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ASTA FUNDING INC

FORM 10-K
(Annual Report)

Filed 12/22/03 for the Period Ending 09/30/03

Address	210 SYLVAN AVE ENGLEWOOD CLIFFS, NJ 07632
Telephone	2015675648
CIK	0001001258
Symbol	ASFI
SIC Code	6153 - Short-Term Business Credit Institutions, Except Agricultural
Industry	Consumer Financial Services
Sector	Financial
Fiscal Year	09/30

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES **EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2003

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES **EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 0-26906

ASTA FUNDING, INC.

(EXACT NAME OF REGISTRANT SPECIFIED IN ITS CHARTER)

Delaware	22-3388607
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
210 Sylvan Avenue, Englewood Cliffs, NJ	07632
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Issuer's telephone number, including area code: (201) 567-5648

Securities registered pursuant to Section 12(b) of the Exchange Act:
None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, par value $.01 per share

(Title of Class)

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No -----

Indicate by check mark no disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer
(as defined in rule 12b-2 of the Act). Yes ( ) No (X)

The aggregate market value of voting and nonvoting common equity held by non-affiliates of the registrant was approximately $36,213,000, as of the last business day of the registrant's most recently completed second fiscal quarter.

As of December 15, 2003, the registrant had 6,627,130 shares of Common Stock issued and outstanding.

Documents Incorporated by Reference:

The information called for by Part III of this Form 10-K is incorporated by reference from the Company's Proxy Statement to be filed with the Commission on or before January 28, 2004.

FORM 10-K

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This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in such forward-looking statements. Certain factors which could materially affect our results and our future performance are described below under "Risk Factors" and "Critical Accounting Policies" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements." Forward-looking statements are inherently uncertain as they are based on current expectations and assumptions concerning future events and are subject to numerous known and unknown risks and uncertainties. We caution you not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date of this report. Except as required by law, we undertake no obligation to update or publicly announce revisions to any forward-looking statements to reflect future events or developments.

Part I

Item 1. Description of Business.

Overview

Asta Funding, Inc. acquires, manages, collects and services portfolios of consumer receivables. These portfolios generally consist of one or more of the following types of consumer receivables:

o charged-off receivables -- accounts that have been written-off by the originators and may have been previously serviced by collection agencies;

o semi-performing receivables -- accounts where the debtor is currently making partial or irregular monthly payments, but the accounts may have been written-off by the originators; and

o performing receivables -- accounts where the debtor is making regular monthly payments that may or may not have been delinquent in the past.

We acquire these consumer receivable portfolios at a significant discount to the amount actually owed by the debtors. We acquire these portfolios after a qualitative and quantitative analysis of the underlying receivables and calculate the purchase price so that our estimated cash flow offers us an adequate return on our acquisition costs and servicing expenses. After purchasing a portfolio, we actively monitor its performance and review and adjust our collection and servicing strategies accordingly.

We purchase receivables from creditors and others through privately negotiated direct sales and auctions in which sellers of receivables seek bids from several pre-qualified debt purchasers. These receivables consist primarily of MasterCard(R), Visa(R), retail installment contracts, secured asset portfolios and private label credit card accounts, among other types of receivables. We pursue new acquisitions of consumer receivable portfolios on an ongoing basis through:

o our relationships with industry participants, collection agencies, investors and our financing sources;

o brokers who specialize in the sale of consumer receivable portfolios; and

o other sources.

Our objective is to maximize our return on investment on acquired consumer receivable portfolios. As a result, before acquiring a portfolio, we analyze the portfolio to determine how to best maximize collections in a cost efficient manner and decide whether to use our internal servicing and collection department or third-party servicers and collection agencies.

If we elect to outsource the servicing of receivables, our senior management typically determines the appropriate servicer based on the type of receivables purchased. Once a group of receivables is sent to a third-party servicer our management actively monitors and reviews the servicer's performance on an ongoing basis. Based on portfolio performance guidelines, our management either will move certain receivables from one third-party servicer to another or to our internal servicing department if it anticipates that this will result in an increase in collections or it will sell the portfolio. In December 2002, we acquired a collection center which expanded our internal collection and servicing capabilities. The collection center currently employs approximately 33 persons, including senior management and has the capacity for more than 100 employees. We believe that the retention of these employees, as well as the increased capacity available at the collection center, will better assist us in monitoring our third-party servicers, while giving us greater flexibility in the future for servicing in-house a larger percentage of our consumer receivable portfolios.

We acquire portfolios through a combination of internally generated cash flow and bank debt. In the past, on certain large portfolio acquisitions we have partnered with a large financial institution in which we shared in the revenues generated from the collections on the portfolios.

For the years ended September 30, 2001, 2002 and 2003, our revenues were approximately $24.1 million, $36.0 million and $34.9 million respectively, and our net income was approximately $8.6 million, $10.4 million and $11.6 million, respectively. During these same years our cash collections were approximately $47.5 million, $78.6 million and $80.2 million respectively.

We were formed in 1994 as an affiliate of Asta Group, Incorporated, an entity owned by Arthur Stern, our Chairman of the Board and an Executive Vice President, Gary Stern, our President and Chief Executive Officer, and other members of the Stern family, to purchase, at face value, retail installment sales contracts secured by motor vehicles. We became a public company in November 1995. In 1999, we decided to capitalize on our management's more than 40 years of experience and expertise in acquiring and managing consumer receivable portfolios for Asta Group. As a result, we ceased purchasing automobile contracts and, with the assistance and financial support of Asta Group, purchased our first significant consumer receivable portfolio. Since then, Asta Group ceased acquiring consumer receivable portfolios and, accordingly, does not compete with us.

Industry Overview

The purchasing, servicing and collection of charged-off, semi-performing and performing consumer receivables is a growing industry that is driven by:

o increasing levels of consumer debt;

o increasing defaults of the underlying receivables; and

o increasing utilization of third-party providers to collect such receivables.

According to the U.S. Federal Reserve Board, consumer credit has increased from $1.2 trillion at December 31, 1997, to $2.0 trillion at August 31 2003. According to the Nilson Report, a credit card industry newsletter, the consumer credit market will increase to $2.8 trillion by 2010 and credit card charge-offs are predicted to reach $72.9 billion by 2005, up from $18.0 billion in 1995.

We believe that as a result of the difficulty in collecting these receivables and the desire of originating institutions to focus on their core businesses and to generate revenue from these receivables, originating institutions are increasingly electing to sell these portfolios.

Strategy

Our primary objective is to utilize our management's experience and expertise to effectively grow our business by identifying, evaluating, pricing and acquiring consumer receivable portfolios and maximizing collections of such receivables in a cost efficient manner. Our strategy includes:

o managing the collection and servicing of our consumer receivable portfolios, including outsourcing a majority of those activities to maintain low fixed overhead;

o expanding financial flexibility through increased capital and lines of credit;

o capitalizing on our strategic relationships to identify and acquire consumer receivable portfolios; and

o expanding our business through the purchase of consumer receivables from new and existing sources.

We believe that as a result of our management's experience and expertise, and the fragmented yet growing market in which we operate, we are well-positioned to successfully implement our strategy.

We are a Delaware corporation whose principal executive offices are located at 210 Sylvan Avenue, Englewood Cliffs, New Jersey 07632. We were incorporated in New Jersey on July 7, 1994 and were reincorporated in Delaware on October 12, 1995 as a result of a merger with a Delaware corporation. Unless the context otherwise requires, the terms "we", "us" or "our" as used herein refer to Asta Funding, Inc. and our subsidiaries.

Consumer Receivables Business

Receivables Purchase Program

We purchase bulk receivable portfolios that include charged-off receivables, semi-performing receivables and performing receivables. These receivables consist primarily of MasterCard(R), Visa(R), retail installment contracts, secured asset portfolios and private label credit card accounts, among other types of receivables.

From time to time, we may acquire directly, and indirectly through the consumer receivable portfolios that we acquire, secured consumer asset portfolios.

We identify potential portfolio acquisitions on an ongoing basis through:

o our relationships with industry participants, collection agencies, investors and our financing sources;

o brokers who specialize in the sale of consumer receivable portfolios; and

o other sources.

Historically, the purchase prices of the consumer receivable portfolios that we have acquired have ranged from $500,000 to more than $50 million. As a part of our strategy to acquire consumer receivable portfolios, we have from time to time entered into, and may continue to enter into, joint ventures and participation and profit sharing agreements with our sources of financing and our servicers. These arrangements may take the form of a joint bid, shared ownership of an entity specially formed for a specific portfolio purchase or a profit-sharing arrangement with a servicer or financing source who assists in the acquisition of a portfolio and may waive its right to receive a commission and provide us with more favorable non-recourse financing terms or a discounted servicing commission.

We utilize our relationships with brokers, servicers and sellers of portfolios to locate portfolios for purchase. Our senior management is responsible for:

o coordinating due diligence, including in some cases on-site visits to the seller's office;

o stratifying and analyzing the portfolio characteristics;

o valuing the portfolio;

o preparing bid proposals;

o negotiating pricing and terms;

o closing the purchase; and

o coordinating the receipt of account documentation for the acquired portfolios.

The seller or broker typically supplies us with either a sample listing or the actual portfolio being sold on compact disk, a diskette or other form of media. We analyze each consumer receivable portfolio to determine if it meets our purchasing criteria. We may then prepare a bid or negotiate a purchase price. If a purchase is completed, senior management monitors the portfolio's performance and uses this information in determining future buying criteria and pricing.

We purchase receivables at substantial discounts from the balance actually owed by the consumer. We determine how much to bid on a portfolio and a purchase price by evaluating many different variables, such as:

o The number of collection agencies previously attempting to collect the receivables in the portfolio;

o the average balance of the receivables;

o the age of the receivables;

o number of days since charge-off;

o payments made since charge-off; and

o the locations of the debtors.

Once a receivable portfolio has been identified for potential purchase, we prepare quantitative analyses based on extracting customer level data from external sources, other than the issuer, to analyze the potential collectibility of the portfolio. We also analyze the portfolio by comparing it to similar portfolios previously acquired by us. In addition, we perform qualitative analyses of other matters affecting the value of portfolios, including a review of the delinquency, charge off, placement and recovery policies of the originator as well as the collection authority granted by the originator to any third party collection agencies, and, if possible, by reviewing their recovery efforts on the particular portfolio. After these evaluations are completed, members of our senior management discuss the findings, decide whether to make the purchase and finalize the price at which we are willing to purchase the portfolio.

We purchase most of our consumer receivable portfolios directly from originators and other sellers including, from time to time, our servicers through privately negotiated direct sales and through auction type sales in which sellers of receivables seek bids from several pre-qualified debt purchasers. In order for us to consider a potential seller as a source of receivables, a variety of factors are considered. Sellers must demonstrate that they have:

o adequate internal controls to detect fraud;

o the ability to provide post sale support; and

o the capacity to honor buy-back and return warranty requests.

Generally, our portfolio purchase agreements provide that we can return certain accounts to the seller. However, in some transactions, we may acquire a portfolio with few, if any, rights to return accounts to the seller. After acquiring a portfolio, we conduct a detailed analysis to determine which accounts in the portfolio should be returned to the seller. Although the terms of each portfolio purchase agreement differ, examples of accounts that may be returned to the seller include:

o debts paid prior to the cutoff date;

o debts in which the consumer filed bankruptcy prior to the cutoff date; and

o debts in which the consumer was deceased prior to cutoff date.

We generally use third-parties to determine bankrupt and deceased accounts, which allows us to focus our resources on portfolio collections. Under a typical portfolio purchase agreement, the seller refunds the portion of the purchase price attributable to the returned accounts or delivers replacement receivables to us. Occasionally, we will acquire a well seasoned portfolio at a reduced price from a seller that is unable to meet all of our purchasing criteria. When we acquire such portfolios, the purchase price is discounted beyond the typical discounts we receive on the portfolios we purchase that meet our purchasing criteria.

Receivable Servicing

Our objective is to maximize our return on investment on acquired consumer receivable portfolios. As a result, before acquiring a portfolio, we analyze the portfolio to determine how to best maximize collections in a cost efficient manner and decide whether to use our internal servicing and collection department or third-party servicers and collection agencies.

Therefore, if we are successful in acquiring the portfolios, we can promptly process the receivables that were purchased and commence the collection process. Unlike collection agencies that typically have only a specified period of time to recover a receivable, as the portfolio owners we have significantly more flexibility in establishing payment programs.

Once a portfolio has been acquired, we or our servicer generally download all receivable information provided by the seller into our account management system and reconcile certain information with the information provided by the seller in the purchase contract. We or our servicers send notification letters to obligors of each acquired account explaining, among other matters, our new ownership and asking that the obligor contact us. In addition, we notify the three major credit reporting agencies of our new ownership of the receivables.

We presently outsource the majority of our receivable servicing to third-party servicers. Our senior management typically determines the appropriate servicer based on the type of receivables purchased. Once a group of receivables is sent to a third-party servicer our management actively monitors and reviews the servicer's performance on an ongoing basis. Our management receives detailed analyses, including collection activity and portfolio performance, from our internal servicing departments to assist it in evaluating the results of the efforts of the third-party servicers. Based on portfolio performance guidelines, our management will move certain receivables from one third-party servicer to another or to our internal servicing department if it anticipates that this will result in an increase in collections.

In December 2002, we acquired a collection center that currently employs approximately 33 experienced persons with the capacity for over 100 employees. This facility expands our internal collection and servicing capabilities, gives us greater flexibility and control over the servicing of our consumer receivables portfolios and assists us in monitoring our third-party servicers.

We have four main internal servicing departments:

o collection/skiptrace;

o legal;

o customer service; and

o accounting.

Collection/Skiptrace. The collection/skiptrace department is responsible for making contact with the obligors and collecting on our consumer receivable portfolios that are not being serviced by a third-party servicer. This department uses a friendly, customer service approach to collect on receivables. Through the use of our collection software and telephone system, each collector is responsible for:

o contacting customers;

o explaining the benefits of making payment on the obligations; and

o working with the customers to develop acceptable means to satisfy their obligations.

We and our third-party servicers have the flexibility to structure repayment plans that accommodate the needs of obligors by:

o offering obligors a discount on the overall obligation; and

o tailoring repayment plans that provide for the payment of these obligations as a component of the obligor's monthly budget.

We also use a series of collection letters, late payment reminders, and settlement offers that are sent out at specific intervals or at the request of a member of our collection department. When the collection department cannot contact the customer by either telephone or mail, the account is referred to the skiptrace department.

The skiptrace department is responsible for locating and contacting customers who could not be contacted by either the collection or legal departments. The skiptrace employees use a variety of public and private third-party databases to locate customers. Once a customer is located and contact is made by a skiptracer, the account is then referred back to the collection or legal department for follow-up. The skiptrace department is also responsible for finding current employers and locating assets of obligors when this information is deemed necessary.

Legal. If the collection department determines that the customer has the ability to satisfy his obligation but our normal collection activities have not resulted in any resolution of the customer's obligations, the account is referred to the legal department, which consists of non-lawyer administrative staff experienced in collection work. The legal department refers legal case proceedings to outside counsel. The legal department also refers accounts to the skiptrace department to obtain a current phone number, address, the location of assets of the obligor or the identity of the obligor's employer. In addition, the legal department communicates with the collection attorneys that we utilize throughout the country.

Customer Service. The customer service department is responsible for:

o handling incoming calls from debtors and collection agencies that are responsible for collecting on our consumer receivable portfolios;

o coordinating customer inquiries and assisting the collection agencies in the collection process;

o handling buy-back and information requests from companies who have purchased receivables from us;

o working with the buyers during the transition period and post sale process; and

o handling any issues that may arise once a receivable portfolio has been sold.

Accounting. The accounting department is responsible for:

o making daily deposits of customer payments;

o posting these payments to the customer's account;

o mailing monthly statements to customers; and

o in conjunction with the customer service department, providing senior management with weekly and monthly receivable activity and performance reports.

Accounting employees also assist collection department employees in handling customer disputes with regard to payment and balance information. The accounting department also assists the customer service department in the handling of buy-back requests from companies who have purchased receivables from us. In addition, the accounting department reviews the results of the collection of consumer receivable portfolios that are being serviced by third- party collection agencies.

