $0.8 million for the months ended March 31, 2007. The increase was primarily the result of a one-time reduction in expense in the three months ended March 31, 2007, due to change of assumptions used during that period. This true-up resulted in a reduction in stock-based compensation expense of $0.4 million for the three months ended March 31, 2007. The increase was partially offset by a reduction in expenses as a result of fewer grants and the decreased fair value of stock options granted in recent years.

Cost of legal collections

The cost of legal collections increased $2.7 million, or 15.2%, to $20.3 million during the three months ended March 31, 2008, compared to $17.6 million during the three months ended March 31, 2007. These costs represent contingent fees paid to our nationwide network of attorneys and costs of litigation. The increase in the cost of legal collections was primarily the result of an increase of $5.6 million, or 14.0%, in gross collections through our legal channel and upfront litigation costs. Gross legal collections amounted to $45.3 million during the three months ended March 31, 2008, from $39.7 million collected during the three months ended March 31, 2007. The cost of legal collections increased as a percent of gross collections through this channel to 44.8% during the three months ended March 31, 2008, from 44.4% during the three months ended March 31, 2007, due to an increase in upfront court costs expensed associated with our pursuit of legal collections, an increase in costs related to counter claims, offset by the effect of extending the recovery period of deferred court costs and a decrease in lower commission rates, driven by lower volume bonus commissions paid to our law firms and lower average commission rates.

Other operating expenses

Other operating expenses remained consistent at $5.7 million during the three months ended March 31, 2008 and 2007.

Collection agency commissions

During the three months ended March 31, 2008, we incurred $4.0 million in commissions to third party collection agencies, or 36.8% of the related gross collections of $11.0 million compared to $3.3 million in commissions, or 37.4% of the related gross collections of $8.8 million during the three months ended March 31, 2007. The increase in commissions was consistent with the increase in collections through this channel. The decrease in the commission rate as a percentage of the related gross collections is primarily due to the mix of accounts placed with the agencies. Commissions, as a percentage of collections in this channel, vary from period to period depending on, among other things, the time from charge-off of the accounts placed with an agency. Generally, freshly charged-off accounts have a lower commission rate than accounts that have been charged off for a longer period of time.

General and administrative expenses

General and administrative expenses increased $0.2 million, or 4.4%, to $4.5 million during the three months ended March 31, 2008, from $4.3 million during the three months ended March 31, 2007. The increase was primarily the result of an increase of $0.5 million in expenses associated with general corporate matters, offset by a decrease of $0.3 million in professional service fees.

Depreciation and amortization

Depreciation and amortization expense decreased $0.2 million, to $0.7 million during the three months ended March 31, 2008, from $0.9 million during the three months ended March 31, 2007. Depreciation expense was $0.5 million for the three months ended March 31, 2008, compared to $0.6 million for the three months ended March 31, 2007. Amortization expense relating to intangible assets acquired in conjunction with the acquisition of Ascension was $0.2 million for the three months ended March 31, 2008, compared to $0.3 million for the three months ended March 31, 2007.

Interest expense

Total interest expense decreased $2.3 million, or 35.9%, to $3.9 million during the three months ended March 31, 2008, from $6.2 million during the three months ended March 31, 2007.

The following table summarizes our interest expense *(in thousands, except percentages):*

	For the Three Months Ended March 31,			
	2008	2007	$ Change	% Change
Stated interest on debt obligations	$ 3,632	$ 2,617	$ 1,015	38.8%
Amortization of loan fees and other loan costs	314	303	11	3.6%
Subtotal	3,946	2,920	1,026	35.1%
Contingent interest		3,235	(3,235)	(100.0%)
Total interest expense	$ 3,946	$ 6,155	$ (2,209)	(35.9%)

As of December 31, 2004, we no longer made borrowings under our Secured Financing Facility. As of December 31, 2006, we repaid in full the principal balance of our Secured Financing Facility. Prior to May 7, 2007, we shared with the lender the residual collections on purchases made under this facility, net of servicing fees paid to us. The residual collections paid to the lender were classified as contingent interest. On May 7, 2007, we entered into an agreement with the lender under our Secured Financing Facility to eliminate all future Contingent Interest payments, for a one-time payment of $16.9 million. This agreement effectively eliminated all future Contingent Interest payments and released our lender s security interests in the remaining receivables originally financed under our Secured Financing Facility. Subsequent to the second quarter of 2007, we no longer are required to pay any Contingent Interest expense under the Secured Financing Facility.

We have financed portfolio purchases subsequent to December 31, 2004, using our Revolving Credit Facility, which does not require the sharing of residual collections with the lender. See Note 7 to the unaudited consolidated financial statements for a further discussion of our Revolving Credit Facility.

