ASTA FUNDING INC

FORM 10-K
(Annual Report)

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Address	210 SYLVAN AVE ENGLEWOOD CLIFFS, NJ 07632
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Industry	Consumer Financial Services
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Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2008

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ☐ No ☑

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 ☐ No ☑

Indicate by check mark if 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of voting and nonvoting common equity held by non-affiliates of the registrant was approximately $147,869,000, as of the last business day of the registrant's most recently completed second fiscal quarter.

As of February 16, 2009, the registrant had 14,271,824 shares of Common Stock issued and outstanding.

FORM 10-K

TABLE OF CONTENTS

Caution Regarding Forward Looking Statements

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by use of terms such as “may”, “will”, “should”, “plan”, “expect”, “anticipate”, “estimate”, and similar words, although some forward-looking statements are expressed differently. Forward looking statements represent our judgment regarding future events, but we can give no assurance that such judgments will prove to be correct. 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” in Item 1A and “Critical Accounting Policies” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”. 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. Unless the context otherwise requires, the terms “we”, “us”, “the Company”, or “our” as used herein refer to Asta Funding, Inc. and its subsidiaries.

Part I

Item 1. *Business.*

Overview

The Company acquires, manages, collects and services portfolios of consumer receivables for its own account. These portfolios generally consist of one or more of the following types of consumer receivables:

- charged-off receivables — accounts that have been written-off by the originators and may have been previously serviced by collection agencies;
- 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 in limited circumstances; and
- 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 total amounts 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 investment after 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, brokered transactions and auctions in which sellers of receivables seek bids from several pre-qualified debt purchasers. These receivables consist primarily of MasterCard(R), Visa(R), private label credit card accounts, telecommunication charge-offs, and auto deficiency receivables, among other types of receivables. We pursue new acquisitions of consumer receivable portfolios from originators of consumer debt, on an ongoing basis through:

- our relationships with industry participants, financial institutions, collection agencies, investors and our financing sources;
- brokers who specialize in the sale of consumer receivable portfolios; and
- other sources.

Our objective is to maximize our return on investment in 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, third-party collection agencies, attorneys, or a combination of all three options.

If we elect to outsource the servicing of receivables, our management typically determines the appropriate third-party collection agencies and attorneys based on the type of receivables purchased. Once a group of receivables is sent to third-party collection agencies and attorneys, our management actively monitors and reviews the third-party collection agencies' and attorneys' performance on an ongoing basis. Based on portfolio performance considerations, our management either will move certain receivables from one third-party collection agency or attorney 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. Additionally, we have two collection centers, which currently employ approximately 100 collection-related staff, including senior management. These employees assist us in benchmarking our third-party collection agencies and attorneys, and give us greater flexibility for servicing a percentage of our consumer receivable portfolios in-house.

We fund 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 finance income generated from the collections. At September 30, 2008, we have no such relationships outstanding.

For the years ended September 30, 2008, 2007 and 2006, our finance income was approximately $115.3 million, $138.4 million and $101.0 million, respectively, and our net income was approximately $8.8 million, $52.3 million

and $45.8 million, respectively. During these same years our net cash collections were approximately $208.0 million, $281.8 million and $214.5 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 Executive Vice President, Gary Stern, our President and Chief Executive Officer, and other members of the Stern family, to purchase, at a small discount to 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 and a partner, 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:

- increasing levels of consumer debt;
- increasing defaults of the underlying receivables; and
- increasing utilization of third-party providers to collect such receivables.

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

Although we are in a challenging economic environment, our primary objective remains 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:

- managing the collection and servicing of our consumer receivable portfolios, including outsourcing a majority of those activities to maintain low fixed overhead;
- although reduced pricing has slowed our capabilities, we seek to sell accounts on an opportunistic basis, generally when our efforts have been exhausted through traditional collecting methods, when pricing is at our indifference point, or when we can capitalize on pricing during times when we feel the pricing environment is high; and
- although our purchases of consumer receivable portfolios are at a lower level than in recent years, we remain focused on capitalizing on our strategic relationships to identify and acquire consumer receivable portfolios as pricing and conditions permit.

We have curtailed our purchases of new portfolios of consumer receivables during the second, third and fourth quarters of fiscal year 2008. We expect to see a reduction in finance income in future quarters and future years, to the extent we are not replacing our receivables acquired for liquidation. Instead, we are focusing, in the short term, on reducing our debt and being highly disciplined in our portfolio purchases. We continue to review potential portfolio acquisitions regularly and will be buyers at the right price, where we believe the purchase will yield our desired rate of return.

We believe as a result of our management's experience and expertise, and the fragmented yet growing market in which we operate, as we implement this short term strategy we will be in position to again grow the business when economic conditions stabilize.

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 the result of a merger with a Delaware corporation.

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), private label credit card accounts, telecom receivables, and auto deficiency receivables, 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, primarily receivables secured by automobiles.

We identify potential portfolio acquisitions on an ongoing basis through:

- our relationships with industry participants, financial institutions, collection agencies, investors and our financing sources;
- brokers who specialize in the sale of consumer receivable portfolios; and
- Other sources.

Historically, the purchase prices of the consumer receivable portfolios we have acquired have ranged from less than $100,000 to approximately $15,000,000; however we acquired one group of portfolios in March 2007 for $300 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, participation and profit sharing agreements with our sources of financing and our third-party collection agencies and attorneys. These arrangements may take the form of a joint bid, with one of our third-party collection agencies and attorneys or financing source who assists in the acquisition of a portfolio and provides us with more favorable non-recourse financing terms or a discounted servicing commission. Current participation agreements include a fifty percent sharing arrangement after the Company has recouped one hundred percent of the cost of the portfolio purchase plus the cost of funds.

We utilize our relationships with brokers, third-party collection agencies and attorneys, and sellers of portfolios to locate portfolios for purchase. Our senior management is responsible for:

- coordinating due diligence, including, in some cases, on-site visits to the seller’s office;
- stratifying and analyzing the portfolio characteristics;
- valuing the portfolio;
- preparing bid proposals;
- negotiating pricing and terms;
- negotiating and executing a purchase contract;
- closing the purchase; and
- 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, through an electronic 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, management monitors the portfolio’s performance and uses this information in determining future buying criteria including pricing. An integral part of the acquisition process is the oversight by the Investment Committee. This committee, established in January 2008, must review and approve all investments above $1 million in value. Voting criteria are more stringent as the size of the investment increases. This is a five member committee composed of the Chairman of the Board, the President & Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, and the Senior

Vice President. As the Chairman of the Board and President & Chief Executive Officer are related family members, at least one other officer must approve transactions.

After determining that an investment will yield an adequate return on our acquisition cost after servicing fees, we use a variety of qualitative and quantitative factors to determine the estimated cash flows. Included in our analysis for purchasing a portfolio of receivables and determining a reasonable estimate of collections and the timing thereof, the following variables are analyzed and factored into our original estimates:

- the number of collection agencies previously attempting to collect the receivables in the portfolio;
- the average balance of the receivables;
- the age of the receivables (as older receivables might be more difficult to collect or might be less cost effective);
- past history of performance of similar assets — as we purchase portfolios of similar assets, we believe we have built significant history on how these receivables will liquidate and cash flow;
- time elapsed since charge-off;
- payments made since charge-off;
- the credit originator and their credit guidelines;
- the locations of the debtors as there are better states to attempt to collect in and ultimately we have better predictability of the liquidations and the expected cash flows. Conversely, there are also states where the liquidation rates are not as good and that is factored into our cash flow analysis;
- jobs or property of the debtors found within portfolios-with our business model, this is of particular importance. Debtors with jobs or property are more likely to repay their obligation and conversely, debtors without jobs or property are less likely to repay their obligation; and
- the ability to obtain customer statements from the original issuer.

We obtain and utilize, as appropriate, input from our third party collection agencies and attorneys, as further evidentiary matter, to assist us in developing collection strategies and in modeling the expected cash flows for a given portfolio.

Once a receivable portfolio has been identified for potential purchase, we prepare various 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 third-party collection agencies and attorneys, through privately negotiated direct sales and through auction type sales in which sellers of receivables seek bids from several pre-qualified debt purchasers. We also, from time to time, use the services of brokers for sourcing consumer receivable portfolios. 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:

- adequate internal controls to detect fraud;
- the ability to provide post sale support; and
- the capacity to honor put-back and return warranty requests.

Generally, our portfolio purchase agreements provide that we can return certain accounts to the seller within a specified time period. 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:

- debts paid prior to the cutoff date;
- debts in which the consumer filed bankruptcy prior to the cutoff date;
- debts in which the consumer was deceased prior to cutoff date; and
- fraudulent accounts.

Significant accounts returned to sellers for the fiscal year ended 2007 amounted to approximately $10.0 million of investment for two portfolio purchases. Such accounts were non-compliant accounts. Accounts returned to sellers for fiscal years 2008 and 2006 have been determined to be immaterial. Our purchase agreements generally do not contain any provision for a limitation on the number of accounts that can be returned to the seller.

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, or older 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.

In February 2006, we acquired VATIV Recovery Solutions LLC (“VATIV”), located in Sugar Land, Texas. VATIV provides bankruptcy and deceased account servicing. The acquisition of VATIV provides the Company with internal experience and proprietary systems in support of servicing our own bankruptcy and deceased accounts, while also affording us the opportunity to enter new markets for acquisitions in the bankruptcy and deceased account fields.

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 a third-party collection agency or an attorney.

Therefore, if we are successful in acquiring the portfolio, 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 and can establish payment programs.

Once a portfolio has been acquired, we 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 third-party collection agencies or attorneys, 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 collection agencies and attorneys. Our senior management typically determines the appropriate third-party collection agency and attorney based on the type of receivables purchased. Once a group of receivables is sent to a third-party collection agency or attorney, our management actively monitors and reviews the third-party collection agency’s and attorney’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 collection agencies and attorneys. Based on portfolio performance guidelines, our management will move certain receivables from one third-party collection agency or attorney to another if we believe such change will enhance collections.

At September 30, 2008 approximately 36% of our portfolios were serviced by two collection organizations. We have servicing agreements in place with these two collection organizations as well as all other third party collection agencies and attorneys. These service agreements cover standard contingency fees and servicing of the accounts.

We have two collection centers that currently employ approximately 100 experienced collection personnel, including management. These facilities provide the majority of our internal collection and servicing capabilities, giving us flexibility and control over the servicing of our consumer receivable portfolios and assisting us in benchmarking our third-party collection agencies and attorneys.

We have three main internal servicing departments:

- collection/skiptrace;
- customer service; and
- accounting and finance

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 third-party collection agencies and attorneys. 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:

- contacting customers;
- explaining the benefits of making payment on the obligations; and
- working with the customers to develop acceptable means to satisfy their obligations.

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

- offering obligors a discount on the overall obligation; and/or
- 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.

Customer Service. The customer service department is responsible for:

- handling incoming calls from debtors and third-party collection agencies that are responsible for collecting on our consumer receivable portfolios;
- coordinating customer inquiries and assisting the collection agencies in the collection process;
- handling buy-back and information requests from companies that have purchased receivables from us;
- working with the buyers during the transition period and post sale process; and
- handling any issues that may arise once a receivable portfolio has been sold.

Accounting and Finance. In addition to the customary accounting activities, the Accounting and Finance department is responsible for:

- making daily deposits of customer payments;

- posting these payments to the customer's account; and
- in conjunction with the customer service department, providing senior management with weekly and monthly receivable activity and performance reports.

Accounting and Finance 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 and attorneys.

Collections Represented by Account Sales

Certain collections represent account sales to other debt buyers to help maximize revenue and cash flows. We feel that our business model of not having a large number of collectors, coupled with a legal strategy which is focused on attempting to perfect liens and judgments on obligors, allows us the flexibility to sell accounts at prices that are attractive to us and as important, sell the less desirable accounts within our collective portfolios. There are many factors that contribute to the decision as to which receivable to sell and which to service, including:

- the age of the receivables;
- the status of the receivables — whether paying or non-paying; and
- the selling price.