Portfolio Sales

We sell certain receivables to other debt buyers to increase revenue and cash flows. There are many factors that contribute to the decision of which receivables to sell and which to service, including:

o the age of the receivables;

o the status of the receivables -- whether paying or non-paying; and

o the selling price.

Factoring Business

In March 2000, we formed Asta Commercial, LLC, ("Asta Commercial") a wholly owned subsidiary, to factor commercial invoices. Asta Commercial specialized in providing working capital to small, growing companies with unique financing needs primarily secured by accounts receivable. On November 25, 2002, Asta Commercial sold a majority of its factored receivables and discontinued factoring new receivables.

Other Activities

In February 2000, we entered into a stock purchase and financing agreement with Small Business Resources, Inc., ("SBR") which is in the business of marketing a variety of products to small businesses over the internet. We invested a total of $2.5 million in SBR, consisting of a loan of $1.75 million and an equity investment of $750,000, for a one-third ownership interest including warrants to purchase shares of common stock of SBR. The investment was funded from cash provided by operations. As of September 30, 2001, we had written-off our entire $2.5 million investment.

In April 2002, we entered into a forbearance agreement with SBR in connection with the loans we provided to SBR. Under the terms of the forbearance agreement and a warrant agreement, we are entitled to purchase an additional 5% equity interest in SBR. We have no intention of making any additional investment in SBR.

Marketing

The Company has established relationships with brokers who market consumer receivable portfolios from banks, finance companies and other credit providers. In addition, the Company subscribes to national publications that list consumer receivable portfolios for sale. The Company also directly contacts banks, finance companies or other credit providers to solicit consumer receivables for sale.

Competition

Our business of purchasing distressed consumer receivables is highly competitive and fragmented, and we expect that competition from new and existing companies will increase. We compete with:

o other purchasers of consumer receivables, including third-party collection companies; and

o other financial services companies who purchase consumer receivables.

Some of our competitors are larger and more established and may have substantially greater financial, technological, personnel and other resources than we have, including greater access to capital markets. We believe that no individual competitor or group of competitors has a dominant presence in the market.

We compete with our competitors for consumer receivable portfolios based on many factors, including:

o purchase price;

o representations, warranties and indemnities requested;

o speed in making purchase decisions; and

o reputation of the purchaser.

Our strategy is designed to capitalize on the market's lack of a dominant industry player. We believe that our management's experience and expertise in identifying, evaluating, pricing and acquiring consumer receivable portfolios and managing collections coupled with our strategic alliances with third-party servicers and our sources of financing give us a competitive advantage. However, we cannot assure that we will be able to compete successfully against current or future competitors or that competition will not increase in the future.

Management Information Systems

We believe that a high degree of automation is necessary to enable us to grow and successfully compete with other finance companies. Accordingly, we continually upgrade our computer hardware and, when necessary, our software to support the servicing and recovery of consumer receivables acquired for our liquidation. Our telecommunications and computer systems allow us to quickly and accurately process large amounts of data necessary to purchase and service consumer receivable portfolios. In addition, we rely on the information technology of our third-party servicers and periodically review their systems to ensure that they can adequately service our consumer receivable portfolios.

Due to our desire to increase productivity through automation, we periodically review our systems for possible upgrades and enhancements.

Government Regulation

The relationship of a consumer and a creditor is extensively regulated by federal, state and municipal laws, rules, regulations and ordinances. These laws include, but are not limited to, the following statutes and regulations promulgated hereunder: the Federal Truth-In-Lending Act, the Fair Credit Billing Act, the Equal Opportunity Act and the Fair Credit Reporting Act, as well as comparable statutes in states where consumers reside and/or where creditors are located. Among other things, the laws and regulations applicable to various creditors impose disclosure requirements regarding the advertisement, application, establishment and operation of credit card accounts or other types of credit programs. Federal law requires a creditor to disclose to consumers, among other things, the interest rates, fees, grace periods and balance calculations methods associated with their accounts. In addition, consumers are entitled to have payments and credits applied to their accounts promptly, to receive prescribed notices and to require billing errors to be resolved promptly. In addition, some laws prohibit certain discriminatory practices in connection with the extension of credit. Further, state laws may limit the interest rate and the fees that a creditor may impose on consumers. Failure by the creditors to have complied with applicable laws could create claims and rights to offset by consumers that would reduce or eliminate their obligations, which could have a material adverse effect on our operations. Pursuant to agreements under which we purchase receivables, we are typically indemnified against losses resulting from the failure of the creditor to have complied with applicable laws relating to the receivables prior to our purchase of such receivables.

Certain laws, including the laws described above, may limit our ability to collect amounts owing with respect to the receivables regardless of any act or omission on our part. For example, under the federal Fair Credit Billing Act, a credit card issuer may be subject to certain claims and defenses arising out of certain transactions in which a credit card is used if the consumer has made a good faith attempt to obtain satisfactory resolution of a problem relative to the transaction and, except in cases where there is a specified relationship between the person honoring the card and the credit card issuer, the amount of the initial transaction exceeds $50 and the place where the initial transaction occurred was in the same state as the consumer's billing address or within 100 miles of that address. Accordingly, as a purchaser of defaulted receivables, we may purchase receivables subject to valid defenses on the part of the consumer. Other laws provide that, in certain instances, consumers cannot be held liable for, or their liability is limited to $50 with respect to, charges to the credit card credit account that were a result of an unauthorized use of the credit card account. No assurances can be given that certain of the receivables were not established as a result of unauthorized use of a credit card account, and, accordingly, the amount of such receivables may not be collectible by us.

Several federal, state and municipal laws, rules, regulations and ordinances, including, but not limited to, the Federal Fair Debt Collection Practices Act and the Federal Trade Commission Act and comparable state statutes regulate consumer debt collection activity. Although, for a variety of reasons, we may not be specifically subject to the FDCPA and certain state statutes specifically addressing third-party debt collectors, it is our policy to comply with applicable laws in our collection activities. Additionally, our third-party servicers may be subject to these laws. To the extent that some or all of these laws apply to our collection activities or our servicers' collection activities, failure to comply with such laws could have a materially adverse effect on us.

Additional laws may be enacted that could impose additional restrictions on the servicing and collection of receivables. Such new laws may adversely affect the ability to collect the receivables.

Because the receivables were originated and serviced pursuant to a variety of federal and/or state laws by a variety of entities and involved consumers in all 50 states, the District of Columbia and Puerto Rico, there can be no assurance that all original servicing entities have at all times been in substantial compliance with applicable law. Additionally, there can be no assurance that we or our servicers have been or will continue to be at all times in substantial compliance with applicable law. The failure to comply with applicable law could materially adversely affect our ability to collect our receivables and could subject us to increased costs and fines and penalties.

We currently hold a number of licenses issued under applicable consumer credit laws. Certain of our current licenses and any licenses that we may be required to obtain in the future may be subject to periodic renewal provisions and/or other requirements. Our inability to renew licenses or to take any other required action with respect to such licenses could have a material adverse effect upon our results of operation and financial condition.

Risk Factors

You should carefully consider these risk factors in addition to our financial statements. In addition to the following risks, there may also be risks that we do not yet know of or that we currently think are immaterial that may also impair our business operations. If any of the following risks occur, our business, results of operation or financial condition could be adversely affected, the trading price of our common stock could decline and shareholders might lose all or part of their investment.

We may not be able to purchase consumer receivable portfolios at favorable prices or on sufficiently favorable terms or at all.

Our success depends upon the continued availability of consumer receivable portfolios that meet our purchasing criteria and our ability to identify and finance the purchases of such portfolios. The availability of consumer receivable portfolios at favorable prices and on terms acceptable to us depends on a number of factors outside of our control, including:

o the continuation of the current growth trend in consumer debt;

o the continued volume of consumer receivable portfolios available for sale; and

o competitive factors affecting potential purchasers and sellers of consumer receivable portfolios.

We have seen at certain times that the market for acquiring consumer receivable portfolios is becoming more competitive, thereby possibly diminishing our ability to acquire such receivables at attractive prices in future periods.

The growth in consumer debt may also be affected by:

o a slowdown in the economy;

o reductions in consumer spending;

o changes in the underwriting criteria by originators; and

o changes in laws and regulations governing consumer lending.

Any slowing of the consumer debt growth trend could result in a decrease in the availability of consumer receivable portfolios for purchase that could affect the purchase prices of such portfolios. Any increase in the prices we are required to pay for such portfolios in turn will reduce the profit, if any, we generate from such portfolios.

Our quarterly operating results may fluctuate and cause our stock price to decline.

Because of the nature of our business, our quarterly operating results may fluctuate, which may adversely affect the market price of our common stock. Our results may fluctuate as a result of any of the following:

o the timing and amount of collections on our consumer receivable portfolios;

o our inability to identify and acquire additional consumer receivable portfolios;

o a decline in the estimated value of our consumer receivable portfolio recoveries;

o increases in operating expenses associated with the growth of our operations; and

o general and economic market conditions.

We may not be able to recover sufficient amounts on our consumer receivable portfolios to recover the costs associated with the purchase of those portfolios and to fund our operations.

We acquire and collect on consumer receivable portfolios that contain charged-off, semi-performing and performing receivables. In order to operate profitably over the long term, we must continually purchase and collect on a sufficient volume of receivables to generate revenue that exceeds our costs. For accounts that are charged-off or semi-performing, the originators or interim owners of the receivables generally have:

o made numerous attempts to collect on these obligations, often using both their in-house collection staff and third-party collection agencies;

o subsequently deemed these obligations as uncollectible; and

o charged-off these obligations.

These receivable portfolios are purchased at significant discounts to the amount the consumers owe. These receivables are difficult to collect and actual recoveries may vary and be less than the amount expected. In addition, our collections may worsen in a weak economic cycle. We may not recover amounts in excess of our acquisition and servicing costs.

Our ability to recover on our portfolios and produce sufficient returns can be negatively impacted by the quality of the purchased receivables. In the normal course of our portfolio acquisitions, some receivables may be included in the portfolios that fail to conform to certain terms of the purchase agreements and we may seek to return these receivables to the seller for payment or replacement receivables. However, we cannot guarantee that any of such sellers will be able to meet their payment obligations to us. Accounts that we are unable to return to sellers may yield no return. If cash flows from operations are less than anticipated as a result of our inability to collect sufficient amounts on our receivables, our ability to satisfy our debt obligations, purchase new portfolios and our future growth and profitability may be materially adversely affected.

We are subject to intense competition for the purchase of consumer receivable portfolios.

We compete with other purchasers of consumer receivable portfolios, with third-party collection agencies and with financial services companies that manage their own consumer receivable portfolios. We compete on the basis of reputation, industry experience and performance. Some of our competitors have greater capital, personnel and other resources than we have. The possible entry of new competitors, including competitors that historically have focused on the acquisition of different asset types, and the expected increase in competition from current market participants may reduce our access to consumer receivable portfolios. Aggressive pricing by our competitors could raise the price of consumer receivable portfolios above levels that we are willing to pay, which could reduce the number of consumer receivable portfolios suitable for us to purchase or if purchased by us, reduce the profits, if any, generated by such portfolios. If we are unable to purchase receivable portfolios at favorable prices or at all, our revenues and earnings could be materially reduced.

We are dependent upon third parties to service a majority of our consumer receivable portfolios.

Although we utilize our in-house collection staff to collect some of our receivables, we outsource a majority of our receivable servicing. As a result, we are dependent upon the efforts of our third party servicers to service and collect our consumer receivables. However, any failure by our third party servicers to adequately perform collection services for us or remit such collections to us could materially reduce our revenues and our profitability. In addition, our revenues and profitability could be materially adversely affected if we are not able to secure replacement servicers and redirect payments from the debtors to our new servicer promptly in the event our agreements with our third-party servicers are terminated, our third-party servicers fail to adequately perform their obligations or if our relationships with such servicers adversely change.

Our collections may decrease if bankruptcy filings increase.

During times of economic recession, the amount of defaulted consumer receivables generally increases, which contributes to an increase in the amount of personal bankruptcy filings. Under certain bankruptcy filings a debtor's assets are sold to repay credit originators, but since the defaulted consumer receivables we purchase are generally unsecured we often would not be able to collect on those receivables. We cannot assure you that our collection experience would not decline with an increase in bankruptcy filings. If our actual collection experience with respect to a defaulted consumer receivables portfolio is significantly lower than we projected when we purchased the portfolio, our earnings could be negatively affected.

If we are unable to access external sources of financing, we may not be able to fund and grow our operations.

We depend on loans from our credit facility and other external sources, including loans from Asta Group, one of our affiliates, from time to time, to fund and expand our operations. Our ability to grow our business is dependent on our access to additional financing and capital resources. The failure to obtain financing and capital as needed would limit our ability to:

o purchase consumer receivable portfolios; and

o achieve our growth plans.

In addition, some of our financing sources impose certain restrictive covenants, including financial covenants. Failure to satisfy any of these covenants could:

o cause our indebtedness to become immediately payable;

o preclude us from further borrowings from these existing sources; and

o prevent us from securing alternative sources of financing necessary to purchase consumer receivable portfolios and to operate our business.

Our credit line, which was $25 million as of September 30, 2003, and increased to $35 million on November 24, 2003, expires on January 31, 2004, and we may not be able to renew or replace such facility on terms favorable to us or at all. If we are unable to renew or replace such facility, we may be unable to purchase additional consumer receivable portfolios, and our ability to generate revenues would be adversely affected.

We use estimates for recognizing revenue on a majority of our consumer receivable portfolio investments and our earnings would be reduced if actual results are less than estimated.

We recognize finance income on a majority of our consumer receivable portfolios using the interest method. We only use this method if we can reasonably estimate the expected amount and timing of cash to be collected on a specific portfolio based on historic experience and other factors. Under the interest method, we recognize finance income on the effective yield method based on the actual cash collected during a period, future estimated cash flows and the portfolio's carrying value prior to the application of the current quarter's cash collections. The estimated future cash flows are reevaluated quarterly. If future cash collections on these portfolios were less than what was estimated, we would recognize less than anticipated finance income or possibly an expense that would reduce our earnings during such periods. Any reduction in our earnings could materially adversely affect our stock price.

We may rely on third parties to locate, identify and evaluate consumer receivable portfolios available for purchase.

We may rely on third parties, including brokers and some of our servicers, to identify consumer receivable portfolios and, in some instances, to assist us in our evaluation and purchase of these portfolios. As a result, if such third parties fail to identify receivable portfolios or if our relationships with such third parties are not maintained, our ability to identify and purchase additional receivable portfolios could be materially adversely affected. In addition, if we or such parties fail to correctly or adequately evaluate the value or collectibility of these consumer receivable portfolios, we may pay too much for such portfolios and our earnings could be negatively affected.

We may not be successful at acquiring receivables of new asset types or in implementing a new pricing structure.

We may pursue the acquisition of receivable portfolios of asset types in which we have little current experience. We may not be successful in completing any acquisitions of receivables of these asset types and our limited experience in these asset types may impair our ability to collect on these receivables. This may cause us to pay too much for these receivables, and consequently, we may not generate a profit from these receivable portfolio acquisitions.

The loss of any of our executive officers may adversely affect our operations and our ability to successfully acquire receivable portfolios.

Arthur Stern, our Chairman and an Executive Vice President, Gary Stern, our President and Chief Executive Officer, and Mitchell Herman, our Chief Financial Officer and Executive Vice President, are responsible for making substantially all management decisions, including determining which portfolios to purchase, the purchase price and other material terms of such portfolio acquisitions. These decisions are instrumental to the success of our business. The loss of the services of Arthur Stern, Gary Stern or Mitchell Herman could disrupt our operations and adversely affect our ability to successfully acquire receivable portfolios.

The Stern family effectively controls Asta, substantially reducing the influence of our other stockholders.