Other income and expense

Total other income was less than $0.1 million during the three months ended March 31, 2008, which was consistent with total other income of $0.1 million during the three months ended March 31, 2007.

Provision for income taxes

During the three months ended March 31, 2008, we recorded an income tax provision of $5.0 million, reflecting an effective rate of 40.1% of pretax income. Our effective tax rate for the three months ended March 31, 2008, differed from the Federal statutory rate primarily due to the net effect of state taxes and the effect of permanent book versus tax differences. For the three months ended March 31, 2007, we recorded an income tax provision of $3.9 million, reflecting an effective rate of 40.8% of pretax income. Our effective tax rate for the three months ended March 31, 2007, differed from the Federal statutory rate primarily due to the net effect of state taxes. See Note 8 to the unaudited consolidated financial statements for a further discussion of income taxes.

Supplemental Performance Data

Cumulative Collections to Purchase Price Multiple

The following table summarizes our purchases and related gross collections by year of purchase *(in thousands, except multiples):*

Cumulative Collections through March 31, 2008

Year of Purchase	Purchase Price[1]	<2001	2001	2002	2003	2004	2005	2006	2007	2008	Total[2]	CCM[3]
<1999	$ 41,117[4]	$ 88,629	$ 22,545	$ 15,007	$ 7,546	$ 4,202	$ 2,042	$ 1,513	$ 989	$ 152	$ 142,625	3.5
1999	48,712	29,163	19,174	16,259	11,508	8,654	5,157	3,513	1,954	314	95,696	2.0
2000	6,153	5,489	7,172	4,542	4,377	2,293	1,323	1,007	566	112	26,881	4.4
2001	38,186		21,197	54,184	33,072	28,551	20,622	14,521	5,644	928	178,719	4.7
2002	61,501			48,322	70,227	62,282	45,699	33,694	14,902	2,382	277,508	4.5
2003	88,533				59,038	86,958	69,932	55,131	26,653	4,196	301,908	3.4
2004	101,349					39,400	79,845	54,832	34,625	6,036	214,738	2.1
2005	192,881						66,491	129,809	109,078	21,174	326,552	1.7
2006	142,110							42,354	92,265	21,575	156,194	1.1
2007	206,549								68,048	40,032	108,080	0.5
2008	47,860									7,379	7,379	0.2
Total	$ 974,951	$ 123,281	$ 70,088	$ 138,314	$ 185,768	$ 232,340	$ 291,111	$ 336,374	$ 354,724	$ 104,280	$ 1,836,280	1.9

[1] Adjusted for put-backs, account recalls, purchase price rescissions, and the impact of an acquisition in 2000. Put-backs represent accounts that are returned to the seller in accordance with the respective purchase agreement (Put-Backs). Recalls represents accounts that are recalled by the seller in accordance with the respective purchase agreement (Recalls).

[2] Cumulative collections from inception through March 31, 2008.

[3] Cumulative Collections Multiple (CCM) through March 31, 2008 collections as a multiple of purchase price.

[4] From inception through December 31, 1998.

Total Estimated Collections to Purchase Price Multiple

The following table summarizes our purchases, resulting historical gross collections, and estimated remaining gross collections by year of purchase *(in thousands, except multiples)*:

	Purchase Price[1]	Historical Gross Collections[2]	Estimated Remaining Collections[3,4]	Total Estimated Gross Collections	Total Estimated Gross Collections to Purchase Price
<1999	$ 41,117[5]	$ 142,625	$ 101	$ 142,726	3.5
1999	48,712	95,696	1,468	97,164	2.0
2000	6,153	26,881	406	27,287	4.4
2001	38,186	178,719	2,775	181,494	4.8
2002	61,501	277,508	8,299	285,807	4.6
2003	88,533	301,908	21,098	323,006	3.6
2004	101,349	214,738	47,210	261,948	2.6
2005	192,881	326,552	176,130	502,682	2.6
2006	142,110	156,194	208,775	364,969	2.6
2007	206,549	108,080	382,905	490,985	2.4
2008	47,860	7,379	112,780	120,159	2.5
Total	$ 974,951	$ 1,836,280	$ 961,947	$ 2,798,227	2.9

[1] Adjusted for Put-Backs, Recalls, purchase price rescissions, and the impact of an acquisition in 2000.

[2] Cumulative collections from inception through March 31, 2008.

[3] Includes $1.4 million in expected collections for the healthcare portfolios on cost recovery.