Net collections represented by account sales for the fiscal years ended September 30, 2008, 2007 and 2006 were $20.4 million, $54.2 million and $55.0 million, respectively. Collections represented by account sales as a percentage of total collections for the fiscal years ended September 30, 2008, 2007 and 2006 were 9.8%, 19.2% and 25.7%, respectively.

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:

- other purchasers of consumer receivables, including third-party collection companies; and
- 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 the capital market system. We believe that no individual competitor or group of competitors has a dominant presence in the market.

We compete in the market place for consumer receivable portfolios based on many factors, including:

- purchase price;
- representations, warranties and indemnities requested;
- making purchase decisions in a timely manner; and
- 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 collection agencies and attorneys 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.

Technology

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 technology systems to support the servicing and recovery of consumer receivables acquired for liquidation. Our telecommunications and technology 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 collection agencies and attorneys 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 local laws, rules, regulations and ordinances. These laws include, but are not limited to, the following federal statutes and regulations: the federal Truth-In-Lending Act, the Fair Credit Billing Act, the Equal Credit 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 calculation 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 request that billing errors 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 of 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 local laws, rules, regulations and ordinances, including, but not limited to, the Federal Fair Debt Collection Practices Act ("FDCPA") 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 or certain state statutes that govern third-party debt collectors, it is our policy to comply with applicable laws in our collection activities. Additionally, our third-party collection agencies and attorneys may be subject to these laws. To the extent that some or all of these laws apply to our collection activities

or our third-party collection agencies' and attorneys' collection activities, failure to comply with such laws could have a material adverse effect on us.

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

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.

Employees

As of September 30, 2008, we had 158 full-time employees. We are not a party to any collective bargaining agreement.

You can visit our web site at www.astafunding.com. Copies of our 10-Ks, 10-Qs, 8-Ks and other SEC reports are available there as soon as reasonably practical after filing electronically with the SEC. The Asta Funding, Inc. web site is not incorporated by reference in this section.

Item 1A. ***Risk Factors.***

You should carefully consider these risk factors in evaluating the Company. 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.

The Company has risks associated with its purchase of $6.9 billion in face value of receivable purchase for $300 million in March 2007 (the "Portfolio Purchase")

On February 5, 2007, Palisades Acquisition XV, LLC, a wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement (the "Portfolio Purchase Agreement") with Great Seneca Financial Corporation, Platinum Financial Services Corporation, Monarch Capital Corporation, Colonial Credit Corporation, Centurion Capital Corporation, Sage Financial Corporation and Hawker Financial Corporation (collectively, the "Sellers"), under which we agreed to acquire the Portfolio Purchase for a purchase price of $300 million plus 20% of any future Net Payments (as defined in the Portfolio Purchase Agreement) received by the Company after the Company has received Net Payments equal to 150% of the purchase price plus our cost of funds. The Portfolio Purchase (now owned by our subsidiary Palisades Acquisition XVI, LLC ("Palisades XVI")) predominantly consists of credit card accounts and includes some accounts in collection litigation and accounts as to which the Sellers have been awarded judgments. The transaction was consummated on March 5, 2007.

Under the Portfolio Purchase Agreement, we assumed certain risks associated with the Portfolio Purchase. The representations and warranties with respect to the Portfolio which we received from the Sellers have limitations both in scope and, in certain cases, duration, including a limitation of our put-back rights with respect to certain types of claims, a requirement that certain claims be brought within 120 days of closing or be deemed waived, and a limitation with respect to the Sellers' responsibilities for acts of prior owners. Other than the representations contained in the Portfolio Purchase Agreement, the accounts were sold as is. We may not have an adequate remedy against the sellers if our understandings about the quality, quantity and characteristics of the Accounts in the Portfolio prove to be contrary to our expectations.

Recent amendments to our credit agreements increase our risk and potential loss and will limit our ability to purchase portfolios.

Since the Portfolio Purchase in March 2007, Palisades XVI has not performed well with respect to the Receivables Financing Agreement with the Bank of Montreal ("BMO"). In September 2007, Palisades XVI was

required to remit an additional $13.1 million to BMO in order to be in compliance with its repayment obligations. We purchased a portion of this Portfolio from Palisades XVI at a price of $13.1 million, giving Palisades XVI the ability to make this payment. In December 2007, Palisades XVI entered into an amendment of the Receivables Financing Agreement to extend the required repayment schedule. Again in May 2008, as a result of collections being slower than anticipated at the time of the December 2007 amendment, Palisades XVI and BMO amended the Receivables Financing Agreement to further extend the repayment schedule. In addition, on May 19, 2008, the Company entered into an amended and restated servicing agreement among Palisades XVI, Palisades Collection, L.L.C. and BMO (the "Service Agreement"). The amendment calls for increased documentation, responsibilities and approvals of subservicers engaged by Palisades Collection L.L.C. On February 20, 2009, Palisades XVI entered into the fourth amendment to the Receivables Financing Agreement (the "Fourth Amendment") to further extend the required payment schedule in light of continued lower level of collections. As an inducement to BMO to enter into such an amendment, the Company agreed to provide BMO with an $8 million limited secured subordinated guaranty of Palisades XVI's performance, which may constrain future borrowing ability.

On February 20, 2009, the Company entered into the Seventh Amendment to Fourth Amended and Restated Loan Agreement with a consortium of banks (the "Bank Group") that, among other changes, lowers the level of borrowing from $175 million to a low of $80 million at June 30, 2009 while in the short term, we maintain the same level of borrowing availability (approximately $20 million) as a result of recent normal pay down of the loan. In the longer term this reduction in the line will limit our ability to purchase portfolios and grow. In addition, individual portfolio purchases in excess of $7.5 million will now require the consent of the collateral agent of the Bank Group, Israel Discount Bank (the "Collateral Agent") and portfolio purchases in excess of $15.0 million in the aggregate during any 120 day period will require the consent of the Bank Group which may limit our ability to purchase portfolios and grow.

The anticipated benefits of the Portfolio Purchase have not and may not meet our expectations.

The Portfolio Purchase increased our assets acquired for liquidation by more than 100%, so that our future operating results became highly dependent on the returns realized from the Portfolio Purchase. While we believed that we had the capability to manage such a significantly increased asset base, no assurances can be given that we will not experience operational difficulties internally or with our third party collection agencies and attorneys in managing an asset base of this size.

Further, the returns on the Portfolio Purchase have not proved to be as favorable as our historic returns on smaller portfolio purchases. The Portfolio Purchase has not met our initial expectations, and the shortfall has been exacerbated by the general economic down turn. We have suffered impairments in our portfolios of $53.2 million in 2008, compared to $9.1 million in 2007, and $2.2 million in 2006. Of these overall impairment losses, $30.3 million was attributed to the Portfolio Purchase in fiscal year 2008 **.** Further, in the third quarter ending June 30, 2008, we discontinued using the interest method for income recognition under AICPA Statement of Position 03-3, "Accounting for Loans or Certain Securities Acquired in a Transfer" ("SOP 03-3") for the Portfolio Purchase. Accordingly, we will recognize income only after we recover our carrying value, which, as of September 30, 2008, was approximately $207 million. As a result, our revenue in the future will be negatively impacted. There can be no assurance as to when or if the carrying value will be recovered.

We incurred substantial debt in connection with the Portfolio Purchase Agreement. The BMO Facility has been amended on a number of occasions and has required additional credit support from the Company.

To finance the Portfolio Purchase, we incurred substantial indebtedness. We utilized substantially all of the availability under our existing $175 million credit facility (including a temporary $15 million increase in the line) to make $75 million in deposit payments.

The remaining $225 million of the purchase price was paid in full at the closing of the Portfolio Purchase on March 5, 2007, by borrowing approximately $227 million (inclusive of transaction costs) under a Receivables Financing Agreement entered into by Palisades XVI, with BMO as the funding source, consisting of debt with full recourse only to Palisades XVI (the "BMO Facility"). The original term of the Receivables Financing Agreement

was three years. All assets of Palisades XVI, principally the Portfolio Purchase, were pledged to secure such borrowing, and all proceeds received as a result of the net collections from this Portfolio Purchase are applied to interest and principal of the underlying loan. The Company made certain representations and warranties to the lender to support the transaction. As of September 30, 2008 the balance due on the Receivables Financing Agreement was $128.6 million.

As of September 30, 2007, Palisades XVI was required to remit an additional $13.1 million to BMO in order to be in compliance under the Receivables Financing Agreement. The Company facilitated the ability of Palisades XVI to make this payment by borrowing $13.1 million under its current revolving credit facility and causing another of its subsidiaries to purchase a portion of the Portfolio Purchase from Palisades XVI at a price of $13.1 million prior to the measurement date under the Receivables Financing Agreement.

The Receivables Financing Agreement required that the principal amount thereunder be reduced under a schedule tied to projected collections on the Portfolio Purchase. As we fell behind the minimum required amortization schedule, principally as a result of sales of accounts that were built into that schedule, but that we did not effect, the Company and BMO entered into an amendment dated December 27, 2007. The amendment substantially eliminated any scheduled sales of accounts used in the original projections and effectively extended the repayment schedule from 25 months to 31 months.

On May 19, 2008, Palisades XVI entered into the third amendment of its Receivables Financing Agreement. As the actual collections on the Portfolio Purchase continued to be slower than the minimum collections scheduled under the second amendment, the lender and Palisades XVI agreed to an extension to the amortization schedule determined in connection with the second amendment. The lender also increased the interest rate from approximately 170 basis points to approximately 320 basis points over LIBOR, subject to automatic reduction in the future if additional capital contributions are made by the parent of Palisades XVI.

As a result of the actual collections being lower than the minimum collection rates required under the Receivables Financing Agreement for the months ended November 30, 2008, December 31, 2008 and January 31, 2009, termination events occurred under the Receivables Financing Agreement. In order to resolve these issues, on February 20, 2009, we executed the Fourth Amendment to the Receivables Financing Agreement with BMO. The effect of this Fourth Amendment is, among other things, to (i) lower the collection rate minimum to $1 million per month as an average for each period of three consecutive months, (ii) provide for an automatic extension of the maturity date from April 30, 2011 to April 30, 2012 should the outstanding balance be reduced to $25 million or less by April 30, 2011 and (iii) permanently waive the previous termination events. The interest rate will remain unchanged at approximately 320 basis points over LIBOR, subject to automatic reduction in the future should certain collection milestones be attained.

As additional credit support for repayment by Palisades XVI of its obligations under the Receivables Financing Agreement and as an inducement for BMO to enter into the Fourth Amendment, the Company offered BMO a limited recourse, subordinated guaranty, secured by the assets of the Company, in an amount not to exceed $8 million plus reasonable costs of enforcement and collection. Under the terms of the guaranty, BMO cannot exercise any recourse against the Company until the earlier of (i) five years from the date of the Fourth Amendment and (ii) the termination of the Company’s existing senior lending facility or any successor senior facility.

In addition, as further credit support under the Receivables Financing Agreement, Asta Group Inc. (“the Family Entity”) offered BMO a limited recourse, subordinated guaranty, secured solely by a collateral assignment of $700,000 of the $8.2 million subordinated note executed by the Company for the benefit of the Family Entity. The subordinated note was separated into a $700,000 note and a $7.5 million note for such purpose. Under the terms of the guaranty, unless the terms of the arrangement are not met, BMO cannot exercise any recourse against the Family Entity until the occurrence of a termination event under the Receivables Financing Agreement and an undertaking of reasonable efforts to dispose of Palisades XVI’s assets. As an inducement for agreeing to make such collateral assignment, the Family Entity was also granted a subordinated guaranty by the Company (other than Asta Funding, Inc.) for the performance by Asta Funding, Inc. of its obligation to repay the $8.2 million, secured by the assets of the Company (other than Asta Funding, Inc.), and the Company agreed to indemnify the Family Entity to the extent that BMO exercises recourse in connection with the collateral assignment. Without the consent of the agent under the senior lending facility, the Family Entity will not be permitted to act on such guaranty, and cannot receive

payment under such indemnity, until the termination of the Company's senior lending facility or lenders under any successor senior facility.