Members of the Stern family including Arthur Stern, Gary Stern and Barbara Marburger, daughter of Arthur Stern and sister of Gary Stern, trusts or custodial accounts for the benefit of minor children of Barbara Marburger and Gary Stern, Asta Group, Incorporated, and limited liability companies controlled by Judith R. Feder, niece of Arthur Stern and cousin of Gary Stern, in which Arthur Stern, Alice Stern (wife of Arthur Stern and mother of Gary Stern), Gary Stern and trusts for the benefit of the issue of Arthur Stern and the issue of Gary Stern hold all economic interests, beneficially own in the aggregate approximately 28.2% of our outstanding shares of common stock. In addition, other members of the Stern Family, such as adult children of Gary Stern and Barbara Marburger, own additional shares. As a result, the Stern family is able to influence significantly the actions that require stockholder approval, including:

o the election of a majority of our directors; and

o the approval of mergers, sales of assets or other corporate transactions or matters submitted for stockholder approval.

As a result, our other stockholders may have little or no influence over matters submitted for stockholder approval. In addition, the Stern family's influence could preclude any unsolicited acquisition of us and consequently materially adversely affect the price of our common stock.

We have experienced rapid growth over the past several years, which has placed significant demands on our administrative, operational and financial resources and could result in an increase in our expenses.

We plan to continue our growth, which could place additional demands on our resources and cause our expenses to increase. Future internal growth will depend on a number of factors, including:

o the effective and timely initiation and development of relationships with sellers of consumer receivable portfolios and strategic partners;

o our ability to maintain the collection of consumer receivables efficiently; and

o the recruitment, motivation and retention of qualified personnel.

Sustaining growth will also require the implementation of enhancements to our operational and financial systems and will require additional management, operational and financial resources. There can be no assurance that we will be able to manage our expanding operations effectively or that we will be able to maintain or accelerate our growth and any failure to do so could adversely affect our ability to generate revenues and control our expenses.

Government regulations may limit our ability to recover and enforce the collection of our receivables.

Federal, state and municipal laws, rules, regulations and ordinances may limit our ability to recover and enforce our rights with respect to the receivables acquired by us. These laws include, but are not limited to, the following federal statutes and regulations promulgated thereunder and comparable statutes in states where consumers reside and/or where creditors are located:

o the Fair Debt Collection Practices Act;

o the Federal Trade Commission Act;

o the Truth-In-Lending Act;

o the Fair Credit Billing Act;

o the Equal Credit Opportunity Act; and

o the Fair Credit Reporting Act.

We may be precluded from collecting receivables we purchase where the creditor or other previous owner or servicer failed to comply with applicable law in originating or servicing such acquired receivables. Laws relating to the collection of consumer debt also directly apply to our business. Our failure to comply with any laws applicable to us, including state licensing laws, could limit our ability to recover on receivables and could subject us to fines and penalties, which could reduce our earnings and result in a default under our loan arrangements. In addition, our third-party servicers may be subject to these and other laws and their failure to comply with such laws could also materially adversely affect our revenues and earnings.

Additional laws may be enacted that could impose additional restrictions on the servicing and collection of receivables. Such new laws may adversely affect the ability to collect on our receivables which could also adversely affect our revenues and earnings.

Because our receivables are generally originated and serviced pursuant to a variety of federal and/or state laws by a variety of entities and may involve consumers in all 50 states, the District of Columbia and Puerto Rico, there can be no assurance that all original servicing entities have at all times been in substantial compliance with applicable law. Additionally, there can be no assurance that we or our servicers have been or will continue to be at all times in substantial compliance with applicable law. The failure to comply with applicable law could materially adversely affect our ability to collect our receivables and could subject us to increased costs, fines and penalties.

We may incur substantial debt from time to time in connection with our purchase of consumer receivable portfolios which could affect our ability to obtain additional funds and may increase our vulnerability to economic or business downturns.

We may incur substantial indebtedness from time to time in connection with the purchase of consumer receivable portfolios and would be subject to the risks associated with incurring such indebtedness, including:

o we would be required to dedicate a portion of our cash flows from operations to pay debt service costs and, as a result, we would have less funds available for operations, future acquisitions of consumer receivable portfolios, and other purposes;

o it may be more difficult and expensive to obtain additional funds through financings, if available at all;

o we would be more vulnerable to economic downturns and fluctuations in interest rates, less able to withstand competitive pressures and less flexible in reacting to changes in our industry and general economic conditions; and

o if we defaulted under any of our existing credit facilities or if our creditors demanded payment of a portion or all of our indebtedness, we may not have sufficient funds to make such payments.

We have pledged substantially all of our assets to secure our borrowings and are subject to covenants that may restrict our ability to operate our business.

Any indebtedness that we incur under our existing line of credit will be secured by substantially all of our assets. If we default under the indebtedness secured by our assets, those assets would be available to the secured creditor to satisfy our obligations to the secured creditor. In addition, our credit facilities impose certain restrictive covenants, including financial covenants. Failure to satisfy any of these covenants could result in all or any of the following:

o acceleration of the payment of our outstanding indebtedness;

o cross defaults to and acceleration of the payment under other financing arrangements;

o our inability to borrow additional amounts under our existing financing arrangements; and

o our inability to secure financing on favorable terms or at all from alternative sources.

Any of these consequences could adversely affect our ability to acquire consumer receivable portfolios and operate our business.

Class action suits and other litigation in our industry could divert our management's attention from operating our business and increase our expenses.

Certain originators and servicers in the consumer credit industry have been subject to class actions and other litigation. Claims include failure to comply with applicable laws and regulations and improper or deceptive origination and servicing practices. If we become a party to such class action suits or other litigation, our results of operations and financial condition could be materially adversely affected.

We may seek to make acquisitions that prove unsuccessful or strain or divert our resources.

We may seek to grow Asta through acquisitions of related businesses. Such acquisitions present risks that could materially adversely affect our business and financial performance, including:

o the diversion of our management's attention from our everyday business activities;

o the assimilation of the operations and personnel of the acquired business;

o the contingent and latent risks associated with the past operations of, and other unanticipated problems arising in, the acquired business; and

o the need to expand management, administration and operational systems.

If we make such acquisitions we cannot predict whether:

o we will be able to successfully integrate the operations of any new businesses into our business;

o we will realize any anticipated benefits of completed acquisitions; or

o there will be substantial unanticipated costs associated with acquisitions.

In addition, future acquisitions by us may result in:

o potentially dilutive issuances of our equity securities;

o the incurrence of additional debt; and

o the recognition of significant charges for depreciation and amortization related to goodwill and other intangible assets.

Although we have no present plans or intentions, we continuously evaluate potential acquisitions of related businesses. However, we have not reached any agreement or arrangement with respect to any particular acquisition and we may not be able to complete any acquisitions on favorable terms or at all.

Our investments in other businesses and entry into new business ventures may adversely affect our operations.

We have and may continue to make investments in companies or commence operations in businesses and industries that are not identical to those with which we have historically been successful. If these investments or arrangements are not successful, our earnings could be materially adversely affected by increased expenses and decreased revenues.

If our technology and phone systems are not operational, our operations could be disrupted and our ability to successfully acquire receivable portfolios could be adversely affected.

Our success depends in part on sophisticated telecommunications and computer systems. The temporary loss of our computer and telecommunications systems, through casualty, operating malfunction or service provider failure, could disrupt our operations. In addition, we must record and process significant amounts of data quickly and accurately to properly bid on prospective acquisitions of receivable portfolios and to access, maintain and expand the databases we use for our collection or monitoring activities. Any failure of our information systems and their backup systems would interrupt our operations. We may not have adequate backup arrangements for all of our operations and we may incur significant losses if an outage occurs. In addition, we rely on third-party servicers who also may be adversely affected in the event of an outage in which the third-party servicer does not have adequate backup arrangements. Any interruption in our operations or our third-party servicers' operations could have an adverse effect on our results of operations and financial condition.

Our organizational documents and Delaware law may make it harder for us to be acquired without the consent and cooperation of our board of directors and management.

Several provisions of our organizational documents and Delaware law may deter or prevent a takeover attempt, including a takeover attempt in which the potential purchaser offers to pay a per share price greater than the current market price of our common stock. Under the terms of our certificate of incorporation, our board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The ability to issue shares of preferred stock could tend to discourage takeover or acquisition proposals not supported by our current board of directors. In addition, we are subject to Section 203 of the Delaware General Corporation Law, which restricts business combinations with some stockholders once the stockholder acquires 15% or more of our common stock.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market could cause a decrease in the market price of our common stock. We had approximately 6,627,130 shares of common stock issued and outstanding as of the date hereof. Of these shares, 1,967,434 are held by our affiliates and are saleable under Rule 144 of the Securities Act of 1933, as amended. The remainder of our outstanding shares were freely tradeable. In addition, options to purchase approximately 612,500 shares of our common stock were outstanding as of the date here of which 469,001 were vested and the exercise prices of such options were substantially lower than the current market price of our common stock. The remainder of such options will vest over the next three years. We may also issue additional shares in connection with our business and may grant additional stock options to our employees, officers, directors and consultants under our stock option plans or warrants to third parties. If a significant portion of these shares were sold in the public market, the market value of our common stock could be adversely affected.

Employees

As of September 30, 2003, we had 81 full-time employees. We are not a party to any collective bargaining agreement.

Item 2. Property.

Our executive and administrative offices are located in Englewood Cliffs, New Jersey, where we lease approximately 10,000 square feet of general office space for approximately $15,000 per month. The lease expires on July 31, 2005.

In addition, our call center is located in Bethlehem, Pennsylvania, where we lease approximately 9,070 square feet of general office space for approximately $10,000 per month. The lease expires on December 31, 2004.

We believe that our existing facilities are adequate for our current and anticipated needs.

Item 3. Legal Proceedings.

In the ordinary course of our business, we are involved in numerous legal proceedings. We regularly initiate collection lawsuits, using our network of third party law firms, against consumers. Also, consumers occasionally initiate litigation against us, in which they allege that we have violated a federal or state law in the process of collecting on their account. We do not believe that these ordinary course matters are material to our business and financial condition. As of the date of this Form 10-K, we were not involved in any material litigation in which we were a defendant.

Item 4. Submission of Matters to a Vote of Security-Holders.

None.

Item 4A. Executive Officers.

Arthur Stern is our Chairman of the Board of Directors and an Executive Vice President. From 1963 until December 1995, Mr. Stern was President of Asta Group, Incorporated, a consumer finance company, and since 1996 has served as Vice President of Asta Group. In such capacities, he has obtained substantial experience in distressed consumer credit analysis and receivables collections.

Gary Stern is our President and Chief Executive Officer. Mr. Stern also currently serves as President of Asta Group and has served in the capacities of Vice President, Secretary, Treasurer and a director of Asta Group since 1980 and held other positions with Asta Group from 1973 through 1980. In such capacities, he has obtained substantial experience in distressed consumer credit analysis and receivables collections.

Mitchell Herman is our Chief Financial Officer and Executive Vice President. From September 1993 to May 1994 he was a manager with Paul Abrams & Co., a certified public accounting firm. From September 1990 to September 1993, Mr. Herman was a senior accountant with Shapiro & Lieberman, a certified public accounting firm. Mr. Herman is a certified public accountant.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Between November 13, 1995 and August 15, 2000, our common stock, par value $.01 per share, had been quoted on the Nasdaq Small Cap Market. Since August 15, 2000, our common stock has been quoted on the Nasdaq National Market system under the symbol "ASFI." On December 10, 2003 there were approximately 24 holders of record of our common stock. High and low sales prices of our common stock since October 1, 2001 as reported by NASDAQ are set fourth below (such quotations reflect inter-dealer prices without retail markup, markdown, or commission, and may not necessarily represent actual transactions):

	High	Low
October 1, 2001 to December 31, 2001	$15.25	$9.00
January 1, 2002 to March 31, 2002	19.82	12.94
April 1, 2002 to June 30, 2002	18.32	12.17
July 1, 2002 to September 30, 2002	13.44	9.00
October 1, 2002 to December 31, 2002	12.37	8.99
January 1, 2003 to March 31, 2003	17.21	10.58
April 1, 2003 to June 30, 2003	25.51	17.00
July 1, 2003 to September 30, 2003	28.60	22.40

Dividends

We declared a $0.05 cash dividend on our common stock payable on November 1, 2003 and expect to pay a regular cash dividend in future quarters. This will be at the discretion of the board of directors and will depend upon our financial condition, operating results, capital requirements and any other factors the board of directors deems relevant. In addition, our agreements with our lenders may, from time to time, restrict our ability to pay dividends.

Recent Sales of Unregistered Securities

In September 2003, we issued 3,000 shares of our common stock to a former director. The shares of common stock were valued at $26.80 per share. Under the terms of the issuance of the shares to the former director he has agreed not to sell any of the shares without our prior consent.

The above transaction was a private transaction not involving a public offering and was exempt from the registration provisions of the Securities Act of 1933, as amended (the "Act"), pursuant to Section 4(2) thereof. The sale of the securities was without the use of an underwriter, and the shares of common stock bear a restrictive legend permitting transfer thereof only upon registration or an exemption under the Act.

Item 6. Selected Financial Data

The following tables set forth below is a summary of consolidated financial data as of and for the five fiscal years ended September 30, 2003. The selected financial data for the five fiscal years ended September 30, 2003, have been derived from our audited consolidated financial statements. The selected financial data presented below should be read in conjunction with our consolidated financial statements, related notes, other financial information included elsewhere, and Item 7. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

	Year Ended September 30,				
	1999	2000	2001	2002	2003
	(in thousands, except per share data)				
Operations Statement Data:					
Finance income	$ 11,363	$ 18,040	$ 24,100	$ 35,793	$ 34,862
Servicing fee income	240	70	14	219	--
Total revenue	11,603	18,110	24,114	36,012	34,862
Costs and expenses:					
General and administrative	3,094	4,091	5,653	6,698	7,837
Third-party servicing	--	--	2,757	7,433	5,564
Interest expense	3,634	410	920	3,643	1,855
Provision for credit losses	1,688	3,954	450	950	--
Total expenses	8,416	8,455	9,780	18,724	15,256
Income before provisions for income taxes	3,187	9,655	14,334	17,288	19,606
Provisions for income taxes	454	3,825	5,743	6,905	8,032
Net income	$ 2,733	$ 5,830	$ 8,591	$ 10,383	$ 11,574
Basic net income per share	$ 0.69	$ 1.48	$ 2.16	$ 2.57	$ 2.45
Diluted net income per share	$ 0.69	$ 1.43	$ 2.06	$ 2.38	$ 2.25

	Year Ended September 30,				
	1999	2000	2001	2002	2003
	(in millions)				
Other Financial Data:					
Cash collections	$ 46.6	$ 29.8	$ 47.5	$ 78.6	$ 80.2
Portfolio purchases, at cost	55.4	1.4	65.1	36.6	115.6
Portfolio purchases, at face	1,375.7	208.5	689.5	1,495.7	3,576.4
Cumulative aggregate managed portfolios	1,379.0	1,587.5	2,277.0	3,772.7	7,349.0
Return on average assets (1)	12.0%	23.9%	22.6%	21.6%	15.0%
Return on average stockholders' equity (1)	40.5%	52.8%	46.9%	36.9%	18.4%

(1) The return on average assets is computed by dividing net income by average total assets for the period. The return on average stockholders' equity is computed by dividing net income by the average stockholders' equity for the period. Both ratios have been computed using beginning and period-end balances.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Form 10-K contains forward-looking statements within the meaning of the "safe harbor" provisions under section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Act of 1995. We use forward-looking statements in our description of our plans and objectives for future operations and assumptions underlying these plans and objectives. Forward-looking terminology includes the words "may", "expects", "believes", "anticipates", "intends", "forecasts", "projects", or similar terms, variations of such terms or the negative of such terms. These forward-looking statements are based on management's current expectations and are subject to factors and uncertainties which could cause actual results to differ materially from those described in such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-K to reflect any change in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under "Risk Factors" and elsewhere in, or incorporated by reference into this Form 10-K.

Overview

We acquire, manage, collect and service portfolios of consumer receivables. These portfolios generally consist of one or more of the following types of consumer receivables:

o charged-off receivables - accounts that have been written-off by the originators and may have been previously serviced by collection agencies;

o semi-performing receivables - accounts where the debtor is making partial or irregular monthly payments, but the accounts may have been written-off by the originators; and

o performing receivables - accounts where the debtor is making regular monthly payments that may or may not have been delinquent in the past.