[4] Effective January 1, 2008, we revised our UCS and BLS methodologies by extending our collection forecast from 72 months to 84 months, which resulted in an increase in the aggregate total estimated remaining collections for the receivable portfolios by $67.3 million as of March 31, 2008.

[5] From inception through December 31, 1998.

Estimated Remaining Gross Collections by Year of Purchase

The following table summarizes our estimated remaining gross collections by year of purchase *(in thousands)*:

			Estimated Remaining Gross Collections by Year of Purchase						
	2008[2]	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
<1999[1]	$ 60	$ 41	$	$	$	$	$	$	$ 101
1999[1]	849	608	11						1,468
2000[1]	230	175	1						406
2001[1]	1,533	1,132	110						2,775
2002[1]	5,027	3,142	130						8,299
2003	9,944	8,565	2,589						21,098
2004	16,151	15,853	10,396	4,810					47,210
2005	56,857	50,869	35,122	24,209	9,073				176,130
2006	55,019	52,640	38,902	29,981	21,915	10,318			208,775
2007	99,961	108,326	70,326	47,844	32,867	18,635	4,946		382,905
2008	24,796	29,894	21,541	15,097	10,796	6,961	3,538	157	112,780
Total	$ 270,427	$ 271,245	$ 179,128	$ 121,941	$ 74,651	$ 35,914	$ 8,484	$ 157	$ 961,947

[1] Estimated remaining collections for Zero Basis Portfolios can extend beyond the 84-month accrual basis collection forecast.

[2] 2008 amount consists of nine months data, from April 1, 2008 to December 2008.

Unamortized Balances of Portfolios

The following table summarizes the remaining unamortized balances of our purchased receivable portfolios by year of purchase as of March 31, 2008 *(in thousands, except percentages)*:

	Unamortized Balance as of March 31, 2008[1]	**Purchase Price[2]**	**Unamortized Balance as a Percentage of Purchase Price**	**Unamortized Balance as a Percentage of Total**
2002	$ 1,437	$ 61,501	2.3%	0.4%
2003	3,714	88,533	4.2%	0.9%
2004	18,489	101,349	18.2%	4.6%
2005	78,085	192,881	40.5%	19.6%
2006	86,227	142,110	60.7%	21.7%
2007	166,169	206,549	80.4%	41.7%
2008	44,086	47,860	92.1%	11.1%
Total	$ 398,207	$ 840,783	47.4%	100.0%

[1] Includes $1.4 million for healthcare portfolios being accounted for on the cost recovery method.

[2] Purchase price refers to the cash paid to a seller to acquire a portfolio less Put- Backs, plus allocation of our forward flow asset (if applicable), and less the purchase price for accounts that were sold at the time of purchase to another debt purchaser.

Collections by Channel

During the three months ended March 31, 2008 and 2007, we utilized several business channels for the collection of charged-off credit card receivables and other charged-off receivables. The following table summarizes gross collections by collection channel *(in thousands)*:

	Three Months Ended March 31,	
	2008	2007
Collection sites	$ 43,289	$ 33,995
Legal collections	45,292	39,730
Collection agencies	10,961	8,817
Sales	4,214	7,297
Other	599	702
Gross collections for the period	$ 104,355	$ 90,541

External Collection Channels and Related Direct Costs

The following table summarizes our external collection channel performance and related direct costs *(in thousands, except percentages*):

	Legal Collections				Collection Agencies			
	Three Months Ended March 31,				Three Months Ended March 31,			
	2008		2007		2008		2007	
Collections	$ 45,292	100.0%	$ 39,730	100.0%	$ 10,961	100.0%	$ 8,817	100.0%
Commissions	12,817	28.3%	11,883	29.9%	4,031	36.8%	3,294	37.4%
Court cost expense[1]	6,669	14.7%	5,533	14.0%				
Other[2]	820	1.8%	205	0.5%				
Total Costs	$ 20,306	44.8%	$ 17,621	44.4%	$ 4,031	36.8%	$ 3,294	37.4%

[1] In connection with our agreement with contracted attorneys, we advance certain out-of-pocket court costs. We capitalize these costs in our consolidated financial statements and provide a reserve and corresponding court cost expense for the costs that we believe will be ultimately uncollectible. This amount includes changes in our anticipated recovery rate of court costs expensed.

[2] Other costs consist primarily of costs related to counter claims.