As a result of the Company's current capital structure and their interrelated components, it may be difficult to obtain new financing.

We are highly leveraged and may incur further debt in the future which could adversely affect our ability to obtain additional funds.

To finance the Portfolio Purchase, we needed to incur substantial indebtedness of over $300 million, inclusive of utilizing substantially all of the availability (approximately $25 million) under our existing $175 million credit facility.

On December 4, 2007, we signed the Sixth Amendment to the Fourth Amended and Restated Loan Agreement with the Bank Group that temporarily increased the total revolving loan commitment from $175 million to $185 million. The temporary increase of $10 million, which was not used, was required to be repaid by February 29, 2008. Our ability to grow through this line was limited as we were approaching the upper limit of our borrowing availability. Because we have made limited purchases this year, we have paid down this line of credit to $84.9 million at September 30, 2008.

On April 29, 2008, we obtained a subordinated loan pursuant to a subordinated promissory note from the Family Entity. The Family Entity is a greater than 5% shareholder of the Company beneficially owned and controlled by Arthur Stern, the Chairman of the Board of the Company, Gary Stern, the Chief Executive Officer of the Company, and members of their families. The loan is in the aggregate principal amount of approximately $8.2 million, bears interest at a rate of 6.25% per annum, is payable interest only each quarter until its maturity date of January 9, 2010, subject to prior repayment in full of the Company's senior loan facility with the Bank Group.

The subordinated loan was incurred by us to resolve certain issues described below. Proceeds from the Seventh Amendment to Fourth Amended and Restated Loan Agreement with the Bank Group subordinated loan were used initially to further collateralize the Company's $175 million revolving loan facility with the Bank Group and was used to reduce the balance due on that facility as of May 31, 2008. This facility is secured by substantially all of the assets of the Company and its subsidiaries (the "Bank Group Collateral"), other than the assets of Palisades XVI, the entity that made the Portfolio Purchase.

On February 20, 2009, the Company entered into the Seventh Amendment to the Fourth Amended and Restated Loan Agreement with the Bank Group (the "Seventh Amendment") in order to, among other items, reduce the level of the loan commitment, redefine certain financial covenant ratios, revise the requirement for an unqualified opinion on annual audited financial statements, and permit certain encumbrances relating to restructuring of the BMO Facility. Pursuant to the Seventh Amendment, the loan commitment has been revised down from $175.0 million to the following schedule: (1) $90.0 million until March 30, 2009, (2) $85.0 million from March 31, 2009 through June 29, 2009, and (3) $80.0 million from June 30, 2009 and thereafter. Beginning with the fiscal year ending September 30, 2008 (and for each period included in calculating fixed charge coverage ratio for the fiscal year ending September 30, 2008) and continuing thereafter for each reporting period thereafter (and for each period included in calculating fixed charge coverage ratio for such reporting period), earnings before interest taxes depreciation and amortization ("EBITDA") and fixed charges attributable to Palisades XVI shall be excluded from the computation of the fixed charge coverage ratio for Asta Funding and its Subsidiaries. In addition, the fixed charge coverage has been revised to exclude impairment expense of portfolios of consumer receivables acquired for liquidation and increase the ratio from a minimum of 1.50 to1.0 to a minimum of 1.75 to 1.0. The permitted encumbrances under the Credit Agreement were revised to include certain encumbrances incurred by the Company in connection with certain guarantees and liens provided to BMO Facility and the Family Entity. Further, individual portfolio purchases in excess of $7.5 million will now require the consent of the agent and portfolio purchases in excess of $15.0 million in the aggregate during any 120 day period will require the consent of the Bank Group.

The Company and the Bank Group are in the beginning phase of discussions to renew the current Loan Agreement. If, however, a renewal cannot be ultimately agreed to, the Company, at maturity, will consider the sale of assets collateralized by this loan agreement, to satisfy its obligations after July 11, 2009.

Business issues with a significant third party servicer (the "Servicer") has led to the need to secure subordinated financing reduced purchases and other disruptions in the business relationship.

The Servicer that provides servicing for certain portfolios within the Bank Group Collateral, was also engaged by Palisades Collection, LLC, the Company's servicing subsidiary ("Palisades Collection"), after the acquisition of the Portfolio Purchase, to provide certain management services with respect to the portfolios owned by Palisades XVI and financed by the BMO Facility and to provide subservicing functions for portions of the Portfolio Purchase. Collections with respect to the Portfolio Purchase, and most portfolios purchased by the Company, lag the costs and fees which are expended to generate those collections, particularly when court costs are advanced to pursue an aggressive litigation strategy, as was the case with the Portfolio Purchase. Start-up cash flow issues with respect to the Portfolio Purchase were exacerbated by (a) collection challenges caused by the current economic environment, (b) the fact that Palisades Collection believed that it would be desirable to engage the Servicer to perform management services with respect to the Portfolio Purchase which services were not contemplated at the time of the initial acquisition of the Portfolio Purchase and (c) Palisades Collection believed it would be desirable to commence litigation and incur court costs at a faster rate than initially budgeted. As previously described in the Company's Form 10-K and Form 10-K/A for the year ended September 30, 2007, the agreements with the Servicer call for a 3% fee on substantially all gross collections from the Portfolio Purchase on the first $500 million and 7% on substantially all gross collections from the Portfolio Purchase in excess of $500 million. Additionally, the Company pays the Servicer a monthly fee of $275,000 for twenty five months for consulting, asset identification and skiptracing efforts in connection with the Portfolio Purchase. The Servicer also receives a servicing fee with respect to those accounts it actually subservices. As the fees due to the Servicer for management and subservicing functions and the amounts spent for court costs were higher than those initially contemplated for subservicing functions, and as start-up collections with respect to the Portfolio Purchase were slower than initially projected, the amounts owed to the Servicer with respect to the Portfolio Purchase for fees and advances for court costs to pursue litigation against debtors have, from time to time, exceeded amounts available to pay the Servicer from collections received by the Servicer on the Portfolio Purchase on a current basis. The Company considered the effects of these trends on the Portfolio Purchase valuation.

Rather than waiting for collections from the Portfolio Purchase to satisfy sums of approximately $8.2 million due the Servicer for court cost advances and its fees, the Servicer set-off that amount against amounts it had collected on behalf of the Company with respect to the Bank Group collateral. While the Servicer disagrees, the Company believes that those sums should have been remitted to the Bank Group without setoff.

The Company determined to remedy any shortfall in the receipts under the Bank Group facility by obtaining the $8.2 million subordinated loan from the Family Entity and causing the proceeds of the loan to be delivered to the Bank Group and not to pursue a dispute with the Servicer at that time. The Company believed that avoiding a dispute with the Servicer was is in its best interests, as the Servicer should improve collections on the Portfolio Purchase over time.

On April 29, 2008, the Company entered into a letter agreement with the Bank Group in which the Bank Group consented to the Subordinated Loan from the Family Entity. On January 18, 2009, the Company entered into amended agreements with the Servicer pursuant to which the Servicer agreed that it will not make any further set-offs against collections.

We are highly leveraged which places constraints on our business and increases our vulnerability to economic and business downturns.

By incurring such substantial indebtedness, as described above, and by incurring additional indebtedness from time to time in connection with the purchase of consumer receivable portfolios in the future, we are subject to the risks associated with incurring such indebtedness, including:

- we are required to dedicate a significant portion of our cash flows from operations to pay debt service costs and, as a result, we will have less funds available for operations, future acquisitions of consumer receivable portfolios, and other purposes;
- it may be more difficult and expensive to obtain additional funds through financings, if available at all;

- we are 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
- if we defaulted under 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 all of our portfolios of consumer receivables to secure our borrowings and are subject to covenants that may restrict our ability to operate our business.

As we borrow funds to purchase portfolios we may fully utilize our availability under that facility and no future borrowings are permitted under the new Receivables Financing Agreement. This may place us at a competitive disadvantage as compared to less leveraged companies.

Any indebtedness that we incur under our existing line of credit is collateralized by all of our portfolios of consumer receivables acquired for liquidation, except the Portfolio Purchase only collateralizes the Receivables Financing Agreement. If we default under the indebtedness secured by our assets, including failure to comply with borrowing base requirements, those assets would be available to the secured creditor to satisfy our obligations to the secured creditor. In addition, our credit facility imposes certain restrictive covenants, including financial covenants and borrowing base requirements. Failure to satisfy any of these covenants could result in all or any of the following:

- acceleration of the payment of our outstanding indebtedness;
- cross defaults to and acceleration of the payment under other financing arrangements;
- our inability to borrow additional amounts under our existing financing arrangements; and
- 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.

The current economic environment has slowed our ability to collect from our debtors.

The recent worldwide financial turmoil has adversely affected all businesses, including our own. The current collection environment is particularly challenging as a result of factors in the economy over which we have no control. These factors include:

- A slowdown in the economy;
- severe problems in the credit and housing markets;
- higher unemployment;
- reductions in consumer spending;
- changes in the underwriting criteria by originators; and
- changes in laws and regulations governing consumer lending and the related collections.

We believe that our debtors are straining to pay their obligations owed to us. Higher unemployment rates particularly impact our debtors' ability to pay obligations and our ability to get wage executions as a source of payment. Problems in the credit markets and lower home values have reduced the ability of our debtors to secure financing through second mortgages and home equity lines to pay obligations owed to us. A continuation of the current problems in the credit and housing markets and general slow down in the economy will continue to adversely affect the value of our portfolios and our financial performance.

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:

- the growth in consumer debt;
- the volume of consumer receivable portfolios available for sale;
- availability of financing to fund purchases;
- competitive factors affecting potential purchasers and sellers of consumer receivable portfolios; and
- possible future changes in the bankruptcy laws, state laws and homestead acts which could make it more difficult for us to collect.

Our future operating results will suffer as we have not replaced our defaulted consumer receivables at historic levels.

To operate profitably, we must continually acquire a sufficient amount of distressed consumer receivables to generate continued revenue. Our buying during fiscal year ended 2008 slowed dramatically during the last three quarters. As the economic environment deteriorated, we felt that pricing of portfolios had not fallen enough to offset the decline in ultimate collections. Accordingly, our purchases of receivables in 2008 were only $49.9 million, compared to $440.9 million in 2007 and $200.2 million in 2006. Our lack of buying during 2008, which has continued into the first quarter of fiscal year 2009, will have a negative effect on our future revenues and operating results. Furthermore, we cannot predict how our ability to identify and purchase receivables and the quality of those receivables would be affected if there is a shift in consumer lending practices whether caused by changes in regulations or by a sustained economic downturn.

Our inability to purchase sufficient quantities of receivables portfolios may necessitate workforce reductions, which may harm our business.

Because fixed costs, such as personnel costs constitute a significant portion of our overhead, we may be required to reduce the number of employees if we do not continually purchase receivables acquired for liquidation. Reducing the number of employees can affect our business adversely and lead to:

- lower employee morale, higher employee attrition rates and fewer experienced employees;
- disruptions in our operations and loss of efficiency in collection functions;
- excess costs associated with unused space in collection facilities; and
- further reliance on our third party collection agencies and attorneys.

We have seen at certain times that the market for acquiring consumer receivable portfolios has become more competitive, thereby diminishing from time to time our ability to acquire such receivables at prices we are willing to pay.

The growth in consumer debt may also be affected by:

- the continuation of a slowdown in the economy;
- continuation of the problems in the credit and housing markets;
- reductions in consumer spending;
- changes in the underwriting criteria by originators; and
- 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.