We acquire these consumer receivable portfolios at a significant discount to the amount actually owed by the borrowers. We acquire these portfolios after a qualitative and quantitative analysis of the underlying receivables and calculate the purchase price so that our estimated cash flow offers us an adequate return on our acquisition costs and servicing expenses. After purchasing a portfolio, we actively monitor its performance and review and adjust our collection and servicing strategies accordingly.

Critical Accounting Policies

We account for our investments in consumer receivable portfolios, using either the interest method or the cost recovery method.

Generally, each purchase is considered a separate portfolio of receivables and is considered a financial investment. Based upon the expected performance characteristics of the receivables in the portfolio, we determine whether the portfolio should be accounted for using the interest method or the cost recovery method. If we can reasonably estimate the amount to be collected on a portfolio and can reasonably determine the timing of such payments based on historic experience and other factors, we use the interest method. If we cannot reasonably estimate the future cash flows, we use the cost recovery method.

If the interest method is used in recognizing income on a portfolio, it is done so in accordance with the AICPA's Practice Bulletin 6, "Amortization of Discounts on Certain Acquired Loans." Practice Bulletin 6 requires that the accrual basis of accounting be used at the time the amount and timing of cash flows from an acquired portfolio can be reasonably estimated and collection is probable. The interest method allows us to recognize income on the effective yield of such portfolio based on the actual cash collected during a period and future estimated cash flows and the timing of such collections and the purchase of such portfolios. Under this method, we periodically apply a portion of the actual funds collected as a reduction in the principal amount invested in each specific portfolio and the remainder is recognized as finance income. Generally, these portfolios are expected to amortize over a three to five year period based upon our estimated future cash flows. Historically, a majority of the cash we ultimately collect on a portfolio is received during the first 18 months after acquiring the portfolio, although additional amounts are collected over the remaining period. The estimated future cash flows of the portfolios are reevaluated quarterly.

Under the cost recovery method of accounting, no income is recognized until the purchase price of a portfolio has been fully recovered by us.

We periodically review our receivable portfolios for impairment based on the estimated future cash flows. Provisions for losses are charged to operations when it is determined that the remaining investment in the receivable portfolio is greater than the estimated future collections. For the year ended September 30, 2003, we recorded $498,000 write-off on a receivable portfolio against a reserve previously established.

Based on increases in actual cash flows for the year ended September 30, 2003, and projected future cash flows through September 30, 2005, on certain portfolios as compared to what we estimated at September 30, 2002, we revised our estimate of future collections. Such change in accounting estimate has resulted in approximately an $8.1 million increase in finance income recognized for the year ended September 30, 2003 for these portfolios.

We typically recognize finance income net of collection fees paid to third- party collection agencies. With respect to several recent purchases of consumer receivable portfolios containing a significant amount of performing and semi-performing accounts, we recognize finance income on accounts that were being serviced by third-party servicers at the gross amounts received by the servicers. The servicing costs for these portfolios are reported as an expense on our income statement. In addition, with respect to specific consumer receivable portfolios we acquired, we agreed to a fifty percent profit sharing arrangement with our lender. However, the interest in this profit sharing arrangement held by our lender was sold to us and a third-party in equal amounts in December 2001. The third-party profit allocation was recorded as interest expense over the estimated term of the related note payable. During the year ended September 30, 2003, actual and estimated collections have exceeded our estimates at September 30, 2002, and therefore we have revised our third-party profit allocation. Such change in accounting estimate has resulted in approximately a $1.6 million interest expense charge during the year ended September 30, 2003.

Results of Operations

The following discussion of our operations and financial condition should be read in conjunction with our financial statements and notes thereto included elsewhere in this prospectus. In these discussions, most percentages and dollar amounts have been rounded to aid presentation. As a result, all such figures are approximations.

Year Ended September 30, 2003 Compared to the Year Ended September 30, 2002

Revenues. For the year ended September 30, 2003, finance income decreased $0.9 million or 2.5% to $34.9 million from $35.8 million for the year ended September 30, 2002. The decrease in finance income was primarily due to a decrease in finance income earned on consumer receivables acquired for liquidation, which resulted from a decrease in the average outstanding accounts acquired for liquidation during the first six months of the fiscal year ended September 30, 2003, as compared to the same prior year period. In addition, the sale of most of the factored receivables on November 25, 2002, resulted in a decrease in finance income on these receivables during the year ended September 30, 2003 as compared to September 30, 2002. Based on increases in actual cash flows for the year ended September 30, 2003, and projected future cash flows on certain portfolios as compared to what we estimated at September 30, 2002, we revised our estimate of future collections. Such change in accounting estimate has resulted in approximately an $8.1 million increase in finance income recognized for the year ended September 30, 2003 for these portfolios. Due to what management believed were competitive factors, we only spent $4.4 million on receivable purchases during the first six months in the year ended September 30, 2003, but during the last six months of this same period, we spent $111.2 million on receivable purchases.

General and Administrative Expenses. For the year ended September 30, 2003, general and administrative expenses increased $1.1 million or 16.4% to $7.8 million from $6.7 million for the year ended September 30, 2002, and represented 51.4% of total expenses for the year ended September 30, 2003. The increase in general and administrative expenses was primarily due to an increase in salaries and other servicing costs which was partially offset by a decrease in factoring expenses during the year ended September 30, 2003 as compared to September 30, 2002. Most of the increase in servicing expenses resulted from the operating costs of our call center that was acquired in December 2002 and an increase in court cost expenditures this fiscal year as compared to the same prior year period. The decrease in factoring expenses resulted from the sale of most of the factored receivables on November 25, 2002.

Third-Party Servicing Expenses. For the year ended September 30, 2003, third-party servicing expenses decreased $1.8 million or 24.3% to $5.6 million from $7.4 million for the year ended September 30, 2002, and represented 36.4% of total expenses for the year ended September 30, 2003. The decrease in third-party servicing expenses was primarily due to a reduction in the number of accounts being serviced on a portfolio that was purchased in August 2001 and the elimination of recording third-party servicing expenses on a specific portfolio during the year ended September 30, 2002.

Interest Expense. For the year ended September 30, 2003, interest expense decreased $1.7 million or 47.2% to $1.9 million from $3.6 million for the year ended September 30, 2002, and represented 12.2% of total expenses for the year ended September 30, 2003. Most of the decrease was due to a reduction in the accrual of interest expense that was due to profit participation on a specific portfolio during the year ended September 30, 2003, as compared to the same prior year period. During the year ended September 30, 2003, actual and estimated collections have exceeded our estimates at September 30, 2002, and therefore we have revised our third-party profit allocation. Such change in accounting estimate has resulted in approximately a $1.6 million interest expense charge during the year ended September 30, 2003.

Provision for Credit Losses. For the year ended September 30, 2003, the provision for credit losses decreased $1.0 million or 100.0% to $0.0 from $1.0 million for the year ended September 30, 2002, and represented 0.0% of total expenses for the year ended September 30, 2003. The decrease was due to a decrease in the provision for credit losses on our financed receivables during the year ended September 30, 2003, as compared to the prior year.

Net income. For the year ended September 30, 2003, net income increased $1.2 million or 11.5% to $11.6 million from $10.4 million for the year ended September 30, 2002. Net income per share for the year ended September 30, 2003 decreased $.0.13 per share (diluted) or 5.5% to $2.25 per share (diluted) from $2.38 per share (diluted) for the year ended September 30, 2002. The decrease in earnings per share is a result of a higher weighted average number of shares outstanding (diluted) compared to the prior period, primarily resulting from the secondary stock offering in June 2003.

Year Ended September 30, 2002 Compared to the Year Ended September 30, 2001

Revenues. For the year ended September 30, 2002, finance income increased $11.7 million or 48.5% to $35.8 million from $24.1 million for the year ended September 30, 2001. The increase in finance income was primarily due to an increase in collections on consumer receivables acquired for liquidation, which resulted from an increase in the average outstanding accounts acquired for liquidation during the year ended September 30, 2002 as compared to September 30, 2001. The increase in other income resulted from a fee earned on the sale of certain receivables and the receipt of a break-up fee on an unsuccessful purchase of consumer receivables during the year ended September 30, 2002, which was offset by a decrease in servicing fee income which was due to a decrease in the dollar amount of contracts being serviced as a result of the continuing decline in automobile contracts being serviced for others.

General and Administrative Expenses. For the year ended September 30, 2002, general and administrative expenses increased $1.0 million or 17.5% to $6.7 million from $5.7 million for the year ended September 30, 2001 and represented 35.8% of total expenses for the year ended September 30, 2002. The increase in general and administrative expenses was primarily due to an increase in salaries and other costs associated with an increase in consumer receivables that were purchased during the fiscal year ended September 30, 2001 and were being were serviced internally by us during the entire year ended September 30, 2002, as compared to the same prior year period and a $252,000 consulting fee expense during the year ended September 30, 2002, that was not incurred during the same prior year period. This increase in servicing costs on consumer receivables acquired for liquidation was partially off-set by a decrease in serving costs related to servicing automobile contracts for the year ended September 30, 2002 as compared to the prior year.

Third-Party Servicing Expenses. For the year ended September 30, 2002, third-party servicing expenses increased $4.6 million or 164.3% to $7.4 million from $2.8 million for the year ended September 30, 2001, and represented 39.6% of total expenses for the year ended September 30, 2002. The increase in third-party servicing expenses was primarily due to servicing costs on consumer receivables that were serviced by others during the entire year ended September 30, 2002 and that were not being serviced during the prior year.

Interest Expense. For the year ended September 30, 2002, interest expense increased $2.7 million or 300.0% to $3.6 million from $0.9 million for the year period ended September 30, 2001, and represented 19.3% of total expenses for the year ended September 30, 2002. The increase was partially due to an increase in the outstanding borrowings under our lines of credit and notes payable during the year ended September 30, 2002, as compared to the same period in the prior year. The increase in borrowings was partially due to the increase in acquisitions of consumer receivables acquired for liquidation during the fiscal year ended September 30, 2001. In addition, a substantial portion of the increase was due to a lender profit participation that was accrued on a certain portfolio during the entire year ended September 30, 2002, that was only outstanding for one month in the prior fiscal year and was included in interest expense.

Provision for Credit Losses. For the year ended September 30, 2002, the provision for credit losses increased $0.5 million or 111.1% to $0.95 million from $0.45 million for the year ended September 30, 2002, and represented 5.3% of total expenses for the year ended September 30, 2001. The increase was due to an increase in the provision for financed receivables during the year ended September 30, 2002, as compared to the prior year.

Net income. For the year ended September 30, 2002, net income increased $1.8 million or 20.9% to $10.4 million from $8.6 million for the year ended September 30, 2001. During the year ended September 30, 2002, net income per share increased $0.32 per share (diluted) or 15.5% to $2.38 per share (diluted) from $2.06 per share (diluted) for the year ended September 30, 2001. The increase in earnings per share was less than the increase in net income as a result of a higher weighted average number of shares outstanding (diluted) compared to the prior year.

Liquidity and Capital Resources

As of September 30, 2003, we had cash and cash equivalents of $6.8 million compared to $2.2 million at September 30, 2002. The increase in cash and cash equivalents at September 30, 2003, was primarily due to a decrease in the repayment of debt for the year ended September 30, 2003 as compared to the prior year. Primary sources of cash from operations include payments on the receivable portfolios that we have acquired. Our primary uses of cash include our purchases of consumer receivable portfolios. We rely significantly upon our lenders and others, including our affiliates, to provide the funds necessary for the purchase of consumer and commercial accounts receivable portfolios. We have maintained a $25 million line of credit for portfolio purchases in fiscal 2003, which was increased to $35 million on November 24, 2003. In addition, we also arrange for financing on a transactional basis. While we have historically been able to finance portfolio purchases, we do not have committed loan facilities, other than our line of credit with a financial institution. As of September 30, 2003 and November 24, 2003, we had outstanding borrowings of $16.4 and $30.4 million respectively under this facility and we were in compliance with all of the covenants under this line of credit.

The following table shows the changes in finance receivables, including amounts paid to acquire new portfolios:

	Year Ended September 30,				
	1999	2000	2001	2002	2003
			(in millions)		
Balance at beginning of period	$ 0.9	$ 16.5	$ 4.4	$ 43.8	$ 36.1
Acquisitions of finance receivables, net of buybacks	55.5	1.5	65.1	36.6	115.6
Cash collections, including sales, applied to principal (1)	(39.6)	(13.3)	(25.7)	(44.3)	(45.6)
Portfolio writedown	(0.3)	(0.3)	--	--	(0.5)
Balance at end of period	$ 16.5	$ 4.4	$ 43.8	$ 36.1	$ 105.6

(1) Cash collections applied to principal consists of cash collections less income recognized on finance receivables plus amounts received by us from the sale of consumer receivable portfolios to third parties.

Net cash provided by operating activities was $12.0 million during the year ended September 30, 2003, compared to $14.9 million during the year ended September 30, 2002. The decrease was primarily due to a decrease in income taxes payable and other liabilities and an increase in other assets at September 30, 2003, compared to the prior year.

Net cash used in investing activities was $69.1 million during the year ended September 30, 2003, compared to net cash provided by investing activities of $8.9 million during the year ended September 30, 2002. The decrease in cash from investing activities was primarily due to an increase in purchases of consumer receivables acquired for liquidation during the year ended September 30, 2003, compared to the prior year.

Net cash provided by financing activities was $61.8 million during the year ended September 30, 2003, compared to net cash used in financing activities of $27.3 million for the prior year. The increase in net cash provided by financing was primarily due to the proceeds of $47.3 million from our common stock offering and a $14.2 million increase in borrowings during the year ended September 30, 2003, as compared to the prior year. The increase in borrowings resulted from an increase in purchases of accounts acquired for liquidation during the last six months of the year ended September 30, 2003, as compared to the year ended September 30, 2002. As of September 30, 2003, we had a $25 million line of credit with interest at the prime rate which was 4.00% at September 30, 2003. This line of credit was increased to $35 million on November 24, 2003. The advances under this credit line are collateralized by portfolios of consumer receivables acquired for liquidation, and the loan agreement contains customary financial and operating covenants that must be maintained in order for us to borrow funds. This line expires on January 31, 2004. As of September 30, 2003 and November 24, 2003, we had outstanding borrowings of $16.4 and $30.4 million respectively under this line of credit and we were in compliance with all of the covenants under this line of credit.

In August 2001, an investment banking firm provided approximately $29.9 million of financing in exchange for a note with interest at LIBOR plus 2% and the right to receive 50% of subsequent collections, net of expenses, from the portfolio collateralizing the obligation, once the note and advances by one of our subsidiaries have been repaid. In December 2001, we purchased one-half of this right to receive subsequent collections for $1.5 million and a third party purchased the other one-half for $1.5 million. The 25% participation due a third party has been accrued and is included in other liabilities. As of December 31, 2002, this note was paid in full.

In January 2002, we purchased a 35% interest in a consumer receivable portfolio and financed the entire purchase price of $1.6 million through a note to the seller. The note bears interest at 15%. The outstanding balance was payable from the cash flows of a specific portfolio. This note was paid in full in September 2002.

Our cash requirements have been and will continue to be significant. We depend on external financing to acquire consumer receivables. During the year ended September 30, 2003, we acquired consumer portfolios at a cost of approximately $115.6 million having an aggregate outstanding balance totaling approximately $3.6 billion.

We anticipate that the net proceeds to us from our 2003 secondary offering, funds available under our current credit facility as well as funds that may be made available by Asta Group, Incorporated, an affiliate of ours, and cash from operations will be sufficient to satisfy our estimated cash requirements for at least the next 12 months. We are currently negotiating with our bank to obtain an increase in our line of credit above $35 million and to extend the line for periods beyond January 31, 2004. If we are unable to obtain an increase and/or an extension of our line of credit, this may have a negative impact in our growth. If for any reason our available cash otherwise proves to be insufficient to fund operations (because of future changes in the industry, general economic conditions, unanticipated increases in expenses, or other factors, including acquisitions), we may be required to seek additional funding.