Legal Outsourcing Collections and Related Costs

The following tables summarize our legal outsourcing collection channel performance and related direct costs *(in thousands, except percentages*):

	Gross Collections by Year of Collection[1]					
						Total
Placement Year	**2004**	**2005**	**2006**	**2007**	**2008**	**Collections**
2004	$ 23,455	$ 37,674	$ 21,676	$ 12,029	$ 1,756	$ 96,590
2005		$ 21,694	$ 40,762	$ 22,152	$ 3,322	$ 87,930
2006			$ 39,395	$ 82,740	$ 13,800	$ 135,935
2007				$ 41,958	$ 23,332	$ 65,290
2008[2]					$ 1,447	$ 1,447

[1] Includes collections for accounts placed in our legal channel beginning January 1, 2004. We continue to collect on accounts placed in this channel prior to that date.

[2] 2008 amount consists of three months data, from January 1, 2008, to March 31, 2008.

	Court Costs by Year of Collection[1]					
						Total
Placement Year	**2004**	**2005**	**2006**	**2007**	**2008**	**Court Costs**
2004	$ 2,509	$ 2,937	$ 1,087	$ 406	$ 53	$ 6,992
2005		$ 3,271	$ 4,426	$ 859	$ 89	$ 8,645
2006			$ 10,158	$ 10,291	$ 588	$ 21,037
2007				$ 15,357	$ 5,490	$ 20,847
2008[2]					$ 787	$ 787

[1] Includes court cost expense for accounts placed in our legal channel beginning January 1, 2004. We continue to incur court cost expense on accounts placed in this channel prior to that date. Court cost expense in this table is calculated based on our blended court cost expense rate.

[2] 2008 amount consists of three months data, from January 1, 2008, to March 31, 2008.

	Commissions by Year of Collection[1]					
Placement Year	2004	2005	2006	2007	2008	Total Commissions
2004	$ 7,273	$ 12,060	$ 6,653	$ 3,498	$ 504	$ 29,988
2005		$ 6,725	$ 12,108	$ 6,364	$ 947	$ 26,144
2006			$ 11,451	$ 23,659	$ 3,907	$ 39,017
2007				$ 11,845	$ 6,605	$ 18,450
2008[2]					$ 392	$ 392

[1] Includes commissions for accounts placed in our legal channel beginning January 1, 2004. We continue to incur commissions on collections for accounts placed

in this channel prior to that date.

[2] 2008 amount consists of three months data, from January 1, 2008, to March 31, 2008.

	Court Cost Expense and Commissions as a % of Gross Collections by Year of Collection					
Placement Year	2004	2005	2006	2007	2008	Cumulative Average
2004	41.7%	39.8%	35.7%	32.4%	31.7%	38.3%
2005		46.1%	40.6%	32.6%	31.2%	39.6%
2006			54.9%	41.0%	32.6%	44.2%
2007				64.8%	51.8%	60.2%
2008[1]					81.5%	81.5%

[1] 2008 amount consists of three months data, from January 1, 2008, to March 31, 2008.

	Lawsuits Filed by Year[1]					
Placement Year[2]	2004	2005	2006	2007	2008	Total Sued
2004	59	39	11	2		111
2005		76	46	3		125
2006			205	105	2	312
2007				269	72	341
2008[3]					27	27
Total Sued	59	115	262	379	101	916

[1] Represents the year the account was placed into litigation.

[2] Represents the year the account was placed into our legal channel.

[3] 2008 amount consists of three months data, from January 1, 2008, to March 31, 2008.

Changes in Investment in Receivable Portfolios

Revenue related to our investment in receivable portfolios comprises two groups: first, revenue from those portfolios that have a remaining book value and are accounted for on the accrual basis (Accrual Basis Portfolios), and second, revenue from those portfolios that have fully recovered their book value Zero Basis Portfolios and, therefore, every dollar of gross collections is recorded entirely as Zero Basis Revenue. If the amount and timing of future cash collections on a pool of receivables are not reasonably estimable, we account for such portfolios on the cost recovery method (Cost Recovery Portfolios). No revenue is recognized on Cost Recovery Portfolios until the cost basis has been fully recovered, at which time they become Zero Basis Portfolios.

The following tables summarize the changes in the balance of the investment in receivable portfolios and the proportion of revenue recognized as a percentage of collections *(in thousands, except percentages):*

	For the Three Months Ended March 31, 2008			
	Accrual Basis Portfolios	Cost Recovery Portfolios	Zero Basis Portfolios	Total
Balance, beginning of period	$ 390,564	$ 1,645	$	$ 392,209
Purchases of receivable portfolios	47,902			47,902
Gross collections[1]	(101,523)	(199)	(2,558)	(104,280)
Put-backs and recalls	(1,678)	(14)		(1,692)
Revenue recognized[2]	66,845		2,558	69,403
Impairment, net [2]	(5,335)			(5,335)
Balance, end of period	$ 396,775	$ 1,432	$	$ 398,207
Revenue as a percentage of collections[3]	65.8%	0.0%	100.0%	66.6%