With portfolios classified under the interest method, our projections of future cash flows from our portfolio purchases may prove to be inaccurate, which could result in reduced revenues or the recording of an impairment charge if we do not achieve the collections forecasted by our model.

We use qualitative and quantitative analysis to project future cash flows from our portfolio purchases. There can be no assurance, however, that we will be able to achieve the collections forecasted by our analysis. If we are not able to achieve these levels of forecasted collections, our revenues will be reduced or we may be required to record an impairment charge, which would result in a reduction of our earnings. For the year ended September 30, 2008, we recorded impairment charges of $53.2 million. As relative collections compared to our expectations on certain portfolios were deteriorating, and this deterioration was confirmed by our third party collection agencies and attorneys, we believed that impairment charges were necessary. As the environment continues to be challenging, data received in the second quarter of fiscal year 2009 reflects a continued slowness of collections in relation to our estimates. As this data impacts the first quarter of fiscal year 2009, impairments of approximately $21.4 million offsetting income, are required in the first quarter of fiscal year 2009.

We use estimates for recognizing finance income on a portion of our consumer receivables acquired for liquidation and our earnings would be reduced if actual results are less than estimated.

We utilize the interest method of revenue recognition for determining our finance income recognized, which is based on projected cash flows that may prove to be less than anticipated and could lead to reductions in revenue or impairment charges under SOP 03-3. Under the guidance of SOP 03-3 (and the amended Practice Bulletin 6), static pools of accounts are established. These pools are aggregated based on certain common risk criteria. Each static pool is recorded at cost and is accounted for as a single unit for the recognition of income, principal payments and loss provision. Once a static pool is established for a quarter, individual receivable accounts are not added to the pool (unless replaced by the seller) or removed from the pool (unless sold or returned to the seller). SOP 03-3 (and the amended Practice Bulletin 6) requires that the excess of the contractual cash flows over expected cash flows not be recognized as an adjustment of revenue or expense or on the balance sheet. The SOP initially freezes the internal rate of return, ("IRR"), estimated when the accounts receivable are purchased, as the basis for subsequent impairment testing. Significant increases in actual, or expected future cash flows may be recognized prospectively through an upward adjustment of the IRR over a portfolio's remaining life. Any increase to the IRR then becomes the new benchmark for impairment testing. Effective for fiscal years beginning October 1, 2005 under SOP 03-3 (and the amended Practice Bulletin 6), rather than lowering the estimated IRR if the collection estimates are not received or projected to be received, the carrying value of a pool would be written down to maintain the then current IRR. Any reduction in our earnings could materially adversely affect our stock price.

We may not be able to collect 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:

- made numerous attempts to collect on these obligations, often using both their in-house collection staff and third-party collection agencies;
- subsequently deemed these obligations as uncollectible; and
- 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 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 price, 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 has raised 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 finance income 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 initiate the collection process 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 collection agencies and attorneys to service and collect our consumer receivables. However, any failure by our third party collection agencies and attorneys to adequately perform collection services for us or remit such collections to us could materially reduce our finance income and our profitability. In addition, our finance income and profitability could be materially adversely affected if we are not able to secure replacement third party collection agencies and attorneys and redirect payments from the debtors to our new third party collection agencies and attorneys promptly in the event our agreements with our third-party collection agencies and attorneys are terminated, our third-party collection agencies and attorneys fail to adequately perform their obligations or if our relationships with such third-party collection agencies and attorneys adversely change. As 36% of our portfolios are serviced by two organizations, we are dependent on them to perform.

We rely on our third party collectors to comply with all rules and regulations and maintain proper internal controls over their accounting and operations.

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, Puerto Rico and outside the United States, 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 third-party collection agencies and attorneys have been or will continue to be at all times in substantial compliance with applicable law. The failure to comply with applicable law and not maintain proper controls in their accounting and operations could materially adversely affect our ability to collect our receivables and could subject us to increased costs, fines and penalties.

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 third-party collection agencies and attorneys, 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 suffer an impairment and our earnings could be negatively affected.

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 may 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 receivable 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, in part, to fund and expand our operations. Our ability to grow our business is dependent on our access to additional financing and capital resources. With the most recent amendment to our credit facility, our line has been reduced from $175 million to a graduated reduction to a level of $80 million by June 30, 2009. The failure to obtain financing and capital as needed would limit our ability to:

- purchase consumer receivable portfolios; and
- achieve our growth plans.

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

- cause our indebtedness to become immediately payable;
- preclude us from further borrowings from these existing sources; and
- prevent us from securing alternative sources of financing necessary to purchase consumer receivable portfolios and to operate our business.

The loss of an asset type could impact our ability to acquire receivable portfolios.

In the event one of the asset classes of receivables which we purchase is no longer available to us, our purchases may decline and our results might suffer.

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.

Historically, Arthur Stern, our Chairman and Executive Vice President, Gary Stern, our President and Chief Executive Officer, Mitchell Cohen, our Chief Financial Officer , Cameron Williams, our Chief Operating Officer, and Mary Curtin, our Senior Vice President, were 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. Mitchell Cohen has announced that he will be leaving the Company to relocate and take another position shortly after the filing of this Form 10-K. He will be replaced by Robert J. Michel, CPA, who has served in senior financial positions at the Company for four years, including the last year as Controller. Additionally, as of January 2009, Arthur Stern has stepped down as an employee of the Company, although he will continue to serve on the Board and to consult with our executives. Significant losses of the services of our executive officers or the need to replace our officers with individuals who do not have experience with the Company 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 and Barbara Marburger), Gary Stern and trusts for the benefit of the issue of Arthur Stern and the issue of Gary Stern hold all economic interests, own, in the aggregate, approximately 26.0% 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:

- the election of a majority of our directors; and
- 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 reduced 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 at the appropriate time, 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:

- the effective and timely initiation and development of relationships with sellers of consumer receivable portfolios and strategic partners;
- our ability to maintain the collection of consumer receivables efficiently; and
- 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 or attract additional management talent and any failure to do so could adversely affect our ability to generate finance income and control our expenses.

Current economic conditions, have had a significant impact on our ability to sell accounts.

As part of our historic business model, we have sold accounts on an opportunistic basis. Our ability to sell accounts has been limited in 2008, and may be limited in 2009 and beyond. Net collections represented by account sales for 2008 were only $20.4 million, compared to $54.2 million and $55.0 million in 2007 and 2006, respectively. Collections represented by account sales as a percentage of total collections were 9.8% in 2008, compared to 19.2% and 25.7% in 2007 and 2006. We had launched a sales effort to enhance cash flow and pay debt, particularly from the Portfolio Purchase, but sales have been slower than expected due to a variety of factors, including a slow resale market, similar to the decrease in pricing we are seeing in general, as well as lack of media and validation of accounts with respect to accounts in the Portfolio Purchase.

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

Federal, state and local 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:

- The Fair Debt Collection Practices Act;
- The Federal Trade Commission Act;
- The Truth-In-Lending Act;
- The Fair Credit Billing Act;
- The Equal Credit Opportunity Act; and
- The Fair Credit Reporting Act.

We may be precluded from collecting receivables we purchase where the creditor or other previous owner or third-party collection agency or attorney 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 collection agencies and attorneys may be subject to these and other laws and their failure to comply with such laws could also materially adversely affect our finance income and earnings.

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

Because our receivables are generally originated and serviced pursuant to a variety of federal, state laws and/or local laws by a variety of entities and may involve consumers in all 50 states, the District of Columbia, Puerto Rico and South America, there can be no assurance that all originating and servicing entities have, at all times, been in substantial compliance with applicable law. Additionally, there can be no assurance that we or our third-party collection agencies and attorneys have been or will continue to be at all times in substantial compliance with applicable law. 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.

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

Originators, debt purchasers and third-party collection agencies and attorneys in the consumer credit industry are frequently subject to putative class action lawsuits and other litigation. Claims include failure to comply with applicable laws and regulations and improper or deceptive origination and servicing practices. Being a defendant in such class action lawsuits or other litigation could materially adversely affect our results of operations and financial condition.

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:

- the diversion of our management's attention from our everyday business activities;
- the assimilation of the operations and personnel of the acquired business;
- the contingent and latent risks associated with the past operations of, and other unanticipated problems arising in, the acquired business; and
- the need to expand management, administration and operational systems.

If we make such acquisitions we cannot predict whether:

- we will be able to successfully integrate the operations of any new businesses into our business;
- we will realize any anticipated benefits of completed acquisitions; or
- there will be substantial unanticipated costs associated with acquisitions.

In addition, future acquisitions by us may result in:

- potentially dilutive issuances of our equity securities;
- the incurrence of additional debt; and
- the recognition of significant charges for depreciation and impairment charges 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 future 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 finance income.

If our technology and phone systems are not operational, our operations could be disrupted and our ability to successfully acquire receivable portfolios and receive collections from debtors 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 and 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 collection agencies and attorneys who also may be adversely affected in the event of an outage in which the third-party collection agencies and attorneys do not have adequate backup arrangements. Any interruption in our operations or our third-party collection agencies' and attorneys' 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 14,271,824 shares of common stock issued and outstanding as of the date hereof. Of these shares, 3,669,340 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 are freely tradable. In addition, options to purchase approximately 1,037,438 shares of our common stock were outstanding as of September 30, 2008, of which 1,031,438 were vested. In certain cases, the exercise prices of such options were higher than the current market price of our common stock. We may also issue additional shares in connection with our business and may grant additional stock options or restricted shares to our employees, officers, directors and consultants under our present or future equity compensation plans or we may issue warrants to third parties outside of such plans. As of September 30, 2008 there were 1,267,334 shares available for such purpose with such shares available under the Equity Compensation Plan and the 2002 Stock Option Plan. No more options are available for issuance under the 1995 Stock Option Plan. If a significant portion of these shares were sold in the public market, the market value of our common stock could be adversely affected.

From time to time, the Company's Chairman, Arthur Stern and President and Chief Executive Officer, Gary Stern have adopted prearranged stock trading plans in accordance with guidelines specified by Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. While no such plans are in effect at present, significant sales by the Stern family could have an adverse effect on market price for our common stock.

The Company purchased a portfolio in a South American country exposing the Company to currency rate fluctuations.

As a result of this purchase, the Company is exposed to currency rate fluctuations as the collections on this portfolio are denominated in the local currency of the South American country. Additionally, our investment could also be exposed to the same currency risk. A strengthened U.S. dollar could decrease the U.S. dollar equivalent of the local currency collections, and the local currency conversion to U.S. dollars would suffer upon settlement of transactions associated with this investment with the parent company. The Company has no foreign currency hedge contracts in place.

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:

- the timing and amount of collections on our consumer receivable portfolios;
- our inability to identify and acquire additional consumer receivable portfolios;
- a decline in the estimated future value of our consumer receivable portfolio recoveries;
- increases in operating expenses associated with the growth of our operations;
- general and economic market conditions; and

- prices we are willing to pay for consumer receivable portfolios.

Item 1B. ***Unresolved Staff Comments.***

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2008 fiscal year and that remain unresolved.

Item 2. ***Properties.***

Our executive and administrative offices are located in Englewood Cliffs, New Jersey, where we lease approximately 15,000 square feet of general office space for approximately $25,000 per month, plus utilities. The lease expires on July 31, 2010.

In addition, a 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, 2009. In February 2009, the Company announced the closing of its Pennsylvania facility. See Note Q — Subsequent Events (unaudited). Our office in Sugar Land, Texas occupies approximately 3,600 square feet of general office space for approximately $6,000 per month. The lease expires February 28, 2011.