Although we have no present plans or intentions, we may consider possible acquisitions of, or investments in, complementary businesses. Any such possible acquisitions or investments may be material and may require us to incur a significant amount of debt or issue a significant amount of equity securities. Further, any business that we acquire or invest in will likely have its own capital needs, which may be significant, and which we may be called upon to satisfy.

Supplementary Information on Consumer Receivables Portfolios:

Portfolio Purchases

	Year Ended September 30,		
	2001	2002	2003
		(in millions)	
Aggregate Purchase Price	$ 65.1	$ 36.6	$ 115.6
Aggregate Portfolio Face Amount	687.4	1,495.7	3,576.4

Schedule of Portfolios by Income Recognition Category

	September 30, 2001		September 30, 2002		September 30, 2003	
	Cost Recovery Portfolios	Interest Method Portfolios	Cost Recovery Portfolios	Interest Method Portfolios	Cost Recovery Portfolios	Interest Method Portfolios
	(in millions)					
Original Purchase Price (at period end)	$ 44.1	$ 78.4	$ 46.6	$ 112.1	$ 48.6	$ 171.7
Cumulative Aggregate Managed Portfolios (at period end)	1,645.8	631.2	1,964.2	1,808.5	2,147.9	5,201.1
Receivable Carrying Value (at period end)	3.5	40.3	3.3	32.8	2.8	102.8
Finance Income Earned (for the respective period)	6.1	15.8	6.2	28.1	6.9	27.7
Total Cash Flows (for the respective period)	7.0	40.5	9.0	69.6	9.0	71.2

The original purchase price reflects what we paid for the receivables from 1998 through the end of the respective period. The cumulative aggregate managed portfolio balance is the original aggregate amount owed by the borrowers at the end of the respective period. We purchase consumer receivables at substantial discounts from the face amount. We record interest income on our receivables under either the cost recovery or interest method. The receivable carrying value represents the current basis in the receivables after collections and amortization of the original price.

We do not anticipate collecting the majority of the purchased principal amounts. Accordingly, the difference between the carrying value of the portfolios and the gross receivables is not indicative of future revenues from these accounts acquired for liquidation. Since we purchased these accounts at significant discounts, we anticipate collecting only a portion of the face amounts.

For the year ended September 30, 2003, we earned interest income of $6.9 million under the cost recovery method because we collected $6.9 million in excess of our purchase price on certain receivable portfolios. In addition, we earned $27.7 million of interest income under the interest method based on actuarial computations on certain portfolios based on actual collections during the period based on what we project to collect in future periods.

The sum of total cash flows of $80.2 million less the sum of total finance income earned on consumer receivables acquired for liquidation of $34.6 million, is $45.6 million or the principal amortized on receivables acquired for liquidation as per the statement of cash flows for the year ended September 30, 2003.

New Accounting Pronouncements

We have adopted the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" effective December 2002. SFAS 148 amends FASB Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation and also amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the methods of accounting for stock-based employee compensation and the effect of the method used on reported results. As permitted by SFAS 148 and SFAS 123, we continue to apply the accounting provisions of Accounting Principles Board Opinion Number 25, "Accounting for Stock Issued to Employees," and related interpretations, with regard to the measurement of compensation cost for options granted under our Stock Option Plans. No employee compensation expense has been recorded as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which establishes standards for the classifications and measurement of certain financial instruments with characteristics of both liability and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for us on July 1, 2003, unless further revised. We do not expect the adoption of SFAS No. 150 to have a material effect on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities". The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of this interpretation became effective in part upon issuance and otherwise for interim periods beginning after June 15, 2003. We do not expect the interpretation to have a material effect on our consolidated financial statements.

Seasonality and Trends

Our management believes that our operations may, to some extent, be affected by high delinquency rates and by lower recoveries on consumer receivables acquired for liquidation during or shortly following certain holiday periods. In addition, on occasion the market for acquiring distressed receivables does become more competitive thereby possibly diminishing our ability to acquire such distressed receivables at attractive prices in future periods.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and changes in corporate tax rates. A material change in these rates could adversely affect our operating results and cash flows. A 25 basis-point increase in interest rates could increase our annual interest expense by $25,000 for each $10 million of variable debt outstanding for the entire fiscal year. We do not invest in derivative financial or commodity instruments.

Inflation:

We believe that inflation has not had a material impact on our results of operations for the years ended September 30, 2003, 2002 and 2001.

Item 8. Financial Statements.

The Financial Statements of the Company, the Notes thereto and the Report of Independent Auditors thereon required by this item appear in this report on the pages indicated in the following index:

Index to Audited Financial Statements:	Page
Independent Auditors' Report	F-2
Consolidated Balance Sheets - September 30, 2003 and 2002	F-3
Consolidated Statements of Operations - Years ended September 30, 2003, 2002 and 2001	F-4
Consolidated Statements of Shareholders' Equity - Years ended September 30, 2003, 2002 and 2001	F-5
Consolidated Statements of Cash Flows - Years ended September 30, 2003, 2002 and 2001	F-6
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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable

Item 9A. Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

Item 10. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

Information contained under the caption "Directors, Executive Officers, Promoters and Control Persons" in our definitive Proxy Statement to be filed with the Commission on or before January 28, 2004, is incorporated by reference in response to this Item 10.

We have adopted a Code of Ethics for our Senior Financial Officers that is incorporated into this form 10-K in Exhibit 14.1.

Item 11. Executive Compensation.

Information contained under the caption "Executive Compensation" in our definitive Proxy Statement to be filed with the Commission on or before January 28, 2004 is incorporated by reference in response to this Item 11.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in our definitive Proxy Statement to be filed with the Commission on or before January 28, 2004 is incorporated herein by reference in response to this Item 12.

Item 13. Certain Relationships and Related Transactions

Information contained under the caption "Certain Relationships and Related Transactions" in our definitive Proxy Statement to be filed with the Commission on or before January 28, 2004 is incorporated by reference in response to this Item 13.

Item 14. Principal Accountant Fees and Services.

Information contained under the caption "Certain Relationships and Related Transactions" in our definitive Proxy Statement to be filed with the Commission on or before January 28, 2004 is incorporated by reference in response to this Item 14.

Part IV

Item 15. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit Number	
3.1	Certificate of Incorporation. (1)
3.1(a)	Amendment to Certificate of Incorporation (7)
3.2	By laws. (2)
10.1	Stock Option Plan as Amended (1)
10.2	Employment Agreement dated October 1, 2001, by and between Asta Funding, Inc. and Gary Stern. (3)
10.3	Employment Agreement dated October 1, 2001, by and between Asta Funding, Inc. and Mitchell Herman. (3)
10.6	Common Stock Purchase Warrant dated October 12, 2000, issued by Small Business Worldwide to AstaFunding.Com, LLC. (4)
10.7	Purchase Agreement dated January 18, 2001, between Asta Funding, Inc. and Heilig Meyers Furniture. (5)
10.8	Purchase Agreement of a $191 million loan portfolio dated August 31, 2001, between Computer Finance, LLC, a subsidiary of the Company and a major computer manufacturer/retailer. (6)
10.9	Amended Loan and Security Agreement dated November 15, 2001, between the Company and Israel Discount Bank of NY. (3)
10.10	Asta Funding, Inc. 2002 Stock Option Plan. (7)
10.11	Servicing Agreement dated August 30, 2001 between Computer Finance, LLC, Greenwich Capital Financial Products, Inc., Gulf State Credit, L.L.C. and OSI Portfolio Services, Inc. (7)
10.12	Employment Agreement dated as of May 21, 2002 by and between Asta Funding, Inc. and Arthur Stern. (8)
10.13	Amended Loan and Security Agreement dated January 28, 2003, between the Company and Israel Discount Bank of NY. (9)
10.14	Amended Loan and Security Agreement dated June 27, 2003, between the Company and Israel Discount Bank of NY. (10)
10.15	Employment Agreement dated as of November 11, 2003 by and between Asta Funding, Inc. and Arthur Stern.
10.16	Amended Loan and Security Agreement dated November 24, 2003, between the Company and Israel Discount Bank of NY
14.1	Code of Ethics for Senior Financial Officers
21.1	Subsidiaries of the Company

31.1 Certification of Registrant's Chief Executive Officer, Gary Stern, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Registrant's Chief Financial Officer, Mitchell Herman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Registrant's Chief Executive Officer, Gary Stern, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Registrant's Chief Financial Officer, Mitchell Herman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to Exhibit 3.1 from Asta Funding's Registration Statement on Form SB-2 (File No. 33-97212).

(2) Incorporated by reference from Asta Funding's Annual Report on Form 10-KSB for the year ended September 30, 1999.

(3) Incorporated by reference from Asta Funding's Annual Report on Form 10-KSB for the year ended September 30, 2001.

(4) Incorporated by reference from Asta Funding's Current Report filed on Form 8-K/A on November 2, 2000.

(5) Incorporated by reference from Asta Funding's Quarterly Report on Form 10-QSB for the three months ended December 31, 2000.

(6) Incorporated by reference from Asta Funding's Current Report filed on Form 8-K on October 4, 2001.

(7) Incorporated by reference from Asta Funding's Quarterly Report on Form 10-QSB for the three months ended March 31, 2002.

(8) Incorporated by reference from Asta Funding's Quarterly Report on Form 10-QSB for the three months ended June 30, 2002.

(9) Incorporated by reference from Asta Funding's Quarterly Report on Form 10-QSB for the three months ended December 31, 2002.

(10) Incorporated by reference from Asta Funding's Quarterly Report on Form 10-QSB for the three months ended March 31, 2003.

(11) Incorporated by reference from Asta Funding's Registration Statement on Form S-1 (File No. 333-105755).

(12) Incorporated by reference from Asta Funding's Quarterly Report on Form 10-QSB for the three months ended June 30, 2003.

(b) Reports on 8-K

The registrant filed a report on Form 8-K on August 11, 2003.

The registrant filed a report on Form 8-K on November 20, 2003.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ASTA FUNDING, INC.

Dated: December 19, 2003

By: /s/Gary Stern

Gary Stern
President and Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/Gary Stern Gary Stern	President, Chief Executive Officer and Director	December 19, 2003
/s/Mitchell Herman Mitchell Herman	Chief Financial Officer, Secretary, Executive Vice President, Chief Accounting Officer and Director	December 19, 2003
/s/Arthur Stern Arthur Stern	Chairman of the Board and Executive Vice President	December 19, 2003
/s/Herman Badillo Herman Badillo	Director	December 19, 2003
/s/Edward Celano Edward Celano	Director	December 19, 2003
/s/Harvey Leibowitz Harvey Leibowitz	Director	December 19, 2003
/s/David Slackman David Slackman	Director	December 19, 2003

ASTA FUNDING, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Asta Funding, Inc.
Englewood Cliffs, New Jersey

We have audited the accompanying consolidated balance sheets of Asta Funding, Inc. and subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended September 30, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the consolidated financial position of Asta Funding, Inc. and subsidiaries as of September 30, 2003 and 2002, and the consolidated results of their operations and their consolidated cash flows for each of the years in the three-year period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

Florham Park, New Jersey
November 5, 2003
With respect to Note P
November 24, 2003

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	September 30, 2003	September 30, 2002
ASSETS		
Cash and cash equivalents	$ 6,846,000	$ 2,213,000
Restricted cash and cash equivalents	54,000	54,000
Consumer receivables acquired for liquidation	105,592,000	36,079,000
Auto loans receivable (less allowance for credit losses of $78,000 in 2002)	5,000	29,000
Finance receivables (less allowance for credit losses of $58,000 in 2002)		1,443,000
Furniture and equipment (net of accumulated depreciation of $775,000 in 2003 and $579,000 in 2002)	710,000	345,000
Repossessed automobiles held for sale (net of allowance for losses of $25,000 in 2002)		67,000
Deferred income taxes		265,000
Other assets	169,000	740,000
	$ 113,376,000	$ 41,235,000
LIABILITIES		
Debt	$ 16,381,000	$ 2,172,000
Other liabilities	3,741,000	4,009,000
Income taxes payable	802,000	1,493,000
Deferred income taxes	85,000	
Total liabilities	21,009,000	7,674,000
Commitments		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; authorized 5,000,000; issued - none		
Common stock, $.01 par value, authorized 30,000,000 shares, issued and outstanding 6,590,000 shares in 2003 and 4,075,000 in 2002	66,000	41,000
Additional paid-in capital	57,784,000	10,247,000
Retained earnings	34,517,000	23,273,000
Total stockholders' equity	92,367,000	33,561,000
	$ 113,376,000	$ 41,235,000

See notes to consolidated financial statements

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	Year Ended September 30,		
	2003	2002	2001
Finance income	$ 34,862,000	$ 35,793,000	$ 24,100,000
Other income		219,000	14,000
	34,862,000	36,012,000	24,114,000
General and administrative expenses	7,837,000	6,698,000	5,653,000
Third-party servicing	5,564,000	7,433,000	2,757,000
Provisions for credit and other losses		950,000	450,000
Interest expense	1,855,000	3,643,000	920,000
	15,256,000	18,724,000	9,780,000
Income before provision for income taxes	19,606,000	17,288,000	14,334,000
Provision for income taxes	8,032,000	6,905,000	5,743,000
Net income	$ 11,574,000	$ 10,383,000	$ 8,591,000
Basic net income per share	$ 2.45	$ 2.57	$ 2.16
Diluted net income per share	$ 2.25	$ 2.38	$ 2.06

See notes to consolidated financial statements

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance, September 30, 2000	3,958,000	$ 40,000	$ 9,619,000	$ 4,299,000	$ 13,958,000
Exercise of options	38,000		132,000		132,000
Net income				8,591,000	8,591,000
Balance, September 30, 2001	3,996,000	40,000	9,751,000	12,890,000	22,681,000
Exercise of options	51,000	1,000	245,000		246,000
Issuance of common stock for services performed	28,000		251,000		251,000
Net income				10,383,000	10,383,000
Balance, September 30, 2002	4,075,000	41,000	10,247,000	23,273,000	33,561,000
Exercise of options	47,000		275,000		275,000
Proceeds from common stock offering	2,475,000	25,000	47,271,000		47,296,000
Dividend payable				(330,000)	(330,000)
Cancellation of common stock	(10,000)		(90,000)		(90,000)
Issuance of common stock to former Director	3,000		81,000		81,000
Net income				11,574,000	11,574,000
Balance, September 30, 2003	6,590,000	$ 66,000	$ 57,784,000	$ 34,517,000	$ 92,367,000

See notes to consolidated financial statements

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended September 30,		
	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 11,574,000	$ 10,383,000	$ 8,591,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	196,000	94,000	105,000
Provisions for losses		950,000	450,000
Deferred income taxes	350,000	85,000	1,270,000
Issuance of common stock for services rendered		251,000	
Cancellation of common shares	(90,000)		
Issuance of common shares to former Director	81,000		
Changes in:			
Restricted cash and cash equivalents			(2,000)
Repossessed automobiles held for sale	67,000	104,000	84,000
Income taxes receivable		596,000	(596,000)
Other assets	571,000	(577,000)	107,000
Income taxes payable	(691,000)	1,493,000	(4,277,000)
Other liabilities	(100,000)	1,538,000	337,000
Net cash provided by operating activities	11,958,000	14,917,000	6,069,000
Cash flows from investing activities:			
Auto loan principal payments collected	24,000	758,000	2,205,000
Finance receivables principal payments collected	1,443,000	693,000	
Purchase of consumer receivables acquired for liquidation	(115,626,000)	(36,557,000)	(65,120,000)
Principal payments received from sale or collection of consumer receivables acquired for liquidation	45,615,000	44,262,000	25,703,000
Capital expenditures	(561,000)	(289,000)	(99,000)
Purchase of finance receivables			(2,549,000)
Net cash (used in) provided by investing activities	(69,105,000)	8,867,000	(39,860,000)
Cash flows from financing activities:			
Proceeds from common stock offering	47,296,000		
Repayments of advances to affiliate		(10,000)	(806,000)
Advances under line of credit, net	14,209,000		
Proceeds from notes payable		33,443,000	50,678,000
Repayments of notes payable		(60,939,000)	(21,012,000)
Proceeds from exercise of options and warrants	275,000	246,000	132,000
Net cash provided by (used in) financing activities	61,780,000	(27,260,000)	28,992,000
Net increase (decrease) in cash and cash equivalents	4,633,000	(3,476,000)	(4,799,000)
Cash and cash equivalents at beginning of year	2,213,000	5,689,000	10,488,000
Cash and cash equivalents at end of year	$ 6,846,000	$ 2,213,000	$ 5,689,000
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	$ 2,760,000	$ 2,010,000	$ 715,000
Income taxes	$ 8,391,000	$ 4,771,000	$ 4,525,000

Noncash investing and financing activities:

Consumer receivables acquired for liquidation totaling $498,000 were written off against a reserve previously established.