	For the Three Months Ended March 31, 2007			
	Accrual Basis Portfolios	Cost Recovery Portfolios	Zero Basis Portfolios	Total
Balance, beginning of period	$ 300,348	$	$	$ 300,348
Purchases of receivable portfolios	45,386			45,386
Gross collections[1]	(85,304)		(5,108)	(90,412)
Put-backs and recalls	(953)			(953)
Revenue recognized	56,828		5,108	61,936
Impairment reversal, net	217			217
Balance, end of period	$ 316,522	$	$	$ 316,522
Revenue as a percentage of collections[3]	66.6%	0.0%	100.0%	68.5%

[1] Does not include amounts collected on behalf of others.

[2] Reflects additional revenue of $0.1 million and a lower net impairment of $3.1 million, as a result of extending the collection curves from 72 to 84 months.

[3] Revenue as a percentage of collections excludes the effects of net impairment or net impairment reversals.

As of March 31, 2008, we had $398.2 million in investment in receivable portfolios. This balance will be amortized based upon current projections of cash collections in excess of revenue applied to the principal balance. The estimated amortization of the investment in receivable portfolio balance is as follows *(in thousands):*

For the Years Ended December 31,	Amortization
2008[1]	$ 90,677
2009	101,980
2010	72,725
2011	58,151
2012	42,978
2013	24,661
2014	6,889
2015	146
Total	$ 398,207

[1] 2008 amount consists of nine months data from April 1, 2008 to December 31, 2008.

Analysis of Changes in Revenue

The following table analyzes the components of the increase in revenue from our receivable portfolios for the three months ended March 31, 2008, compared to the three months ended March 31, 2007 *(in thousands, except percentages)*:

	For The Three Months Ended March 31,			
Variance Component	**2008**	**2007**	**Change**	**Revenue Variance**
Average portfolio balance	$ 395,278	$ 301,625	$ 93,653	$ 17,712
Weighted average effective interest rate[1]	62.2%	75.6%	(13.4%)	(13,247)
Zero basis revenue	$ 2,558	$ 5,108		(2,550)
Total variance				$ 1,915

[1] For accrual basis portfolios, the weighted average annualized effective interest rate is the accrual rate utilized in recognizing revenue on our accrual basis portfolios. This rate represents the monthly internal rate of return, which has been annualized utilizing the simple interest method. The monthly internal rate of return is determined based on the timing and amounts of actual cash received to date and the anticipated future cash flow projections for each pool.

Purchases by Quarter

The following table summarizes the purchases we made by quarter, and the respective purchase prices (in thousands):

Quarter	**# of Accounts**	**Face Value**	**Purchase Price**	**Forward Flow Allocation[2]**
Q1 2005	513	530,047	19,523	
Q2 2005[1]	2,773	3,675,277	121,939	
Q3 2005	434	381,508	14,151	2,330
Q4 2005	1,568	1,326,216	39,941	1,935
Q1 2006	673	558,574	27,091	2,403
Q2 2006	837	594,190	21,262	2,118
Q3 2006	1,469	1,081,892	32,334	2,939
Q4 2006	814	1,439,826	63,600	3,184
Q1 2007	1,434	2,510,347	45,386	3,539
Q2 2007	1,042	1,341,148	41,137	2,949
Q3 2007	659	1,281,468	47,869	2,680
Q4 2007	1,204	1,768,111	74,561	2,536
Q1 2008	647	1,199,703	47,902	2,926

[1] Purchase price for Q2 2005 includes a $0.9 million cost adjustment associated with the finalization of the Jefferson Capital purchase price allocation.
[2] Allocation of the forward flow asset to the cost basis of receivable portfolio purchases.

Purchases by Paper Type

The following table summarizes the types of charged-off consumer receivable portfolios we purchased for the three months ended March 31, 2008 and 2007 *(in thousands):*

	Three Months Ended March 31,	
	2008	**2007**
Credit card	$ 45,280	$ 44,596
Other	2,622	790

	$ 47,902	$ 45,386

Liquidity and Capital Resources

Overview

Historically, we have met our cash requirements by utilizing our cash flows from operations, bank borrowings and equity offerings. Our primary cash requirements have included the purchase of receivable portfolios, operational expenses, the payment of interest and principal on bank borrowings and tax payments.