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 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.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Since August 15, 2000, our common stock has been quoted on the NASDAQ National Market system under the symbol "ASFI." On December 8, 2008 there were 28 holders of record of our common stock. High and low sales prices of our common stock since October 1, 2006 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, 2006 to December 31, 2006	$37.25	$27.63
January 1, 2007 to March 31, 2007	43.89	29.03
April 1, 2007 to June 30, 2007	46.50	36.90
July 1, 2007 to September 30, 2007	43.80	31.85
October 1, 2007 to December 31, 2007	$39.78	$24.71
January 1, 2008 to March 31, 2008	26.29	12.92
April 1, 2008 to June 30, 2008	15.25	6.74
July 1, 2008 to September 30, 2008	10.01	6.76

Dividends

During the year ended September 30, 2008, the Company declared quarterly cash dividends aggregating $2,270,000 ($0.04 per share, per quarter), of which $571,000 was paid November 3, 2008. During the year ended September 30, 2007 the Company declared quarterly cash dividends aggregating $2,221,000 ($0.04 per share, per quarter), of which $557,000 was paid November 1, 2007. On December 17, 2008 the Board of Directors declared a dividend of $0.02 per share for stockholders of record on December 29, 2008, payable on February 2, 2009. Future dividend payments 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. Currently there are no restrictions in place.

Securities Authorized for Issuance under Equity Compensation Plans

Included in the following table are the number of options outstanding, the average price and the number of available options remaining available for future issuance under equity compensation plans.

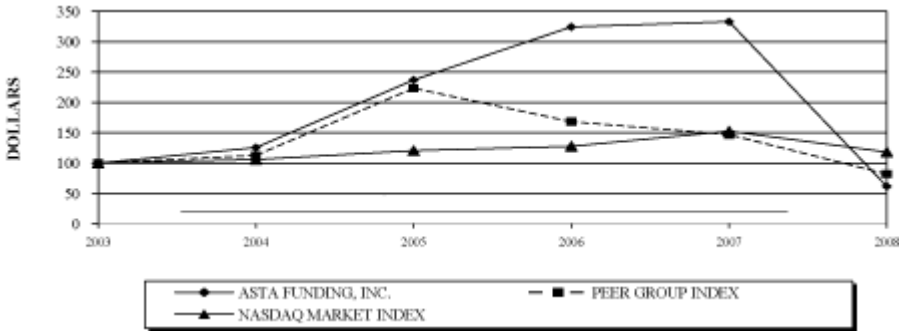
Equity Compensation Plan Information: Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	1,037,438	$ 11.69	1,267,334
Equity compensation plans not approved by security holders	0	0	0
Total	1,037,438	$ 11.69	1,267,334

Performance Graph

Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate by reference this Form 10-K Statement, in whole or in part, the following Performance Graph shall not be incorporated by reference into any such filings.

The following graph compares the cumulative total shareholder return on our Common Stock since September 30, 2003, with the cumulative return for the NASDAQ Stock Market (US) Index and four stocks comprising our peer group index over the same period, assuming the investment of $100 on September 30, 2003, and the reinvestment of all dividends. We declared dividends of $0.12 per share in fiscal 2004 of which $0.035 was paid November 1, 2004. During the year ended September 30, 2005, we declared quarterly cash dividends aggregating $0.16 per share, of which $0.04 per share was paid November 1, 2005. During the year ended September 30, 2006, we declared quarterly cash dividends aggregating $0.56 per share, of which $0.44 per share was paid November 1, 2006. Included in the $0.44 was a special dividend of $0.40 per share. During the year ended September 30, 2007, we declared quarterly cash dividends aggregating $0.16 per share, of which $0.04 per share was paid November 1, 2007. During the year ended September 30, 2008, we declared quarterly cash dividends aggregating $0.16 per share, of which $0.04 per share was paid November 3, 2008.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG ASTA FUNDING, INC.,
NASDAQ MARKET INDEX AND PEER GROUP INDEX



ASSUMES $100 INVESTED ON SEPT. 30, 2003
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING SEPT. 30, 2008

	2003	2004	2005	2006	2007	2008
ASTA FUNDING, INC.	100.00	125.67	236.92	324.42	333.05	61.80
PEER GROUP INDEX	100.00	112.80	223.39	168.29	147.05	82.13
NASDAQ MARKET INDEX	100.00	106.02	120.61	127.77	152.68	118.28

Item 6. ***Selected Financial Data.***

The following tables set forth a summary of our consolidated financial data as of and for the five fiscal years ended September 30, 2008. The selected financial data for the five fiscal years ended September 30, 2008, 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. All share and per share amounts for fiscal year 2004 have been restated to give effect to a 2:1 stock split in March 2004. Certain items in prior years' information have been reclassified to conform to the current year's presentation.

	Year Ended September 30,				
	2008	2007	2006	2005	2004
	(In thousands, except per share data)				
Operations Statement Data:					
Finance income	$115,295	$138,356	$101,024	$69,479	$51,175
Other income	200	2,181	405	—	—
Total revenue	115,495	140,537	101,429	69,479	51,175
Costs and expenses:					
General and administrative	29,561	25,450	18,268	15,340	11,258
Interest expense	17,881	18,246	4,641	1,853	845
Impairments	53,160	9,097	2,245	—	—
Third party servicing	—	—	—	—	1,316
Provision for credit losses	—	—	—	—	300
Total expenses	100,602	52,793	25,154	17,193	13,719
Income before equity in earnings in venture and income taxes	14,893	87,744	76,275	52,286	37,456
Equity in earnings in venture	55	225	550	—	—
Income before income taxes	14,948	87,969	76,825	52,286	37,456
Provisions for income taxes	6,119	35,703	31,060	21,290	15,219
Net income	$ 8,829	$ 52,266	$ 45,765	$30,996	$22,237
Basic net income per share	$ 0.62	$ 3.79	$ 3.36	$ 2.29	$ 1.67
Diluted net income per share	$ 0.61	$ 3.56	$ 3.13	$ 2.15	$ 1.57

	2008	2007	2006	2005	2004
			(In millions)		
Other Financial Data:					
For the Year ended September 30					
Cash collections	$ 208.0	$ 281.8	$ 214.5	$ 168.9	$ 114.0
Portfolio purchases, at cost	49.9	440.9	200.2	126.0	103.7
Portfolio purchases, at face	1,456.1	10,891.9	5,194.0	3,445.2	2,833.6
Return on average assets(1)	1.7%	12.0%	19.6%	18.3%	16.3%
Return on average stockholders' equity(1)	3.6%	24.8%	27.8%	23.9%	21.5%
Dividends declared per share(2)	$ 0.16	$ 0.16	$ 0.56	$ 0.14	$ 0.12
At September 30,					
Total assets	481.1	580.3	287.8	180.0	158.6
Total debt	221.7	326.5	82.8	29.3	39.4
Total stockholders' equity	247.9	237.5	184.3	145.2	114.5
Inception to date — September 30,					
Cumulative aggregate purchases, at face	31,049.9	29,593.8	18,701.9	13,507.9	10,062.7

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

(2) Includes a special dividend of $0.40 per share in 2006.

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

Cautions Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by use of terms such as "may", "will", "should", "plan", "expect", "anticipate", "estimate", and similar words, although some forward-looking statements are expressed differently. Forward looking statements represent our judgment regarding future events, but we can give no assurance that such judgments will prove to be correct. 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 above under Item 1A "Risk Factors" and below under "Critical Accounting Policies" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" 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. Unless the context otherwise requires, the terms "we", "us" "the Company", or "our" as used herein refer to Asta Funding, Inc. and our subsidiaries.

Overview

We are primarily engaged in the business of acquiring, managing, servicing and recovering on portfolios of consumer receivables. These portfolios generally consist of one or more of the following types of consumer receivables:

- *charged-off receivables* — accounts that have been written-off by the originators and may have been previously serviced by collection agencies;
- *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 in limited circumstances,
- *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.

We purchase receivables from credit grantors and others through privately negotiated direct sales and auctions in which sellers of receivables seek bids from several pre-qualified debt purchasers. We pursue new acquisitions of consumer receivable portfolios on an ongoing basis through:

- our relationships with industry participants, collection agencies, investors and our financing sources;
- brokers who specialize in the sale of consumer receivable portfolios; and
- other sources.

Critical Accounting Policies

We account for our investments in consumer receivable portfolios, using either:

- The interest method; or
- The cost recovery method.

As we believe our extensive liquidating experience in certain asset classes such as distressed credit card receivables, telecom receivables, consumer loan receivables, retail installment contracts, mixed consumer receivables, and auto deficiency receivables has matured, we use the interest method for accounting for substantially all asset acquisitions within these classes of receivables when we believe we can reasonably estimate the timing of the cash flows. In those situations where we diversify our acquisitions into other asset classes in which we do not possess the same expertise or history, or we cannot reasonably estimate the timing of the cash flows, we utilize the cost recovery method of accounting for those portfolios of receivables.

Over time, as we continue to purchase asset classes to the point where we believe we have developed the requisite expertise and experience, we are more likely to utilize the interest method to account for such purchases.

Prior to October 1, 2005, the Company accounted for its investment in finance receivables using the interest method under the guidance of Practice Bulletin 6. Each purchase was treated as a separate portfolio of receivables and was considered a separate financial investment, and accordingly we did not aggregate such loans under Practice Bulletin 6 although the underlying collateral had similar characteristics. As SOP 03-3 was adopted by the Company for our fiscal year beginning October 1, 2005, we began aggregating portfolios of receivables acquired sharing specific common characteristics which were acquired within a given quarter. We currently consider for aggregation portfolios of accounts, purchased within the same fiscal quarter, that generally have the following characteristics:

- same issuer/originator
- same underlying credit quality
- similar geographic distribution of the accounts
- similar age of the receivable and
- same type of asset class (credit cards, telecommunications, etc.)

After determining that an investment will yield an adequate return on our acquisition cost after servicing fees, including court costs which are expensed as incurred, we use a variety of qualitative and quantitative factors to determine the estimated cash flows. As previously mentioned, included in our analysis for purchasing a portfolio of receivables and determining a reasonable estimate of collections and the timing thereof, the following variables are analyzed and factored into our original estimates:

- the number of collection agencies previously attempting to collect the receivables in the portfolio;
- the average balance of the receivables;
- the age of the receivables (as older receivables might be more difficult to collect or might be less cost effective);
- past history of performance of similar assets — as we purchase portfolios of similar assets, we believe we have built significant history on how these receivables will liquidate and cash flow;
- number of months since charge-off;
- payments made since charge-off;
- the credit originator and their credit guidelines;
- the locations of the debtors as there are better states to attempt to collect in and ultimately we have better predictability of the liquidations and the expected cash flows. Conversely, there are also states where the liquidation rates are not as good and that is factored into our cash flow analysis;
- financial wherewithal of the seller;
- jobs or property of the debtors found within portfolios-with our business model, this is of particular importance. Debtors with jobs or property are more likely to repay their obligation and conversely, debtors without jobs or property are less likely to repay their obligation; and
- the ability to obtain customer statements from the original issuer.

We will obtain and utilize as appropriate input including, but not limited to, monthly collection projections and liquidation rates, from our third party collection agencies and attorneys, as further evidentiary matter, to assist us in developing collection strategies and in modeling the expected cash flows for a given portfolio.

We acquire accounts that have experienced deterioration of credit quality between origination and the date of our acquisition of the accounts. The amount paid for a portfolio of accounts' reflects our determination that it is probable we will be unable to collect all amounts due according to the portfolio of accounts' contractual terms. We consider the expected payments and estimate the amount and timing of undiscounted expected principal, interest and other cash flows for each acquired portfolio coupled with expected cash flows from accounts available for sales. The excess of this amount over the cost of the portfolio, representing the excess of the account's cash flows expected to be collected over the amount paid, is accreted into income recognized on finance receivables over the expected remaining life of the portfolio.