Auto loans receivable, finance receivables and repossessed automobiles held for sale written off through the allowance for credit losses amounted to $78,000, $58,000 and $25,000, respectively during 2003.

During 2003, $330,000 of dividends were declared and unpaid as of September 30, 2003.

See notes to consolidated financial statements

NOTE A - THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Company:

Asta Funding, Inc. and its wholly-owned subsidiaries (the "Company") is primarily in the business of purchasing and liquidating performing and nonperforming consumer loans. Additionally, the Company is liquidating previously purchased automobile loans receivables.

[2] Principles of consolidation:

The consolidated financial statements include the accounts of Asta Funding, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

[3] Cash and cash equivalents:

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

The Company maintains cash balances in various financial institutions. Management periodically evaluates the creditworthiness of such institutions.

[4] Income recognition:

The Company recognizes income on performing and nonperforming consumer receivable portfolios, which are acquired for liquidation, using either the interest method or cost recovery method. Upon acquisition of a portfolio of receivables, the Company's management estimates the future anticipated cash flows and determines the allocation between principal and interest of collections based upon this estimate. The estimated future cash flows could change significantly in the near term. If management cannot reasonably estimate the future cash flows, the cost recovery method is used.

Under the interest method, income is recognized on the effective yield method based on the actual cash collected during a period and future estimated cash flows and timing of such collections and the portfolio's cost. The estimated future cash flows are reevaluated quarterly. Under the cost recovery method, no income is recognized until the cost of the portfolio has been fully recovered.

Income from finance receivables is recognized over the periods from the date of purchase to the estimated collection date.

Interest income from sub-prime automobile loans is recognized using the interest method.

[5] Finance receivables:

Finance receivables were factored accounts receivable primarily with full recourse.

[6] Auto loans receivable:

Substantially all loans were at fixed rates of interest, collateralized by automobiles, and had remaining maturities of 1 year or less. Each automobile loan provided for full amortization; equal monthly payments and could have been fully prepaid by the borrower at any time without penalty. The Company purchased the loans from dealers at a discount from the amount financed under the contract. Substantially all borrowers were located in the northeastern and mid-atlantic states. The Company ceased acquiring auto loans during the year ended September 30, 1999.

NOTE A - THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Furniture and equipment:

Furniture and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (5 to 7 years).

[8] Credit losses:

Provisions for credit losses are charged to operations in amounts sufficient to maintain the allowance at a level considered adequate to cover the losses of principal in the portfolios of auto loans and finance receivables. The Company's charge-off policy is based on an account-by-account review of loans receivable, and a portfolio by portfolio review of consumer receivables acquired for liquidation. Such receivables are charged-off when management deems them to be uncollectible.

[9] Repossessed automobiles held for sale:

Upon foreclosure of the loan, the Company records repossessed automobiles at the lower of the loan balance or estimated fair value of the automobile.

After foreclosure, valuations are periodically performed by management and the carrying value of the automobiles are adjusted to the lower of cost recorded upon repossession or estimated fair value.

[10] Income taxes:

Deferred federal and state taxes arise from temporary differences resulting primarily from the provision for credit losses, depreciation timing differences, and funds deposited in accounts for loans sold being reported for financial accounting and tax purposes in different periods.

[11] Net income per share:

Basic per share data is determined by dividing net income by the weighted average shares outstanding during the period. Diluted per share data is computed by dividing net income by the weighted average shares outstanding, assuming all dilutive potential common shares were issued. With respect to the assumed proceeds from the exercise of dilutive options, the treasury stock method is calculated using the average market price for the period.

The following table presents the computation of basic and diluted per share data for the years ended September 30, 2003, 2002 and 2001:

	2003			2002			2001		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic	$11,574,000	4,732,000	$ 2.45	$10,383,000	4,039,000	$ 2.57	$ 8,591,000	3,971,000	$ 2.16
Effect of dilutive stock		401,000			316,000			205,000	
Diluted	$11,574,000	5,133,000	$ 2.25	$10,383,000	4,355,000	$ 2.38	$ 8,591,000	4,176,000	$ 2.06

During the year ended September 30, 2002, options to purchase 84,500 shares were outstanding but not included in the EPS calculation because they were antidilutive. All outstanding options were included in the EPS calculation for the years ended September 30, 2003 and 2001.

NOTE A -THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates including management's estimates of future cash flows and the allocation of collections between principal and interest resulting therefrom.

[13] Stock-based compensation:

The Company accounts for stock-based employee compensation under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", which was released in December 2002 as an amendment of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all awards.

	Year Ended September 30,		
	2003	2002	2001
Net income as reported	$ 11,574,000	$ 10,383,000	$ 8,591,000
Stock based compensation expense determined under fair value method, net of related tax effects	(1,060,000)	(489,000)	(240,000)
Pro forma net income	$ 10,514,000	$ 9,894,000	$ 8,351,000
Earnings per share:			
Basic - as reported	$ 2.45	$ 2.57	$ 2.16
Basic - pro forma	$ 2.21	$ 2.45	$ 2.10
Diluted - as reported	$ 2.25	$ 2.38	$ 2.06
Diluted - pro forma	$ 2.04	$ 2.27	$ 2.00

The weighted average fair value of the options granted during 2003, 2002 and 2001 were $10.15, $10.99 and $5.90 per share on the dates of grant, respectively, using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, volatility 54% and 56% (2003) 78% (2002) and 105% (2001), expected life 10 years, risk free interest rate of 3.81% to 4.05% in 2003, 5.0% in 2002 and 4.9% in 2001.

NOTE B - CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION

During the year ended September 30, 2003, the Company applied the interest method on portfolios with carrying values aggregating $102,809,000 and the cost recovery method on portfolios with carrying values aggregating $2,783,000.

NOTE C - ALLOWANCES FOR CREDIT LOSSES

Changes in the allowances for credit losses relating to the auto loans receivable and finance receivables consisted of the following:

	2003		2002	
	Auto Loans Receivable*	Finance Receivables	Auto Loans Receivable*	Finance Receivables
Balance, beginning of year	$ 103,000	$ 58,000	$ 226,000	$ 150,000
Provisions				950,000
Charge-offs	(103,000)	(58,000)	(161,000)	(1,042,000)
Recoveries			38,000	
Balance, end of year	$ 0	$ 0	$ 103,000	$ 58,000

* Includes repossessed automobiles

NOTE D - FURNITURE AND EQUIPMENT

Furniture and equipment as of September 30, 2003 and 2002 consist of the following:

	2003	2002
Furniture	$ 307,000	$ 293,000
Equipment	1,178,000	631,000
	1,485,000	924,000
Less accumulated depreciation	775,000	579,000
Balance, end of period	$ 710,000	$ 345,000

Depreciation expense for the years ended September 30, 2003, 2002 and 2001 aggregated $196,000, $94,000 and $105,000 respectively.

NOTE E - RESTRICTED CASH

In connection with the sale of loans in 1997, the Company was required to deposit funds into separate cash accounts with trustees for possible interest adjustments due to borrowers prepaying the loans.

NOTE F - DEBT

In January 2001, a bank advanced $10,000,000 under a line of credit with interest at the prime rate (4.00% at September 30, 2003). The credit line is collateralized by portfolios of consumer receivables acquired for liquidation and contains customary financial and other covenants (relative to tangible net worth, interest coverage, and leverage ratio, as defined) that must be maintained in order to borrow funds. In January 2003, the line of credit, which expires January 31, 2004, was increased to $25,000,000. As of September 30, 2003, $16.4 million was outstanding and the Company was in compliance with all of the covenants under this line of credit.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2003 and 2002

NOTE F - DEBT (CONTINUED)

In August 2001, an investment banking firm provided $29,905,000 in exchange for a note payable with interest at LIBOR plus 2% and the right to receive 50% of subsequent collections, net of expenses, from the portfolio collateralizing the obligation, once the note and advances by another of the Company's subsidiaries have been repaid. As of September 30, 2003, the outstanding balance of the note was paid in full. In December 2001, the Company purchased one-half of the right to receive subsequent collections for $1,500,000 and a third party purchased the other one-half for $1,500,000.

NOTE G - OTHER LIABILITIES

Other liabilities as of September 30, 2003 and 2002 are as follows:

	2003	2002
Reserve for consumer receivables sold		$ 498,000
Accounts payable	$ 2,179,000	1,191,000
Accrued interest	1,023,000	1,928,000
Dividend payable	330,000	
Other	209,000	392,000
Total other liabilities	$ 3,741,000	$ 4,009,000

NOTE H - INCOME TAXES

The significant component of the Company's deferred tax liability as of September 30, 2003 is the depreciation timing difference being reported for financial accounting and tax purposes in different periods.

The significant component of the Company's deferred tax asset as of September 30, 2002 is the allowance for credit losses.

The components of the provision for income taxes for the years ended September 30, 2003 and 2002 are as follows:

	2003	2002
Current:		
Federal	$ 5,982,000	$ 5,277,000
State	1,700,000	1,543,000
	7,682,000	6,820,000
Deferred:		
Federal	295,000	65,000
State	55,000	20,000
	350,000	85,000
Provision for income taxes	$ 8,032,000	$ 6,905,000

NOTE H - INCOME TAXES (CONTINUED)

The difference between the statutory federal income tax rate on the Company's pre-tax income and the Company's effective income tax rate is summarized as follows:

	2003	2002
Statutory federal income tax rate	35.0%	35.0%
State income tax, net of federal benefit	5.9	5.8
Other	0.1	(0.9)
Effective income tax rate	41.0%	39.9%

NOTE I - OPERATING LEASES

The Company leases its facilities in Englewood Cliffs, New Jersey and Bethlehem, Pennsylvania. The leases are operating leases, and the Company incurred related rent expense in the amounts of $271,000, $161,000 and $159,000 during the years ended September 30, 2003, 2002 and 2001, respectively. The future minimum lease payments are as follows:

Twelve Months Ending September 30,	
2004	$ 315,000
2005	193,000
	$ 508,000

NOTE J - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2001, an affiliate, owned by officers of the Company, advanced funds to the Company with interest at 12 percent per annum, aggregating $57,000; said amount was repaid during the years ended September 30, 2001 and 2002.

NOTE K - STOCK OPTION PLANS

1995 Stock Option Plan:

The Company has a stock option plan under which 885,000 shares of common stock are reserved for issuance upon exercise of either incentive or nonincentive stock options, which may be granted from time to time by the Board of Directors to employees and others. The Board of Directors determines the option price (not to be less than fair market value for incentive options) at the date of grant. The options have a maximum term of 10 years and outstanding options expire from November 2005 through March 2013. As of September 30, 2003, 713,001 shares of common stock are reserved for the issuance under the stock option plan.

2002 Stock Option Plan:

During May 2002, the Company approved a new stock option plan under which 500,000 shares of common stock are reserved for issuance upon the exercise of either incentive or nonincentive stock options, which may be granted from time to time by the Board of Directors to employees and others. The Board of Directors determines the option price (not to be less than fair market value for incentive options) at the date of grant. The options have a maximum term of 10 years. No options were granted under the new plan during 2003.

NOTE K - STOCK OPTION PLANS (CONTINUED)

The following table summarizes stock option transactions under the plans:

	Year Ended September 30,					
	2003		2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding options at the beginning of year	554,500	$ 5.73	578,833	$ 4.44	584,500	$ 4.27
Options granted	130,000	10.14	87,500	12.98	32,500	6.38
Options cancelled	(24,501)	10.38	(60,500)	5.30		
Options exercised	(47,499)	5.82	(51,333)	4.75	(38,167)	3.44
Outstanding options at the end of year	612,500	$ 6.48	554,500	$ 5.73	578,833	$ 4.44
Exercisable options at the end of year	469,001	$ 5.32	420,838	$ 4.96	410,499	$ 4.03

The following table summarizes information about the Plans outstanding options as of September 30, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.5491 - $3.0980	102,500	5.7	$ 1.6250	102,500	$ 1.6250
$3.0981 - $4.6470	30,000	2.9	4.5000	30,000	4.5000
$4.6471 - $6.1960	271,000	5.8	5.1790	271,000	5.1790
$6.1961 - $7.7450	22,500	7.4	6.3750	14,165	6.3750
$9.2941 - $10.8430	105,000	9.1	9.4500	3,334	9.4500
$10.8431 - $12.3920	18,000	8.1	11.920	6,000	11.920
$13.9411 - $15.4900	63,500	8.8	14.3448	42,002	14.1529
	612,500	6.6	$ 6.4754	469,001	$ 5.3152

NOTE L - STOCKHOLDERS' EQUITY

In May 2002, in conjunction with the approval of the 2002 Stock Option Plan, the Board of Directors approved an amendment to the Company's Certificate of Incorporation increasing the number of authorized shares of common stock from 10,000,000 shares to 30,000,000 shares and to create a new class of preferred stock, $.01 par value per share, consisting of 5,000,000 shares.

In July 2002, the Company issued 28,000 shares of common stock with a market value of $9.00 per share for consulting services rendered during the course of the year. In June 2003, 10,000 of these common shares were cancelled.

In September 2003, the Company issued 3,000 shares of common stock with a market value of $26.80 per share to a former director.

During August 2003, the Company declared dividends of $0.05 per share. The dividend of $330,000 was paid November 1, 2003.

NOTE M - RETIREMENT PLAN

The Company maintains a 401(k) Retirement Plan covering all of its eligible employees. Matching contributions to the plan are made at the discretion of the Board of Directors each plan year. Contributions for the year ended September 30, 2003, 2002 and 2001 were $44,000, $27,000 and $15,000, respectively.

NOTE N - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Values of Financial Instruments" ("SFAS 107") requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate that value. Because no market exists for certain of the Company's assets and liabilities, fair value estimates are based upon judgments regarding credit risk, investor expectation of economic conditions, normal cost of administration and other risk characteristics, including interest rate and prepayment risk. These estimates are subjective in nature and involve uncertainties and matters of judgment, which significantly affect the estimates.

Fair value estimates are based on existing balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. The tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on the fair value estimates and have not been considered in the estimates.

The following summarizes the information as of September 30, 2003 and 2002 about the fair value of the financial instruments recorded on the Company's financial statements in accordance with SFAS 107:

	2003		2002	
xxx	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash, restricted cash and and cash equivalents	$ 6,900,000	$ 6,900,000	$ 2,267,000	$ 2,267,000
Consumer receivables acquired for liquidation	105,592,000	132,700,000	36,079,000	45,099,000
Auto Loans receivable	5,000	5,000	29,000	29,000
Finance receivable			1,443,000	1,443,000
Advances under lines of credit, notes payable and due to affiliates	16,381,000	16,381,000	2,172,000	2,172,000

The methodology and assumptions utilized to estimate the fair value of the Company's financial instruments are as follows:

Cash, restricted cash and cash equivalents: The carrying amount approximates fair value.

Consumer receivables acquired for liquidation:
The Company has estimated the fair value based on the present value of expected future cash flows.

Auto loans receivable and finance receivables:
The Company has estimated the fair value based on the present value of expected future cash flows.