The following table summarizes our cash flows by category for the periods presented *(in thousands)*:

	Three Months Ended March 31,	
	2008	**2007**
Net cash provided by operating activities	$ 15,893	$ 2,047
Net cash used in investing activities	$ (9,524)	$ (12,970)
Net cash (used in) provided by financing activities	$ (2,245)	$ 7,005

On December 31, 2004, our Secured Financing Facility expired. All of our portfolio purchases are now funded with cash or financed under our $230.0 million Revolving Credit Facility. Unlike our Secured Financing Facility, the Revolving Credit Facility does not require us to share with the lender the residual collections on the portfolios financed. See Note 7 to the unaudited consolidated financial statements for a further discussion on our Revolving Credit Facility, Secured Financing Facility and Contingent Interest.

On May 7, 2007, we entered into an agreement with the lender under our Secured Financing Facility to eliminate all future Contingent Interest payments, for the one-time payment of $16.9 million. As a result, beginning in May 2007, we are no longer obligated to make Contingent Interest payments under this facility.

Operating Cash Flows

Net cash provided by operating activities was $15.9 million for the three months ended March 31, 2008, and $2.0 million for the three months ended March 31, 2007. We consistently have been able to generate positive operating cash flow by maintaining our gross collections performance. Gross collections for the three months ended March 31, 2008, grew $13.9 million, or 15.3%, to $104.4 million, from $90.5 million for the three months ended March 31, 2007.

Total cash basis operating expenses were $49.9 million for the three months ended March 31, 2008, compared to $50.9 million for the three months ended March 31, 2007. The decrease was primarily a result of a reduction in operating expenses associated with our cost savings initiatives, partially offset by increased spending in our legal channel. Total interest payments were $4.2 million for the three months ended March 31, 2008, and $7.7 million for the three months ended March 31, 2007. The decrease in total interest expense was due to a decrease in Contingent Interest paid under the terms of our Secured Financing Facility.

Investing Cash Flows

Net cash used in investing activities was $9.5 million for the three months ended March 31, 2008, and $13.0 million for the three months ended March 31, 2007.

The cash flows used in investing activities for the three months ended March 31, 2008, are primarily related to receivable portfolio purchases of $45.0 million ($47.9 million of gross purchases less our forward flow allocation of $2.9 million), offset by gross collection proceeds applied to the principal of our receivable portfolios in the amount of $34.9 million. The cash flows used in investing activities for the three months ended March 31, 2007, are primarily related to receivable portfolio purchases of $41.8 million offset by gross collection proceeds applied to the principal of our receivable portfolios in the amount of $28.5 million.

Capital expenditures for fixed assets acquired with internal cash flow were $1.1 million and $0.6 million for the three months ended March 31, 2008 and 2007, respectively.

Financing Cash Flows

Net cash (used in) provided by financing activities was $(2.2) million and $7.0 million for the three months ended March 31, 2008 and 2007, respectively.

The cash used in financing activities during the three months ended March 31, 2008, reflects $11.2 million in repayments of principal, offset by $9.0 million in borrowing under our Revolving Credit Facility. The cash provided by financing activities during the three months ended March 31, 2007, reflects $7.0 million in borrowings under our Revolving Credit Facility.

Future Contractual Cash Obligations

The following table summarizes our future contractual cash obligations as of March 31, 2008, (*in thousands*):

		Payments Due by Period			
		Less			**More**
		Than	**1 3**	**3 5**	**Than**
	Total	**1 Year**	**Years**	**Years**	**5 Years**
Capital lease obligations	$ 168	$ 168	$	$	$
Operating leases	14,402	3,128	5,653	3,126	2,495
Employment agreements	96	96			
Revolving Credit Facility	170,000		170,000		
Contractual interest on derivative instruments	6,456	2,500	3,852	104	
3.375% Convertible Senior Notes	100,000		100,000		
Contractual interest on 3.375% Convertible Senior Notes	8,438	3,375	5,063		
Portfolio forward flow agreement	64,778	28,790	35,988		
Total contractual cash obligations	$ 364,338	$ 38,057	$ 320,556	$ 3,230	$ 2,495

Our Revolving Credit Facility has a remaining term of 2.1 years and to the extent that a balance is outstanding on our Revolving Credit Facility, it would be due in May 2010. Interest on the Revolving Credit Facility is variable and is not included in this table. The outstanding balance on our Revolving Credit Facility as of March 31, 2008, was $170.0 million. The portfolio forward flow agreement represents estimated payments under our five-year portfolio purchase forward flow agreement entered into on June 7, 2005. For additional information on our debt, see Note 7 to the unaudited consolidated financial statements. Also, for additional information on purchase commitments see Note 10 to the unaudited consolidated financial statements.