We believe we have significant experience in acquiring certain distressed consumer receivable portfolios at a significant discount to the amount actually owed by underlying debtors. We acquire these portfolios only after both qualitative and quantitative analyses of the underlying receivables are performed and a calculated purchase price is paid so that we believe our estimated cash flow offers us an adequate return on our costs including servicing expenses. Additionally, when considering larger portfolio purchases of accounts, or portfolios from issuers from whom we have little or limited experience, we have the added benefit of soliciting our third party collection agencies and attorneys for their input on liquidation rates and at times incorporate such input into the price we offer for a given portfolio and the estimates we use for our expected cash flows.

Typically, when purchasing portfolios for which we have the experience detailed above, we have expectations of recovering 100% return of our invested capital back within an 18-28 month time frame and expectations of collecting in the range of 130-150% of our invested capital over 3-5 years. Historically, we have generally been able to achieve these results and we continue to use this as our basis for establishing the original cash flow estimates for our portfolio purchases. We routinely monitor these results against the actual cash flows and, in the event the cash flows are below our expectations and we believe there are no reasons relating to mere timing differences or explainable delays (such as can occur particularly when the court system is involved) for the reduced collections, an impairment would be recorded as a provision for credit losses. Conversely, in the event the cash flows are in excess of our expectations and the reason is due to timing, we would defer the "excess" collection as deferred revenue.

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 Report on Form 10-K. In these discussions, most percentages and dollar amounts have been rounded to aid presentation. As a result, all such figures are approximations.

	Years Ending September 30,		
	2008	2007	2006
Finance income	99.8%	98.4%	99.6%
Other income	0.2%	1.6%	0.4%
Total revenue	100.0%	100.0%	100.0%
General and administrative expenses	25.6%	18.1%	18.0%
Interest expense	15.5%	13.0%	4.6%
Impairments	46.0%	6.5%	2.2%
Income before equity in earnings in venture and income taxes	12.9%	62.4%	75.2%
Equity in earnings in venture	0%	0.2%	0.5%
Income before income taxes	12.9%	62.6%	75.7%
Provision for income taxes	5.3%	25.4%	30.6%
Net income	7.6%	37.2%	45.1%

Year Ended September 30, 2008 Compared to the Year Ended September 30, 2007

Finance income. For the year ended September 30, 2008, finance income decreased $23.1 million or 16.7% to $115.3 million from $138.4 million for the year ended September 30, 2007. Although the average outstanding level of consumer receivable accounts acquired for liquidation increased from $401.4 million for the fiscal year ended September 30, 2007 to $497.3 million for fiscal year ended September 30, 2008, the decrease in finance income resulted primarily from the Portfolio Purchase being transferred from the interest method to the cost recovery method effective in the third quarter of fiscal year 2008. The finance income recorded on the Portfolio Purchase during the fiscal year ended September 30, 2007 was approximately $22.6 million (which relates to our ownership of the Portfolio Purchase for only seven months during that period) , as compared to $17.7 million recorded in the first six months of fiscal year 2008 prior to the transfer to cost recovery. As a result of the transfer to cost recovery, no finance income was recognized on the Portfolio Purchase during the second half of fiscal year 2008 and no further finance income will be recognized on the Portfolio Purchase after September 30, 2008 until the entire carrying value of $207.3 million value as of September 30, 2008, is collected.

During the fiscal year ended September 30, 2008, we acquired consumer receivable portfolios at a cost of $49.9 million as compared to $440.9 million during the fiscal year ended September 30, 2007, which included the Portfolio Purchase at a cost of $300 million. The portfolios purchased in fiscal year 2008 include a portfolio purchase domiciled in South America at $8.6 million. Further, as we have curtailed our purchases of new portfolios of consumer receivables during the second, third and fourth quarters of 2008, we expect to see a reduction in finance income in future quarters and future years, since we are not replacing our receivables acquired for liquidation. Instead, we are focusing, in the short term, on reducing our debt and being highly disciplined in our portfolio purchases. We continue to review potential portfolio acquisitions regularly and will be buyers at the right price, where we believe the purchase will yield our desired rate of return. However, purchases in the first quarter of fiscal 2009 have remained at the reduced 2008 levels. As the environment continues to be challenging, data received in the second quarter of fiscal year 2009 reflects a continued slowness of collections, in relation to our estimates. As this data impacts the first quarter of fiscal year 2009, impairments of approximately $21.4 million are required in the first quarter of fiscal year 2009.

There were no accretable yield adjustments recorded during the fiscal year ended September 30, 2008. Adjustments to accretable yields on certain portfolios were recorded in the amount of $44.5 million for the year ended September 30, 2007. Finance income related to the accretable yield reclassifications during the year ended September 30, 2007 was approximately $11.1 million. Income recognized from fully amortized portfolios (zero based revenue) was $45.3 million and $23.9 million for the years ended September 30, 2008 and 2007, respectively. The increase is due primarily to more pools which were fully amortized in the fourth quarter of 2007, and were predominantly derived from credit card purchases from one issuer made in 2003 and 2004 and telecommunications portfolios purchased from 2004 through 2005. Collections with regard to the Portfolio Purchase were $45.5 million for the fiscal year ended September 30, 2008 and $55.0 million for the period owned through September 30, 2007, which includes approximately $5.5 million collected from the seller for accounts returned to the seller.

Other income. Other income of $200,000 for the fiscal year ended September 30, 2008 consisted primarily of service fee income and interest income from banks. Other income of $2.2 million for the year ended September 30, 2007 includes interest income from banks and other loan instruments substantially acquired in 2007, which were collected during the fourth quarter of 2007.

General and administrative expenses. For the year ended September 30, 2008, general and administrative expenses increased $4.1 million or 16.2% to $29.6 million from $25.5 million for the year ended September 30, 2007, and represented 29.4% of total expenses (excluding income taxes) for the year ended September 30, 2008 as compared to 48.2% for the year ended September 30, 2007. The increase in general and administrative expenses was primarily due to an increase in receivable servicing expenses during the year ended September 30, 2008, as compared to the year ended September 30, 2007. The increase in receivable servicing expenses resulted from the increase in our average number of accounts acquired for liquidation, primarily due to the Portfolio Purchase in the second quarter of 2007. A majority of the increased costs were from collection related expenses, consulting and skiptracing fees (further described below), salaries, payroll taxes and benefits, professional fees, telephone charges and travel costs, as we are visiting our third party collection agencies and attorneys on a more frequent basis for financial and operational audits. In December 2007, the Company negotiated an agreement with a third party servicer, to assist the Company in the asset

location, skiptracing efforts and ultimately the suing of debtors with respect to the Portfolio Purchase. The agreement calls for a 3% percent fee on substantially all gross collections from the Portfolio Purchase on the first $500 million and 7% on substantially all collections from the Portfolio Purchase in excess of $500 million. The fee was agreed to in December of 2007 and retroactive to March 2007 and we believe this arrangement enhances our collection efforts. The 3% fee is applied to collections on the Portfolio Purchase and is not included in general and administrative expenses. Additionally, the Company is paying this third party servicer a monthly fee of $275,000 per month for twenty -five months for its consulting and skiptracing efforts in connection with the Portfolio Purchase. The $275,000 fee is included in general and administrative expenses. This fee began in May 2007. During the fiscal year ended September 30, 2008, $3.3 million was recorded as collection expense as compared to $1.3 million in fiscal year 2007.

Interest expense. For the year ended September 30, 2008, interest expense decreased $365,000 to $17.9 million from $18.2 million during the year ended September 30, 2007, and represented 17.8% of total expenses (excluding income taxes) for the year ended September 30, 2008 as compared to 34.6% for the year ended September 30, 2007. The decrease was due to a decrease in our outstanding borrowings under our line of credit and our Receivables Financing Agreement, slightly offset by the increase in the subordinated debt from a related party, during the year ended September 30, 2008, as compared to the outstanding borrowings during the year ended September 30, 2007, coupled with lower interest rates during the year ended September 30, 2008. The average interest rate (excluding unused credit line fees) for the year ended September 30, 2008 on the line of credit and the Receivable Financing Agreement was 6.11% as compared to 7.34% during the year ended September 30, 2007. The rate on the subordinated debt — related party is fixed at 6.25%. Although outstanding borrowings decreased approximately $104.0 million during the fiscal year ended September 30, 2008, the average outstanding borrowings increased from $241.5 million to $274.1 million for the years ended September 30, 2007 and 2008, respectively. The increase was caused by the higher levels of borrowing stemming from the Portfolio Purchase in the second quarter of 2007. Since then, the Company has been limiting portfolio purchases and concentrating on paying down debt.

Impairments. Impairments of $53.2 million were recorded by the Company during the year ended September 30, 2008 as compared to $9.1 million for the year ended September 30, 2007, and represented 52.8% of total expenses (excluding income taxes) for the year ended September 30, 2008, as compared to 17.2% for the year ended September 30, 2007. Because relative collections with respect to our expectations on these portfolios were deteriorating, and this deterioration was confirmed by our third party collection agencies and attorneys, we believed that impairment charges became necessary.

Equity in earnings of venture. In August 2006, the Company invested approximately $7.8 million for a 25% interest in a newly formed venture. The venture invested in a bankruptcy liquidation that collects on existing rental contracts and the liquidation of inventory. The Company's share of the income was $55,000 and $225,000 during the years ended September 30, 2008 and 2007, respectively. The Company has received approximately $8.1 million in cash distributions from the inception of the venture through September 30, 2008.

Net income. For the year ended September 30, 2008, net income decreased $43.4 million, or 83.1% to $8.8 million from $52.3 million for the year ended September 30, 2007, primarily reflecting the increased impairments recorded in fiscal year 2008 and the reduced finance income from the Portfolio Purchase for the last six months of 2008 due to the switch from the interest method to the cost recovery method. Net income per share for the year ended September 30, 2008 decreased $2.95 per diluted share, or 83.0% to $0.61 per diluted share, from $3.56 per diluted share for the year ended September 30, 2007.

Year Ended September 30, 2007 Compared to the Year Ended September 30, 2006

Finance income. For the year ended September 30, 2007, finance income increased $37.3 million or 37.0% to $138.4 million from $101.0 million for the year ended September 30, 2006. The increase in finance income primarily resulted from an increase in the average outstanding level of consumer receivable accounts acquired for liquidation during the year ended September 30, 2007, as compared to the prior year, coupled with the effect of adjustments to accretable yields on certain portfolios. The average level of consumer receivables acquired for liquidation increased from $215.0 million for the year ended September 30, 2006 to $401.4 million for the same period in 2007. The increase in the average level of consumer receivables acquired for liquidation is due primarily to the Portfolio Purchase in March 2007. During the year ended September 30, 2007, we acquired consumer receivable portfolios at a cost of

$440.9 million as compared to $200.2 million during the prior year. During the year ended September 30, 2007, commissions and fees associated with gross collections from our third party collection agencies and attorneys increased $10.9 million, or 10.3%, to $116.6 million from $105.7 million for year ended September 30, 2006. The increase is indicative of a shift to the suit strategy implemented by the Company and includes advances of court costs by our legal network, and by us. While the dollar amount has increased, the cost as a percentage of collections decreased during the year ended 2007. The slight percentage decrease reflects slightly lower rates charged by the servicers of the large portfolio and other portfolios they service for us. Our network of attorneys typically advances the cost of suing debtors. These court costs are recovered by our attorneys from collections received from debtor payments. During the fourth quarter ended September 30, 2007, the Company accrued $1.8 million for lawsuits commenced against debtors, primarily for the Portfolio Purchase. We do anticipate expending court costs during fiscal year 2008 on the Portfolio Purchase in order to accelerate the suit process. As we continue to purchase portfolios and utilize our third party collection agencies and attorney networks, the contingency fees should stabilize in the 30%-33% range of gross collections based upon the current mix of portfolios.