Advances under lines of credit, notes payable and due to affiliates:
Since these are primarily variable rate and short-term, the carrying amounts approximate fair value.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2003 and 2002

NOTE O - SUMMARIZED QUARTERLY DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2003					
Total revenue	$ 6,751,000	$ 7,720,000	$ 9,208,000	$ 11,183,000	$ 34,862,000
Income before provision for income taxes	3,865,000	4,055,000	4,412,000	7,274,000	19,606,000
Net income	2,312,000	2,429,000	2,540,000	4,293,000	11,574,000
Basic net income per share	$ 0.57	$ 0.59	$ 0.61	$ 0.65	$ 2.45
Diluted net income per share	$ 0.53	$ 0.55	$ 0.55	$ 0.61	$ 2.25
2002					
Total revenue	$ 8,402,000	$ 10,382,000	$ 8,800,000	$ 8,428,000	$ 36,012,000
Income before provision for income taxes	3,825,000	4,412,000	4,538,000	4,513,000	17,288,000
Net income	2,296,000	2,634,000	2,716,000	2,737,000	10,383,000
Basic net income per share	$ 0.57	$ 0.65	$ 0.67	$ 0.68	$ 2.57
Diluted net income per share	$ 0.53	$ 0.59	$ 0.61	$ 0.63	$ 2.38
2001					
Total revenue	$ 4,134,000	$ 6,116,000	$ 6,720,000	$ 7,144,000	$ 24,114,000
Income before provision for income	2,934,000	3,691,000	4,570,000	3,139,000	14,334,000
taxes	1,754,000	2,221,000	2,435,000	2,181,000	8,591,000
Net income	$ 0.44	$ 0.56	$ 0.61	$ 0.55	$ 2.16
Basic net income per share	$ 0.43	$ 0.54	$ 0.58	$ 0.52	$ 2.06
Diluted net income per share					

NOTE P - SUBSEQUENT EVENT

On November 24, 2003, the Company increased its line of credit to $35,000,000.

Exhibit 10.15

Employment Agreement Dated November 11, 2003 by and between Arthur Stern and the Company

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated as of the 11th day of November, 2003 by and between ASTA FUNDING, INC., a Delaware corporation, with offices at 210 Sylvan Ave., Englewood Cliffs, NJ 07632 (the "Company") and ARTHUR STERN, an individual residing at 3333 Henry Hudson Parkway, Riverdale, New York 10463 (the "Employee")

W I T N E S E T H:

WHEREAS, the parties desire to enter this Agreement to set forth the terms of the Employee's continued employment by the Company.

NOW, THEREFORE, in consideration of the mutual premises and covenants set forth herein and for other good and value consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the Company and the Employee mutually agree as follows:

1. Employment Duties.

(a) Employment. The Company agrees to continue to employ the Employee, and the Employee agrees to accept continued employment with the Company, on the terms and conditions set forth in this Agreement.

(b) Scope of Duties. During the Employment Period (as defined herein), the Employee shall devote his business time, attention and energy to the business, and to seeking improvement in the profitability, of the Company. During the Employment Period, the Employee shall serve as Executive Vice President of the Company and its subsidiaries and shall have the authority to perform and shall perform all of the duties that are customary for the office of Executive Vice President of the Company, subject at all times to the control and direction of the President and the Board of Directors of the Company, and shall perform such services as typically are provided by the Executive Vice President of a corporation and such other services consistent therewith as shall be assigned to him from time to time by the President or the Board of Directors of the Company. Employee shall also continue to serve as Chairman of the Board of Directors of the Company for such period as he continues to be duly elected to such position by the shareholders of the Company.

(c) Service. During the Employment Period, the Employee shall perform his duties in a diligent manner; shall not engage in activities which are or could be detrimental to the existing or future business of the Company and its subsidiaries; and shall observe and conform to all laws, customs, and standards of business ethics and honest business practices. The Employee shall be requested, and does hereby agree, to be a full time employee of the Company during the Employment Period. During the Employment Period, the Employee shall not engage in any other business activity which, in the reasonable judgment of the Company's Board of Directors, conflicts with the duties of the Employee hereunder, whether or not such activity is pursued for gain, profit or other pecuniary advantage; provided, however, that it is understood that this Section 1 (c) shall not preclude the Employee from making passive investments in other companies or from serving as Vice President of Asta Group, Inc.

(d) Professional Standards. Recognizing and acknowledging that it is essential for the protection and enhancement of the name and business of the Company and its subsidiaries and the good will pertaining thereto, the Employee shall perform his duties under this Agreement professionally and in accordance with the standards established by the Company from time to time; and the Employee shall not act, and shall refrain from acting, in any manner that could harm or tarnish the name, business or income of the Company and its subsidiaries or the good will pertaining thereto.

2. Compensation.

(a) Base Salary. For all services rendered by the Employee during the Employment Period, the Company shall pay the Employee a base salary ("Base Salary") in the amount of $300,000 on an annualized basis, payable in accordance with the Company's customary payment policies and periods. The Employee's Base Salary may be increased as determined by the Board of Directors of the Company in its sole discretion.

(b) Bonuses. During the Employment Period, the Employee shall be eligible to receive bonuses as determined by the Board of Directors of the Company in its sole discretion.

(c) Stock Options. During the Employment Period, the Employee shall be eligible to receive stock options as determined by the Board of Directors of the Company in its sole discretion.

(d) Benefits. During the Employment Period, the Employee and/or the Employee's dependents, as the case may be, shall be entitled to participate (subject to eligibility requirements) in the employee benefit plans generally available to other similarly situated employees of the Company and the Employee shall be entitled to the fringe benefits and perquisites made generally available to other similarly situated employees of the Company. The Company reserves the right to modify, change or terminate its benefit plans, fringe benefits and perquisite plans and programs from time to time in the discretion of the Board of Directors of the Company.

(e) Vacation. During the Employment Period, the Employee shall be entitled to an annual vacation of fifteen
(15) working days for each full calendar year of employment hereunder, which may be taken all at once or from time to time; provided, however, that: (i) the Employee shall schedule such vacation time so as to mitigate the adverse effects to the Company of the Employee's absence; (ii) the Employee shall give the Company at least thirty days (30) days notice of consecutive vacation days in excess of five (5) to be taken by the Employee at any one time; and (iii) up to one (1) week unused vacation time during the calendar year may be carried over and used by the Employee in the following calendar year.

3. Non-Competition.

(a) In view of the Employee's knowledge of the trade secrets and other proprietary information relating to the business of the Company, its subsidiaries and their respective customers which the Employee has heretofore obtained and is expected to obtain during the period the Employee is employed under this Agreement (the "Employment Period"), and in consideration of the Employee's employment hereunder, the Employee agrees: (i) that he will not during the Employment Period Participate In (as such term hereinafter defined) any other business or organization if such business or organization now is or shall then be competing with or be of a nature similar to the business of the Company or its subsidiaries; and (ii) (A) for a period of twelve (12) months after the Termination Date (as defined in Section 6) due to a termination of this Agreement for Cause (as defined herein) or (B) for such period as the Company shall continue to pay to the Employee his Base Salary and health insurance benefits in accordance with Section 8(b) after a termination of the Employee's employment Without Cause (as defined below) or for Disability (as defined below), he will not, in any geographic area in which the Company or any of its subsidiaries does business as of the Termination Date, compete with or be engaged in the same business as, or Participate In, any other business or organization which competes with or is engaged in the same business as the Company or its subsidiaries with respect to any service offered or activity engaged in up to the Termination Date, except that in each case the provisions of this Section 3 will not be deemed breached merely because the Employee owns not more than 2% of the outstanding common stock of a corporation, if, at the time of its acquisition by the Employee, such stock is listed on a national securities exchange, is reported on NASDAQ, or is regularly traded in the over-the-counter market by a member of a national securities exchange.

(b) The term "Participate In" shall mean: "directly or indirectly, for his own benefit or for the benefit of any other enterprise, own, manage, operate, control or loan money to (provided that an investment in debt instruments issued pursuant to an effective registration statement under the Securities Act of 1993, as amended shall not be deemed to be a loan), or participate in the ownership, management, operation, or control of, or be connected as a director, officer, employee, partner, agent, or otherwise with, or acquiesce in the use of his name in."

(c) During the Employment Period and, in the case of the termination of the Employee's employment for Cause only, for a period one (1) year after the Termination Date, the Employee will not directly or indirectly:

(i) Reveal the name of, solicit, use or interfere with, or endeavor to entice away from the Company (or any of its subsidiaries) any of their customers, vendors, or employees; or

(ii) Employ or engage any person or entity who or which, at any time up to the Termination Date, was an employee or agent of the Company or its subsidiaries without the prior written consent of the Company.

(d) The Employee agrees that the provisions of this
Section 3 and Sections 4 and 5 are necessary and reasonable to protect the Company in the conduct of its business. If any restriction contained in this
Section 3 or in Sections 4 or 5 shall be deemed by a court of competent jurisdiction to be invalid, illegal, or unenforceable by reason of the extent, duration, or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof, and in its reduced from such restriction shall then be enforceable in the manner contemplated hereby.

4. Confidential Information. All confidential information which the Employee may now possess, may obtain during or after the Employment Period, or may create prior to the end of the Employment Period relating to the business of the Company or its subsidiaries or of any of their respective customers or vendors shall not be published, disclosed, or made accessible by him to any other person, firm, corporation or entity, either during or after the Employment Period or used by him during or after the Employment Period (except in the business and for the benefit of the Company or its subsidiaries), without the prior written consent of the Company. The Employee shall return all tangible evidence of such confidential information to the Company prior to or at the end of the Employment Period.

5. Rights of the Company.

(a) Any interest in copyrights, copyrightable works, developments, discoveries, designs and processes, patents, patent applications, inventions and technological innovations (collectively, "Inventions") which the Employee (i) owns, conceives of or develops, alone or with others, (A) relating to the business of the Company or its subsidiaries or any business in which the Company (or its subsidiaries) contemplates being engaged or (B) which anticipate research or development of the Company or its subsidiaries, or (ii) conceives of or develops utilizing the time, material, facilities or information of the Company or its subsidiaries, in either case during the Employment Period, shall belong to the Company.

(b) As soon as the Employee owns, conceives of or develops any Invention, the Employee shall immediately communicate such fact in writing to the Board of Directors of the Company. Upon the request of the Company, the Employee shall, without further compensation but at the Company's expense (subject to clause (i) below) execute all such assignments and other documents (including applications for trademarks, copyrights and patents and assignments thereof) and take all such other action as the Company may reasonably request, including obtaining spousal consents or waivers, (i) to vest in the Company all right, title and interest of the Employee in and to such Inventions, free and clear of all liens, mortgages, security interests, pledges, charges and encumbrances (the Employee to take such action, at his expense, as is necessary to remove all such liens) and (ii) if patentable or copyrightable, to obtain patents or copyrights (including extensions and renewals) therefore in any and all jurisdictions in and outside the United States in the name of the Company or in such other names(s) as the Company shall determine.

6. Employment Period. The Employment Period shall commence on the date of this Agreement and shall continue for a three year period ending on November 10, 2006, or such earlier date on which any of the following events occurs (the "Termination Date"):

(a) the death of the Employee;

(b) the voluntary resignation of the Employee;

(c) the termination by the Board of Directors of the Employee's employment for Disability (as hereinafter defined);

(d) the termination by the Board of Directors of the Employee's employment for Cause (as hereinafter defined); or

(e) the termination by the Board of Directors of the Employee's employment Without Cause (as hereafter defined)

7. Definitions Relating to Termination

(a) Disability

The term "Disability" shall mean any physical or mental condition of the Employee which, in the reasonable discretion of the Board of Directors, after consultation with the Employee's physician, materially impairs the Employee's ability to render the services to be performed by him hereunder for a period of 180 consecutive days or for at least 240 days in any consecutive 360 day period.

(b) Cause

The term "Cause" shall mean the good faith finding by the Board Directors of the Company upon resolution adopted by it of the existence of any one of the following:

(i) The Employee's failure or refusal to perform specific written directives consistent with his duties and responsibilities as set forth in Section 1 hereof, which lack of performance is not cured within 15 days after written notice thereof or 30 days if at the 15th day and thereafter the Employee is diligently attempting to cure;

(ii) Conviction of a felony or of any crime involving moral turpitude or fraud;

(iii) The commission by the Employee of any willful or intentional act which the Employee reasonably should have contemplated would have the effect of injuring the reputation, financial condition, business or business relationships of the Company (and its subsidiaries, individually or taken as a whole) and/or the Employee; or

(iv) Any material breach (not covered by any of the clauses (i) through (iii) hereof) of any of the provisions of this Agreement, if such breach is not cured within 30 days after written notice thereof to by the Board of Directors.

(c) Without Cause

The term "Without Cause" shall mean a determination of the Board of Directors to terminate the Employee for any reason other than death, Disability or for Cause.

8. Effect of Termination

(a) If the Employee's employment is terminated by the Company for Cause or the Employment Period expires, then the Employee shall be paid the Employee's Base Salary and other benefits hereunder through the Termination Date and the Company shall have no further obligations to the Employee.

(b) If the Employee's employment is terminated Without Cause, for Disability or upon the Employee's death, then (i) the Employee or his estate, as applicable, shall continue to be paid the Employee's Base Salary through November 10, 2006, and (ii) the Company shall continue to provide to the Employee and his eligible dependents health insurance coverage through November 10, 2006.

(c) Irrespective of the basis for the termination of the Employee's employment with the Company, all benefits (including fringe benefits), if any, due the Employee hereunder shall cease as of the Termination Date, other than (i) COBRA rights which shall continue to the extent provided thereunder, (ii) Base Salary, if applicable, to the extent provided in Section 8(b),
(iii) health insurance coverage, if applicable, to the extent provided in Section 8(b), and (iv) rights under any stock options the Employee may have been granted.

9. Arbitration. Except with respect to the Company's right to seek injunctive or equitable relief, any controversy, dispute, or claim between the Employee and the Company arising out of or relating to this Agreement, the Employee's employment by the Company, the cessation of the Employee's employment with the Company, or any matter relating to the foregoing, shall be submitted to and settled by arbitration in the State of New Jersey, in accordance with the then current rules of the American Arbitration Association or any successor thereto. Within ten (10) days after a request for arbitration by one party to the other, the Company and the Employee shall each select one arbitrator. Within ten (10) days after the second of such arbitrators has been selected, the two arbitrators thereby selected shall choose a third arbitrator who shall be the Chairman of the panel. If the first two arbitrators selected cannot agree upon a third arbitrator, the American Arbitration Association shall name the third arbitrator. The arbitrators may grant injunctions or other relief in such dispute or controversy. In the arbitration, the parties shall be entitled to pre-hearing discovery. The decision of the arbitrators shall be final, conclusive and binding on the parties to the arbitration. In connection with such arbitration and the enforcement of any award rendered as a result thereof, the parties hereto irrevocably consent to the personal jurisdiction of the federal and state courts located in New Jersey, and further consent that any process or notice of motion or other application to the said Courts or Judges thereof may be served inside or outside the State of New Jersey by registered mail or personal service, provided a time period of at least twenty (20) days for appearance is allowed. The Company shall not be required to seek injunctive relief from the arbitrators but may seek such injunctive relief in a court proceeding. The terms of this Section 9 shall apply to all disputes, controversies and claims, including, without limitation, any rights or claims the Employee may have under the Age Discrimination in Employment Act of 1967, Title VII of the Civil Rights Act of 1954, the Equal Pay Act, or any other federal, state, or local laws, rules or regulations relating to employment discrimination or otherwise in any way pertaining to the Employee's employment or termination thereof. This Section 9 shall survive the termination (by expiration or otherwise) of this Agreement.

10. Modification. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof, supersedes all existing agreements between them concerning such subject matter, and may be modified only by a written instrument duly executed by each party.

11. Notices. Any notice or communication to be given hereunder by any party to the other shall be in writing and shall be deemed to have been given when personally delivered or transmitted by facsimile, or three (3) days after the date sent by registered or certified mail, postage prepaid, as follows:

(a) if to the Company, addressed to it at:

210 Sylvan Avenue Englewood Cliffs, NJ 07632 Attention: Chairman

with copies to:

Lowenstein Sandler P.C.

65 Livingston Avenue
Roseland, NJ 07068
Attn: John D. Schupper, Esq.

(b) If to the Employee, addressed to him at:

3333 Henry Hudson Parkway Riverdale, New York 10463

or to such other persons or addresses as may be designated in writing by the party to receive such notice.