We are in compliance with all covenants under our financing arrangements and, excluding the effects of the one-time payment of $16.9 million to eliminate all future Contingent Interest payments in the second quarter of 2007 (this payment, less amounts accrued on our balance sheet, resulted in a charge of our statement of operations of $6.9 million after the effect of income taxes), we have achieved 25 consecutive quarters of positive net income. We believe that we have sufficient liquidity to fund our operations for at least the next twelve months, given our expectation of continued positive cash flows from operations, our cash and cash equivalents of $9.0 million as of March 31, 2008, and $60.0 million in borrowing capacity and borrowing base availability under our Revolving Credit Facility as of March 31, 2008.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements as defined by regulation S-K 303(a)(4).

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk affecting Encore, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which is incorporated herein by reference. Our exposure to market risk has not changed materially since December 31, 2007.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management accordingly is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their most recent evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act), as amended, are effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On October 18, 2004, Timothy W. Moser, one of our former officers, filed an action in the United States District Court for the Southern District of California against us, and certain individuals, including several of our officers and directors. On February 14, 2005, we were served with an amended complaint in this action alleging defamation, intentional interference with contractual relations, breach of contract, breach of the covenant of good faith and fair dealing, intentional and negligent infliction of emotional distress and civil conspiracy arising out of certain statements in our Registration Statement on Form S-1 originally filed in September 2003 and alleged to be included in our Registration Statement on Form S-3 originally filed in May 2004. The amended complaint seeks injunctive relief, economic and punitive damages in an unspecified amount plus an award of profits allegedly earned by the defendants and alleged co-conspirators as a result of the alleged conduct, in addition to attorney s fees and costs. On May 2, 2006, the court denied our special motion to strike pursuant to California s anti-SLAPP statute, denied in part and granted in part our motion to dismiss, denied a variety of *ex parte* motions and applications filed by the plaintiff and denied the plaintiff s motion for leave to conduct discovery or file supplemental briefing. The court granted the plaintiff 30 days in which to further amend his complaint, and on June 1, 2006, the plaintiff filed a second amended complaint in which he amended his claim for negligent infliction of emotional distress. On May 25, 2006, we filed a notice of appeal of the court s order denying the anti-SLAPP motion and on June 16, 2006, we filed a motion to stay the case pending the outcome of the appeal. The appeal is pending and the motion to stay the case against us was granted. We believe the claims are without merit and intend to vigorously defend the action. Although the outcome of this matter cannot be predicted with certainty, we do not currently believe that this matter will have a material adverse effect on our consolidated financial position or results of operations.

On September 7, 2005, Mr. Moser filed a related action in the United States District Court for the Southern District of California against Triarc Companies, Inc. (Triarc), which at the time, was a significant stockholder of ours, alleging intentional interference with contractual relations and intentional infliction of emotional distress. The case arises out of the same statements made or alleged to have been made in our Registration Statements mentioned above. On January 7, 2006, Triarc was served with an amended complaint seeking injunctive relief, an order directing Triarc to issue a statement of retraction or correction of the allegedly false statements, economic and punitive damages in an unspecified amount and attorney s fees and costs. Triarc tendered the defense of this action to us, and we accepted the defense and will indemnify Triarc, pursuant to the indemnification provisions of the Registration Rights Agreements dated as of October 31, 2000 and February 21, 2002, and the Underwriting Agreements dated September 25, 2004 and January 20, 2005 to which Triarc is a party. Although the outcome of this matter cannot be predicted with certainty, we do not currently believe that this matter will have a material adverse effect on our consolidated financial position or results of operations.

Claims based on the Fair Debt Collection Practices Act (FDCPA) and comparable state statutes may result in class action lawsuits, which can be material to us due to the remedies available under these statutes, including punitive damages. A number of cases styled as class actions have been filed against us. A class has been certified in several of these cases. Several of these cases present novel issues on which there is no legal precedent. As a result, we are unable to predict the range of possible outcomes. There are a number of other lawsuits, claims and counterclaims pending or threatened against us. In general, these lawsuits, claims or counterclaims have arisen in the ordinary course of business and involve claims for actual damages arising from alleged misconduct or improper reporting of credit information by us or our employees or agents. Although litigation is inherently uncertain, based on past experience, the information currently available and the possible availability of insurance and/or indemnification in some cases, we do not believe that the currently pending and threatened litigation or claims will have a material adverse effect on our consolidated financial position or results of operations. However, future events or circumstances, currently unknown to management, will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on our consolidated financial position, liquidity or results of operations in any future reporting periods.