Adjustments to accretable yields on certain portfolios were made based on available information, and based on improved liquidation rates from our third party collection agencies and attorneys. Management believes the anticipated collections on these portfolios to be in excess of our original projections. As we believe these improved liquidation rates will continue on these portfolios, we adjusted our accretable yields by $16.6 million and $44.5 million for the years ended September 30, 2007 and 2006, respectively. Finance income related to the accretable yield reclassifications during the year ended September 30, 2007 was approximately $11.1 million. While our expectations on our fiscal year 2007 purchases are lower than in the prior year, the portfolios still fit our investment criteria. Income recognized from fully amortized portfolios (zero based revenue) was $23.9 million and $4.4 million for the years ended September 30, 2007 and 2006, respectively. The increase is due primarily to more pools which were fully amortized in the fourth quarter of 2007, and were predominantly derived from credit card purchases from one issuer made in 2003 and 2004 and telecom portfolios purchased from 2004 through 2005. Collections with regard to the $6.9 billion face value portfolio purchased in the second quarter of fiscal year 2007, (the “Portfolio Purchase”) were $55.0 million through September 30, 2007, which includes approximately $5.5 million of accounts returned to the seller, and finance income earned was $20.4 million.

Other income. Other income of $2.2 million for the year ended September 30, 2007 includes interest income from banks and other loan instruments substantially acquired in 2007, which were collected during the fourth quarter of 2007.

General and administrative expenses. For the year ended September 30, 2007, general and administrative expenses increased $7.2 million or 39.3% to $25.5 million from $18.3 million for the year ended September 30, 2006, and represented 48.2% of total expenses (excluding income taxes) for the year ended September 30, 2007. The increase in general and administrative expenses was primarily due to an increase in receivable servicing expenses during the year ended September 30, 2007, as compared to the year ended September 30, 2006. The increase in receivable servicing expenses resulted from the substantial increase in our average number of accounts acquired for liquidation, primarily due to the Portfolio Purchase in the second quarter of 2007. A majority of the increased costs were from collection expenses, consulting and skiptracing fees (further described below), salaries, payroll taxes and benefits, professional fees, telephone charges and travel costs, as we are visiting our third party collection agencies and attorneys on a more frequent basis for financial and operational audits. In December 2007, the Company negotiated an agreement with a third party servicer, to assist the Company in the asset location, skiptracing efforts and ultimately the suing of debtors with respect to the Portfolio Purchase. The agreement calls for a 3% percent fee on substantially all gross collections from the Portfolio Purchase on the first $500 million and 7% on substantially all collections from the Portfolio Purchase in excess of $500 million. This fee will be charged from March 2007 and we believe this arrangement will enhance our collection efforts. Additionally, the Company will pay this third party servicer a monthly fee of $275,000 per month for twenty four months for its consulting and skiptracing efforts in connection with the Portfolio Purchase. This fee began in May 2007.

Interest expense. For the year ended September 30, 2007, interest expense increased to $18.2 million from $4.6 million during the year ended September 30, 2006, and represented 34.6% of total expenses (excluding income taxes) for the year ended September 30, 2007. The increase was due to an increase in average outstanding borrowings under our line of credit and our new $227 million Receivables Financing Agreement during the year

ended September 30, 2007, as compared to the average outstanding borrowings during the year ended September 30, 2006, coupled with higher interest rates during the year ended September 30, 2007. The average interest rate (excluding unused credit line fees) for the year ended September 30, 2007 was 7.34% as compared to 6.97% during the year ended September 30, 2006. The average outstanding borrowings increased from $63.2 million to $241.5 million for the years ended September 30, 2006 and 2007, respectively. The increase in borrowings was due to the increase in acquisitions of consumer receivables acquired for liquidation during the year ended September 30, 2007, as compared to the year ended September 30, 2006.

Impairments. Impairments of $9.1 million were recorded by the Company during the year ended September 30, 2007 as compared to $2.2 million for the year ended September 30, 2006, and represented 17.2% of total expenses (excluding income taxes) for the year ended September 30, 2007. Impairments were taken on eleven portfolios during the year ended 2007 including nine portfolios in the fourth quarter of 2007. As relative collections with respect to our expectations on these portfolios were deteriorating in the fourth quarter, and this deterioration was confirmed by our third party collection agencies and attorneys, we believed that impairment charges became necessary.

Equity in earnings of venture. In August 2006, the Company invested approximately $7.8 million for a 25% interest in a newly formed venture. The venture invested in a bankruptcy liquidation that will collect on existing rental contracts and the liquidation of inventory. The investment is expected to return to the Company its normal expected investment result over a two to three year period. The Company's share of the income was $225,000 during the year ended September 30, 2007. The Company has received approximately $6.6 million in cash distributions from the inception of the venture through September 30, 2007. Subsequent to September 30, 2007, and through December 6, 2007 an additional $350,000 has been received by the Company.

Net income. For the year ended September 30, 2007, net income increased $6.5 million, or 14.2% to $52.3 million from $45.8 million for the year ended September 30, 2006. Net income per share for the year ended September 30, 2007 increased $0.43 per diluted share, or 13.7% to $3.56 per diluted share, from $3.13 per diluted share for the year ended September 30, 2006.

Liquidity and Capital Resources

Our primary source of cash from operations is collections on the receivable portfolios we have acquired. Our primary uses of cash include repayments under our line of credit, purchases of consumer receivable portfolios, interest payments, costs involved in the collections of consumer receivables, dividends and taxes. Management believes the results of operations will provide enough liquidity to meet our obligations of the business and be in compliance with debt covenant. We rely significantly upon our lenders to provide the funds necessary for the purchase of consumer accounts receivable portfolios. As of September 30, 2008, we had a $175 million line of credit with the Bank Group for portfolio purchases (the "Loan Agreement"). The Loan Agreement bears interest at the lesser of LIBOR plus an applicable margin, or the prime rate minus an applicable margin based on certain leverage ratios. The Loan Agreement is collateralized by all portfolios of consumer receivables acquired for liquidation and all other assets of the Company excluding the assets of Palisades XVI, and contains 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. As of September 30, 2008, there was an $84.9 million outstanding balance under this facility and availability of $18.5 million. Our borrowing availability is based on a formula calculated on the age of the receivables. As of January 31, 2009, our debt was $58.7 million. Availability has remained at approximately the same level as the end of the fiscal year. The balance outstanding at September 30, 2007 was $141.7 million. Although we are within the borrowing limits of this facility, there are certain limitations in place with regard to collateralization whereby the Company may be limited in its ability to borrow funds to purchase additional portfolios. On March 30, 2007 the Company signed the Third Amendment to the Fourth Amended and Restated Loan Agreement (the "Third Credit Agreement") with the Bank Group that amended certain terms of the Credit Agreement, whereby the parties agreed to a Temporary Overadvance of $16 million to be reduced to zero on or before May 17, 2007. In addition, the parties agreed to an increase in interest rate to LIBOR plus 275 basis points for LIBOR loans, an increase from 175 basis points. The rate is subject to adjustment each quarter upon delivery of results that evidence a need for an adjustment. As of May 7, 2007, the Temporary Overadvance was approximately $12 million. On May 10, 2007, the Company signed the Fourth Amendment to the Credit Agreement (the "Fourth

Credit Agreement") whereby the parties agreed to revise certain terms of the agreement which eliminated the Temporary Overadvance provision. On June 26, 2007 the Company signed the Fifth Amendment to the Fourth Amended and Restated Loan Agreement (the "Fifth Credit Agreement") with the Bank Group that amended certain terms of the Credit Agreement whereby the parties agreed to further amend the definition of the Borrowing Base and increase the advance rates on portfolio purchases allowing the Company more borrowing availability within the $175 million upper limit. On December 4, 2007, the Company signed the Sixth Amendment to the Fourth Amended and Restated Loan Agreement (the "Sixth Credit Agreement") with the Bank Group that temporarily increased the total revolving loan commitment from $175 million to $185 million. If utilized, the increase of $10 million was required to be repaid by February 29, 2008. The temporary increase was not used. During the fiscal year ended September 30, 2008, the Company purchased portfolios for an aggregate purchase price of $49.9 million, including an $8.6 million investment in a portfolio domiciled in South America.

The term of the Loan Agreement ends July 11, 2009. If the loan agreement cannot be renewed at maturity, we believe we can sell any of the assets secured by this line of credit, which is all assets of the Company except those owned by Palisades XVI. On February 20, 2009, the Company and the Bank Group entered into the Seventh Amendment to Fourth Amended and Restated loan Agreement. See below for more information.

In March 2007, Palisades XVI consummated the Portfolio Purchase. The Portfolio Purchase is made up of predominantly credit card accounts and includes accounts in collection litigation, accounts as to which the sellers had been awarded judgments, and other traditional charge-offs. The Company's line of credit with the Bank Group was fully utilized, as modified in February 2007, with the aggregate deposit of $75 million paid for the Portfolio Purchase.

The remaining $225 million was paid on March 5, 2007 by borrowing approximately $227 million (inclusive of transaction costs) under the Receivables Financing Agreement entered into by Palisades XVI with BMO as the funding source, and consists of debt with full recourse only to Palisades XVI, bore an interest rate of approximately 170 basis points over LIBOR at the inception of the agreement. The term of the original agreement was three years. All proceeds received as a result of the net collections from the Portfolio Purchase are applied to interest and principal of the underlying loan. The Company made certain representations and warranties to the lender to support the transaction. The Portfolio Purchase is serviced by Palisades Collection, LLC, a wholly owned subsidiary of the Company, which has also engaged several unrelated subservicers. As of September 30, 2008, there was a $128.6 million outstanding balance under this facility.

On December 27, 2007, Palisades XVI entered into the second amendment of its Receivables Financing Agreement. As the actual collections had been slower than the minimum collections scheduled under the original agreement, which contemplated sales of accounts which had not occurred, the lender and Palisades XVI agreed to a lower amortization schedule which did not contemplate the sales of accounts. The effect of this reduction was to extend the payments of the loan from approximately 25 months to approximately 31 months from the date of the second amendment. The lender charged Palisades XVI a fee of $475,000 which was paid on January 10, 2008. The fee was capitalized and is being amortized over the remaining life of the Receivables Financing Agreement.

On May 19, 2008, Palisades XVI entered into the third amendment of its Receivables Financing Agreement. As the actual collections on the Portfolio Purchase continued to be slower than the minimum collections scheduled under the second amendment, the lender and Palisades XVI agreed to an extended amortization schedule. The effect of this reduction is to extend the length of the original loan to three years, nine months, an extension of nine months. The lender also increased the interest rate to approximately 320 basis points (from 170 basis points) over LIBOR, subject to automatic reduction in the future if additional capital contributions are made by the parent of Palisades XVI. In addition, on May 19, 2008, the Company entered into an amended and restated Servicing Agreement among Palisades XVI, Palisades Collection, L.L.C. and the BMO (the "Servicing Agreement"). The amendment calls for increased documentation, responsibilities and approvals of subservicers engaged by Palisades Collection L.L.C.

On April 29, 2008, the Company obtained a subordinated loan pursuant to a subordinated promissory note from the Family Entity. The loan is in the aggregate principal amount of $8.2 million, bears interest at a rate of 6.25% per annum, is payable interest only each quarter until its maturity date of January 9, 2010, subject to prior

repayment in full of the Company's senior loan facility with the Bank Group. Interest expense on this loan was $154,000 from the inception of the loan through September 30, 2008.

The subordinated loan was incurred by the Company to resolve certain issues described below. Proceeds of the subordinated loan were used to reduce the balance due on our line of credit with the Bank Group on June 13, 2008. This facility is secured by the Bank Group Collateral, other than the assets of Palisades XVI, which was separately financed by the BMO Facility.