12. Waiver. Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing.

13. Assignment. The Employee's rights and obligations under this Agreement shall not be transferable by assignment or otherwise. The Company may assign its rights and obligations hereunder to any of its subsidiaries or affiliates. The Company will provide notice of such assignment to the Employee.

14. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure of the benefit of the Employee and his heirs and personal representatives, and shall be binding upon the Company and inure to the benefit of the Company, its subsidiaries and affiliates and their respective successors and assigns.

16. Headings. The headings in this Agreement are solely for the convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

17. Injunctive Relief. As it would be very difficult to measure the damages, which would result to the Company from a breach of any of the covenants contained in Section 3, 4 or 5 of this Agreement, in the event of such a breach, the Company shall have the right to have such covenants specifically enforced by a court of competent jurisdiction. The Employee hereby recognizes and acknowledges that irreparable injury or damage shall result to the business of the Company in the event of a breach or threatened breach by the Employee of the terms and provisions of Section 3, 4 or 5. Therefore, the Employee agrees that the Company shall be entitled to an injunction-restraining the Employee from engaging in any activity constituting such breach or threatened breach. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to the Company at law or in equity for such breach or threatened breach, including, but not limited to, recovery of damages from the Employee and, if the Employee is still employed by the Company, terminating the employment of Employee in accordance with the terms and provisions hereof.

18. Governing Law. Any and all claims, controversies or actions arising out of this Agreement or the Employee's employment with the Company, including, without limitation, tort claims, shall be governed by and construed in accordance with the laws of the State of New Jersey, without reference to choice of law principles thereof.

19. Attorney's Fees. If a legal action or other proceeding is brought for enforcement of this Agreement because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorney's fees and cost incurred, in addition to any other relief to which they may be entitled.

20. Severability. The provisions of this Agreement are severable and should any provision hereof be void, voidable or unenforceable under any applicable law, such void, voidable or unenforceable provision shall not affect or invalidate any other provision of this Agreement, which shall continue to govern the relative rights and duties of the parties as though the void, voidable or unenforceable provision were not a part hereof.

21. Survival. All warranties, representations, indemnities, covenants and other agreements of the parties hereto shall survive the execution, delivery and termination of this Agreement and shall, notwithstanding the execution, delivery and termination of this Agreement, continue in full force and effect.

22. Acknowledgment. The Employee specifically acknowledges that: the Employee has read and understands all of the terms of this Agreement; in executing this Agreement, the Employee does not rely on any inducements, agreements, promises or representations of the Company or any agent of the Company, other than the terms and conditions specifically set forth in this Agreement; the Employee has had an opportunity to consult with independent counsel with respect to the execution of this Agreement; and that the Employee has made such investigation of the facts pertaining to this Agreement and of all the matters pertaining hereto as he deems necessary.

IN WITNESS WHEREOF, the Company and the Employee have executed this Agreement on the day and year first above written.

ASTA FUNDING, INC.

By: /S/ Gary Stern

/S/ Arthur Stern

Arthur Stern

Exhibit 10.16

Amended Loan and Security dated November 24, 2003, between the Company and Israel Discount Bank of NY

EXECUTION

AMENDMENT NO. 3 TO THE SECOND AMENDED

AND RESTATED LOAN AND SECURITY AGREEMENT

AMENDMENT NO. 3 TO THE SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT, dated as of November 24, 2003 (this "Amendment No. 3"), by and among ASTA FUNDING ACQUISITION II, LLC ("AFA") and PALISADES COLLECTION, L.L.C.
("Palisades," and together with AFA, the "Borrower"), ASTA FUNDING, INC. ("Asta Funding"), ISRAEL DISCOUNT BANK OF NEW YORK ("Lender") and the Debtors.

RECITALS

A. AFA, Palisades, Asta Funding and the Debtors entered into the Second Amended and Restated Loan and Security Agreement, dated as of January 28, 2003, as amended (the "Loan Agreement").

B. The Borrower has requested that the Lender increase the New Line of Credit from $25,000,000 to $35,000,000, which increase shall be evidenced by the Second Grid Note of the Borrower in the amount of $10,000,000 in the form annexed hereto as Exhibit A (the "Second Grid Note").

C. These Recitals are incorporated and made a part of the Loan Agreement.

D. The parties have agreed to amend the Loan Agreement in accordance with the terms hereof. All capitalized terms used in this Amendment No. 3 shall have the meaning given each such term in the Loan Agreement. Accordingly, the Borrower, Asta Funding, the Debtors and the Bank hereby agree that the Loan Agreement is hereby amended as follows:

SECTION 1. Amendments.

(a) New Line of Credit. RECITAL B in the Loan Agreement is hereby amended by deleting "$25,000,000" and inserting "$35,000,000" in lieu thereof.

(b) Grid Note. The definition of "Grid Note" in Section 1 of the Loan Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

""Grid Note" means, collectively, each of
(i) the note executed by Borrower in the aggregate principal amount of $25,000,000 in the form of Exhibit B annexed hereto, as may be amended, renewed or replaced from time to time and (ii) the Second Grid Note."

(c) Second Grid Note. Section 1 of the Loan Agreement is hereby amended by adding the following definition:

""Second Grid Note" means the promissory note executed by Borrower in the aggregate principal amount of $10,000,000, as may be amended, renewed or replaced from time to time."

(d) New Line Fee. Section 2.5 of the Loan Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

"2.5 New Line Fee. Commencing on November ____, 2003, the Borrower shall pay the Bank a fee each month (the "New Line Fee") equal to the lesser of (a) $12,000 or (b) 1/4 of 1% of the average daily amount outstanding under the Second Grid Note for such month. The New Line Fee for each month shall be paid in arrears and shall be due on the first business day of the immediately succeeding month."

SECTION 2. Conditions to Effectiveness of Amendment.

This Amendment No. 3 shall become effective on the date (the "Amendment Effective Date") on which the following conditions precedent shall have been satisfied:

(a) The Lender shall have received this Amendment No. 3 executed and delivered by a duly authorized officer of the Borrower, Asta Funding, each Debtor and the Lender;

(b) The Lender shall have received the Second Grid Note, executed and delivered by the Borrower; and

(e) The Lender shall have received such other documents as the Bank or its counsel may reasonably request.

SECTION 3. Limited Effect.

Except as expressly amended and modified by this Amendment No. 3, the Loan Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

SECTION 4. Representations and Warranties.

The Borrower, Asta Funding and each Debtor hereby (a) ratifies and confirms its respective obligations under the Loan Agreement and each Loan Document to which it is a party and (b) confirms and reaffirms the representations and warranties contained in Section 17 of the Loan Agreement and in each of the Loan Documents; provided, however, that reference therein to the "Loan Documents" shall be deemed to include this Amendment No. 3 and the Second Grid Note. The Borrower, Asta Funding and each Debtor hereby represents and warrants that as of the Amendment Effective Date, after giving effect to this Amendment No. 3, no Event of Default shall have occurred or be continuing.

SECTION 5. Counterparts.

This Amendment No. 3 may be executed by the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 6. Governing Law.

THIS AMENDMENT NO. 3 SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Borrower, Asta Funding, the Debtors and the Lender have caused this Amendment No. 3 to be duly executed by their duly authorized officers, all as of the date first above written.

ASTA FUNDING ACQUISITION II, LLC

By: /S/ Gary Stern
Gary Stern
Manager

By: /S/ Mitchell Herman
Mitchell Herman
Manager

PALISADES COLLECTION, L.L.C.

By: /S/ Gary Stern
Gary Stern
Manager

By: /S/ Mitchell Herman
Mitchell Herman
Manager

ASTA FUNDING, INC.

By: /S/ Gary Stern
Gary Stern
President

By: /S/ Mitchell Herman
Mitchell Herman
Secretary and Chief Financial Officer

ASTA FUNDING ACQUISITION I, LLC

By: /S/ Gary Stern

Gary Stern
Manager

By: /S/ Mitchell Herman

Mitchell Herman
Manager

E.R. RECEIVABLES CORP., L.L.C.

By: /S/ Gary Stern

Gary Stern
Manager

By: /S/ Mitchell Herman

Mitchell Herman
Manager

PALISADES ACQUISITION I, LLC

By: /S/ Gary Stern

Gary Stern
Manager

By: /S/ Mitchell Herman

Mitchell Herman
Manager

PALISADES ACQUISITION II, LLC

By: /S/ Gary Stern

Gary Stern
Manager

By: /S/ Mitchell Herman

Mitchell Herman
Manager

ISRAEL DISCOUNT BANK OF NEW YORK

By: /S/ Kevin Lord

Kevin Lord
Vice President

By: /S/ Jerry Hertzman

Jerry Hertzman
Senior Vice President

Exhibit 14.1

CODE OF ETHICS
FOR
SENIOR FINANCIAL OFFICERS

Section 1. PURPOSE.

The Board of Directors (the "Board") of Asta Funding, Inc. (the "Company") has adopted the following Code of Ethics (the "Code") to apply to the Company's Chief Executive Officer; Chief Financial Officer; Chief Accounting Officer; Controller; and Treasurer (the "Senior Financial Officers"). This Code is intended to focus Senior Financial Officers on areas of ethical risk, provide guidance to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, foster a culture of honesty and accountability, deter wrongdoing and promote fair and accurate disclosure and financial reporting.

No code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles. Senior Financial Officers are encouraged to bring questions about particular circumstances that may involve one or more of the provisions of this Code to the attention of the Chair of the Audit Committee, who may consult with inside or outside legal counsel as appropriate.

Section 2. INTRODUCTION

Each Senior Financial Officer is expected to adhere to a high standard of ethical conduct. The good name of the Company depends on the way Senior Financial Officers conduct business and the way the public perceives that conduct. Unethical actions, or the appearance of unethical actions, are not acceptable. Senior Financial Officers are expected to be guided by the following principles in carrying out their responsibilities.

- Loyalty. Senior Financial Officers should not be, or appear to be, subject to influences, interests or relationships that conflict with the best interests of the Company.

- Compliance with Applicable Laws. Senior Financial Officers are expected to comply with all laws, rules and regulations applicable to the Company's activities.

- Observance of Ethical Standards. Senior Financial Officers must adhere to high ethical standards in the conduct of their duties. These include honesty and fairness.

Section 3. INTEGRITY OF RECORDS AND FINANCIAL REPORTING.

Senior Financial Officers are responsible for the accurate and reliable preparation and maintenance of the Company's financial records. Accurate and reliable preparation of financial records is of critical importance to proper management decisions and the fulfillment of the Company's financial, legal and reporting obligations. Diligence in accurately preparing and maintaining the Company's records allows the Company to fulfill its reporting obligations and to provide stockholders, governmental authorities and the general public with full, fair, accurate, timely and understandable disclosure. Senior Financial Officers are responsible for establishing and maintaining adequate disclosure controls and procedures, and internal controls and procedures, including procedures that are designed to enable the Company to: (a) accurately document and account for transactions on the books and records of the Company; and (b) maintain reports, vouchers, bills, invoices, payroll and service records, business measurement and performance records and other essential data with care and honesty.

Senior Financial Officers shall immediately bring to the attention of the Audit Committee any information they may have concerning:

(a) Defects, deficiencies, or discrepancies related to the design or operation of internal controls which may affect the Company's ability to accurately record, process, summarize, report and disclose its financial data or

(b) Any fraud, whether or not material, that involves management or other employees who have roles in the Company's financial reporting, disclosures or internal controls.

Section 4. CONFLICT OF INTEREST.

Senior Financial Officers must avoid any conflicts of interest between themselves and the Company. Any situation that involves, or may involve, a conflict of interest with the Company, should be disclosed promptly to the Chair of the Audit Committee, who may consult with inside or outside legal counsel as appropriate.

A "conflict of interest" can occur when an individual's personal interest is adverse to - or may appear to be adverse to - the interests of the Company as a whole. Conflicts of interest also arise when an individual, or a member of his or her family, receives improper personal benefits as a result of his or her position with the Company.

This Code does not attempt to describe all possible conflicts of interest which could develop. Some of the more common conflicts from which Senior Financial Officers must refrain, however, are set forth below:

- Improper conduct and activities. Senior Financial Officers may not engage in any conduct or activities that are inconsistent with the Company's best interests or that disrupt or impair the Company's relationship with any person or entity with which the Company has, or proposes to enter into, a business or contractual relationship.

- Compensation from non-Company sources. Senior Financial Officers may not accept compensation for services performed for the Company from any source other than the Company. Senior Financial Officers should obtain the approval of the Audit Committee prior to accepting any paid employment or consulting position with another entity.

- Gifts. Senior Financial Officers and members of their immediate families may not accept gifts from persons or entities where any such gift is being made in order to influence their actions in their position with the Company, or where acceptance of the gifts could create the appearance of a conflict of interest.

- Personal use of Company assets. Senior Financial Officers may not use Company assets, labor or information for personal use, other than incidental personal use, unless approved by the Chair of the Audit Committee or as part of a compensation or expense reimbursement program.

- Financial Interests in other Businesses. Senior Financial Officers should avoid having an ownership interest in any other enterprises, such as a customer, supplier or competitor, if that interest compromises the officer's loyalty to the Company.

Section 5. CORPORATE OPPORTUNITIES.

Senior Financial Officers are prohibited from: (a) taking for themselves personally opportunities related to the Company's business without first presenting those opportunities to the Company and obtaining approval from the Board; (b) using the Company's property, information, or position for personal gain; or (c) competing with the Company for business opportunities.

Section 6. CONFIDENTIALITY.

Senior Financial Officers should maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company, its business or finances, customers or suppliers that comes to them, from whatever source, except when disclosure is authorized or legally mandated. For purposes of this Code, "confidential information" includes all non-public information relating to the Company, its business or finances, customers or suppliers.

Section 7. COMPLIANCE WITH LAWS, RULES AND REGULATIONS.

Senior Financial Officers shall comply with laws, rules and regulations applicable to the Company, including insider trading laws, and all other Company policies. Transactions in Company securities are governed by the Company's Insider Trading Policy.

Section 8. ENCOURAGING THE REPORTING OF ANY ILLEGAL OR UNETHICAL BEHAVIOR.

Senior Financial Officers must promote ethical behavior and create a culture of ethical compliance. Senior Financial Officers should foster an environment in which the Company: (a) encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; (b) encourages employees to report violations of laws, rules and regulations to appropriate personnel; and
(c) informs employees that the Company will not allow retaliation for reports made in good faith.

Section 9. CONCLUSION.

Senior Financial Officers should communicate any suspected violations of this Code promptly to the Chair of the Audit Committee. The Board or a person or persons designated by the Board will investigate violations, and appropriate disciplinary action will be taken by the Board in the event of any violation of the Code, up to and including termination. Only the Audit Committee may grant any waivers of this policy.

Exhibit 21.1

Asta Funding Inc.
Form 10-KSB
September 30, 2003

Exhibit Number 21- Subsidiaries of the Company

Asta Auto Receivables Company
E.R. Receivables Corp., LLC
RAC Acceptance Corp., LLC
Palisades Collection, LLC
Asta Funding Acquisition I, LLC
Asta Funding Acquisition II, LLC
Asta Funding Acquisition III, LLC
Computer Finance, LLC
Asta Funding.Com, LLC
Topps Promotion, LLC
Asta Commercial, LLC
Asta Business Credit, LLC
Palisades Acquisition I, LLC
Palisades Acquisition II, LLC

Exhibit 31.1

CERTIFICATION

I, Gary Stern, certify that:

1. I have reviewed this annual report on Form 10-K of Asta Funding, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 19, 2003

/s/ Gary Stern

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mitchell Herman, certify that:

1. I have reviewed this annual report on Form 10-K of Asta Funding, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 19, 2003

/s/ Mitchell Herman

Mitchell Herman
Chief Financial Officer, Secretary and
Chief Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Asta Funding, Inc. (the "Company") on Form 10-K for the year ending September 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Gary Stern, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

Dated: December 19, 2003

/s/ Gary Stern

Gary Stern
President and Chief Executive Officer

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Asta Funding, Inc. (the "Company") on Form 10-K for the year ending September 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Mitchell Herman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

Dated: December 19, 2003

/s/ Mitchell Herman

Mitchell Herman
Chief Financial Officer, Secretary and
Chief Accounting Officer

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

End of Filing

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