Item 1A. Risk Factors

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which we believe are subject to certain safe harbors. Many statements, other than statements of historical facts, included or incorporated into this Quarterly Report on Form 10- Q are forward-looking statements. The words believe, expect, anticipate, estimate, project, intend, plan, will, may, and expressions often characterize forward-looking statements. These statements may include, but are not limited to, projections of collections, revenues, income or loss, estimates of capital expenditures, plans for future operations, products or services, and financing needs or plans, as well as assumptions relating to these matters. In particular, these statements may be found, among other places, under the Management s Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors sections.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we caution you that these expectations or predictions may not prove to be correct or we may not achieve the financial results, savings or other benefits anticipated in the forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties, some of which may be beyond our control or cannot be predicted or quantified, that could cause actual results to differ materially from those suggested by the forward-looking statements. Many factors, including but not limited to those set forth below, could cause our actual results, performance, achievements, or industry results to be very different from the results, performance or achievements expressed or implied by these forward-looking statements. Our business, financial condition or results of operations could also be materially and adversely affected by other factors besides those listed. These factors include, but are not limited to, the following:

Recent instability in the financial markets may have an impact on our business.

Our quarterly operating results may fluctuate and cause the prices of our common stock and convertible notes to decrease;

We may not be able to purchase receivables at sufficiently favorable prices or terms, or at all;

We may not be successful in acquiring and collecting on portfolios consisting of new types of receivables;

We may not be able to collect sufficient amounts on our receivable portfolios to recover our costs and fund our operations;

We may purchase portfolios that contain unprofitable accounts;

The statistical model we use to project remaining cash flows from our receivable portfolios may prove to be inaccurate, which could result in reduced revenues or the recording of an impairment charge if we do not achieve the collections forecasted by our model;

We may not be successful in recovering court costs we anticipate recovering.

Our industry is highly competitive, and we may be unable to continue to compete successfully with businesses that may have greater resources than we have;

Our failure to purchase sufficient quantities of receivable portfolios may necessitate workforce reductions, which may harm our business;

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

We may be unable to meet our future liquidity requirements;

We may not be able to continue to satisfy the restrictive covenants in our debt agreements;

We use estimates in our revenue recognition and our earnings will be reduced if actual results are less than estimated;

We may incur impairment charges based on the provisions of American Institute of Certified Public Accountants Statement of Position 03-3;

Government regulation may limit our ability to recover and enforce the collection of receivables;

Failure to comply with government regulation could result in the suspension or termination of our ability to conduct business;

A significant portion of our collections relies upon our success in individual lawsuits brought against consumers and ability to collect on judgments in our favor;

We are subject to ongoing risks of litigation, including individual and class actions under consumer credit, collections, employment, securities and other laws;

We may make acquisitions that prove unsuccessful or strain or divert our resources;

We are dependent on our management team for the adoption and implementation of our strategies, and the loss of their services could have a material adverse effect on our business;

We may not be able to hire and retain enough sufficiently trained employees to support our operations, and/or we may experience high rates of personnel turnover;

Exposure to regulatory and economic conditions in India exposes us to risks or loss of business;

We may not be able to manage our growth effectively;

The failure of our technology and telecommunications systems could have an adverse effect on our operations;

We may not be able to successfully anticipate, invest in or adopt technological advances within our industry;

- We may not be able to adequately protect the intellectual property rights upon which we rely; and

- Our results of operations may be materially adversely affected if bankruptcy filings increase or if bankruptcy or other debt collection laws change.

For more information about these risks, see the discussion under Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission, which is incorporated herein by reference.

Forward-looking statements speak only as of the date the statements were made. We do not undertake any obligation to update or revise any forward-looking statements to reflect new information or future events, or for any other reason even if experience or future events make it clear that any expected results expressed or implied by these forward-looking statements will not be realized.

In addition, it is our policy generally not to make any specific projections as to future earnings and we do not endorse projections regarding future performance that may be made by third parties.

Item 6. Exhibits

31.1 Certification of the Principal Executive Officer pursuant to rule 13-14(a) under the Securities Exchange Act of 1934 (filed herewith).

31.2 Certification of the Principal Financial Officer pursuant to rule 13-14(a) under the Securities Exchange Act of 1934 (filed herewith).

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 (filed herewith).

ENCORE CAPITAL GROUP, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENCORE CAPITAL GROUP, INC.

By: /s/ Paul Grinberg
Paul Grinberg
Executive Vice President and
Chief Financial Officer

Date: May 1, 2008

EXHIBIT INDEX

31.1	Certification of the Principal Executive Officer pursuant to rule 13-14(a) under the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of the Principal Financial Officer pursuant to rule 13-14(a) under the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 (filed herewith).