The Servicer that provides servicing for certain portfolios within the Bank Group Collateral, was also engaged by Palisades Collection, LLC, after the initial purchase of the Portfolio Purchase in March 2007, to provide certain management services with respect to the portfolios owned by Palisades XVI and financed by the BMO Facility and to provide subservicing functions for portions of the Portfolio Purchase. Collections with respect to the Portfolio Purchase, and most portfolios purchased by the Company, lag the costs and fees which are expended to generate those collections, particularly when court costs are advanced to pursue an aggressive litigation strategy, as is the case with the Portfolio Purchase. Start-up cash flow issues with respect to the Portfolio Purchase were exacerbated by (a) collection challenges caused by the current economic environment, (b) the fact that Palisades Collection believed that it would be desirable to engage the Servicer to perform management services with respect to the Portfolio Purchase which services were not contemplated at the time of the initial Portfolio Purchase and (c) Palisades Collection believed it would be desirable to commence litigations and incur court costs at a faster rate than initially budgeted. The agreements with the Servicer call for a 3% fee on substantially all gross collections from the Portfolio Purchase on the first $500 million and 7% on substantially all collections from the Portfolio Purchase in excess of $500 million. Additionally, the Company pays the Servicer a monthly fee of $275,000 for twenty-five months commencing May 2007 for its consulting, asset identification and skiptracing efforts in connection with the Portfolio Purchase. The Servicer also receives a servicing fee with respect to those accounts it actually subservices. As the fees due to the Servicer for management and subservicing functions and the amounts spent for court costs were higher than those initially contemplated for subservicing functions, and as start-up collections with respect to the Portfolio Purchase were slower than initially projected, the amounts owed to the Servicer with respect to the Portfolio Purchase for fees and advances for court costs to pursue litigation against debtors have to date exceeded amounts available to pay the Servicer from collections received by the Servicer on the Portfolio Purchase on a current basis. The Company considered the effects of these trends on portfolio valuation.

Rather than waiting for collections from the Portfolio Purchase to satisfy sums of approximately $8.2 million due it for court cost advances and its fees, the Servicer set-off that amount against amounts it had collected on behalf of the Company with respect to the Bank Group Collateral. While the Servicer disagrees, the Company believes that those sums should have been remitted to the Bank Group without setoff.

The Company determined to remedy any shortfall in the receipts due to the Bank Group by obtaining the $8.2 million subordinated loan from the Family Entity and causing the proceeds of the loan to be delivered to the Bank Group and not to pursue a dispute with the Servicer at this time. The Company believed that avoiding a dispute with the Servicer was in its best interests. Although we have not experienced an increase in collections as of September 30, 2008, the arrangement should improve collections on the Portfolio Purchase. The Company also believes that the terms of the subordinated loan from the Family Entity are more favorable than could be obtained from an unrelated third party institution.

On April 29, 2008, the Company entered into a letter agreement with the Bank Group in which the Bank Group consented to the Subordinated Loan from the Family Entity. On January 18, 2009, the Company entered into amended agreements with the Servicer pursuant to which the Servicer agreed that it will not make any further set-offs against collections. The Company believes that any future sums due to the Servicer will be available from the cash flow of the Portfolio Purchase.

On February 20, 2009, the Company entered into the Seventh Amendment to the Credit Agerement in order to, among other items, reduce the level of the loan commitment, redefine certain financial covenant ratios, revise the requirement for an unqualified opinion on annual audited financial statements, and permit certain encumbrances relating to restructuring of the BMO Facility. Pursuant to the Seventh Amendment, the loan commitment has been revised down from $175.0 million to the following schedule: (1) $90.0 million until March 30, 2009, (2) $85.0 million from March 31, 2009 through June 29, 2009, and (3) $80.0 million from June 30, 2009 and thereafter. In addition, the

Company shall pay interest to the Bank Group at the following rates: the lesser of LIBOR plus an applicable margin or the prime rate plus an applicable margin per annum or, at the election of the Company, the applicable LIBOR Rate plus the Applicable LIBOR Margin per annum, based on the aggregate Advances outstanding from time to time; provided, however, at no time shall the interest rate be less than five hundred (500) basis points per annum. Beginning with the fiscal year ending September 30, 2008 (and for each period included in calculating fixed charge coverage ratio for the fiscal year ending September 30, 2008) and continuing thereafter for each reporting period thereafter (and for each period included in calculating fixed charge coverage ratio for such reporting period), EBITDA and fixed charges attributable to Palisades XVI shall be excluded from the computation of the fixed charge coverage ratio for Asta Funding and its Subsidiaries. In addition, the fixed charge coverage has been revised to exclude impairment expense of portfolios of consumer receivables acquired for liquidation and increase the ratio from a minimum of 1.50 to 1.0 to a minimum of 1.75 to 1.0. In addition, the Seventh Amendment provides that a qualification on the Company's audited financial statements, as consolidated, resulting solely from the Bank Group maturity date being scheduled to occur in less than one year shall not be deemed to violate the Credit Agreement. The permitted encumbrances under the Credit Agreement were revised to include certain encumbrances incurred by the Company in connection with certain guarantees and liens provided to BMO Facility and the Family Entity. Further, individual portfolio purchases in excess of $7.5 million will now require the consent of the agent and portfolio purchases in excess of $15.0 million in the aggregate during any 120 day period will require the consent of the Bank Group. The Company and the Bank Group are in the beginning phase of discussions to renew the current Loan Agreement. If, however, a renewal cannot be ultimately agreed to, the Company, at maturity, will consider the sale of assets collateralized by this loan agreement, to satisfy its obligations after July 11, 2009.

As a result of the actual collections being lower than the minimum collection rates required under the Receivables Financing Agreement for the months ended November 30, 2008, December 31, 2008 and January 31, 2009, termination events occurred under the Receivables Financing Agreement. In order to resolve these issues, on February 20, 2009, we executed the Fourth Amendment to the Receivables Financing Agreement with BMO. The effect of this Fourth Amendment is, among other things, to (i) lower the collection rate minimum to $1 million per month as an average for each period of three consecutive months, (ii) provide for an automatic extension of the maturity date from April 30, 2011 to April 30, 2012 should the outstanding balance be reduced to $25 million or less by April 30, 2011 and (iii) permanently waive the previous termination events. The interest rate will remain unchanged at approximately 320 basis points over LIBOR, subject to automatic reduction in the future should certain collection milestones be attained.

As additional credit support for repayment by Palisades XVI of its obligations under the Receivables Financing Agreement and as an inducement for BMO to enter into the Fourth Amendment, the Company offered BMO a limited recourse, subordinated guaranty, secured by the assets of the Company, in an amount not to exceed $8 million plus reasonable costs of enforcement and collection. Under the terms of the guaranty, BMO cannot exercise any recourse against the Company until the earlier of (i) five years from the date of the Fourth Amendment and (ii) the termination of the Company's existing senior lending facility or any successor senior facility.

In addition, as further credit support under the Receivables Financing Agreement, the Family Entity offered BMO a limited recourse, subordinated guaranty, secured solely by a collateral assignment of $700,000 of the $8.2 million subordinated note executed by the Company for the benefit of the Family Entity. The subordinated note was separated into a $700,000 note and a $7.5 million note for such purpose. Under the terms of the guaranty, except upon the occurrence of certain termination events, BMO cannot exercise any recourse against the Family Entity until the occurrence of a termination event under the Receivables Financing Agreement and an undertaking of reasonable efforts to dispose of Palisades XVI's assets. As an inducement for agreeing to make such collateral assignment, the Family Entity was also granted a subordinated guaranty by the Company (other than Asta Funding, Inc.) for the performance by Asta Funding, Inc. of its obligation to repay the $8.2 million, secured by the assets of the Company (other than Asta Funding, Inc.), and the Company agreed to indemnify the Family Entity to the extent that BMO exercises recourse in connection with the collateral assignment. Without the consent of the agent under the senior lending facility, the Family Entity will not be permitted to act on such guaranty, and cannot receive payment under such indemnity, until the termination of the Company's senior lending facility or lenders under any successor senior facility. As a result of the Company's current capital structure and their interrelated components, it may be difficult to obtain new financing.

As of September 30, 2008, our cash decreased $902,000 to $3.6 million from $4.5 million at September 30, 2007, including an $18,000 positive effect of foreign exchange on cash. The decrease in cash during the fiscal year ended September 30, 2008, was due to a decrease in net income for the period, and a decrease in cash flows from financing activities offset by an increase in cash flows from investing activities due to the decrease in the purchases of accounts acquired for liquidation.

Net cash provided by operating activities was $55.8 million during the fiscal year ended September 30, 2008, compared to net cash provided by operating activities of $55.6 million for the fiscal year ended September 30, 2007. The decrease in net income for the year ended September 30, 2008 is primarily attributable to an increase in impairments, a non-cash expense. Net cash provided by investing activities was $44.6 million during the fiscal year ended September 30, 2008, as compared to net cash used by investing activities of $291.2 million during the fiscal year ended September 30, 2007. The increase in net cash provided by investing activities was primarily due to the decrease in the purchase of accounts acquired for liquidation during the fiscal year ended September 30, 2008, reflecting the effect of the acquisition of the Portfolio Purchase which was consummated in the second quarter of 2007. Net cash used in financing activities was $101.3 million during the fiscal year ended September 30, 2008, as compared to cash provided by financing activities of $232.3 million in the prior period. The change in net cash used by financing activities was primarily due to an increase in the pay down of the lines of credit during the fiscal year ended September 30, 2008.

Our cash requirements have been and will continue to be significant and we depend on external financing to acquire consumer receivables. Significant requirements include repayments under our line of credit, purchase of consumer receivable portfolios, interest payments, costs involved in the collections of consumer receivables, dividends and taxes. Acquisitions are financed primarily through cash flows from operating activities and with our credit facility, which matures on July 11, 2009. At December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008, due to the borrowing base required by the Bank Group, the Company was approaching the upper limit of its borrowing capacity. However, with limited purchases of portfolios through the fiscal year ended September 30, 2008, coupled with the $8.2 million of subordinated debt incurred by the Company, availability is approximately $18.5 million at September 30, 2008. Our borrowing availability is based on a formula calculated on the age of the receivables. As of January 31, 2009 our debt on this facility was $58.7 million. Availability has remained at the same level as of the end of fiscal year 2008. As the collection environment remains challenging, we may be required to seek additional funding. Although availability has increased, the limited availability coupled with slower collections has had and could continue to have a negative impact on our ability to purchase new portfolios for future growth.

Our business model affords us the ability to sell accounts on an opportunistic basis. While we have not consummated any significant sales from our Portfolio Purchase, we launched a sales effort in order to attempt to enhance our cash flow and pay down our debt faster. The results are slower than expected for a variety of factors, including a slow resale market, similar to the decrease in pricing we are seeing in general.

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

	Year Ended September 30,				
	2008	2007	2006	2005	2004
	(In millions)				
Balance at beginning of period	$545.6	$ 257.3	$172.7	$146.1	$105.6
Acquisitions of finance receivables, net of buybacks	49.9	440.9	200.2	126.0	103.7
Cash collections from debtors applied to principal(1)(2)	(81.7)	(114.4)	(90.4)	(59.6)	(37.6)
Cash collections represented by account sales applied to principal(1)	(11.0)	(29.1)	(23.0)	(39.8)	(25.3)
Impairments/Portfolio write down	(53.2)	(9.1)	(2.2)	—	(0.3)
Effect of foreign exchange	(0.6)	—	—	—	—
Balance at end of period	$449.0	$ 545.6	$257.3	$172.7	$146.1

(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.

(2) In 2007, includes put backs of purchased accounts returned to the seller totaling $5.5 million.

Supplementary Information on Consumer Receivables Portfolios:

Portfolio Purchases

	Year Ended September 30,		
	2008	2007	2006
	(In millions)		
Aggregate Purchase Price	$ 49.9	$ 440.9	$ 200.2
Aggregate Portfolio Face Amount	1,605.1	10,891.9	5,194.0

The prices we pay for our consumer receivable portfolios are dependent on many criteria including the age of the portfolio, the number of third party collection agencies and attorneys that have been involved in the collection process and the geographical distribution of the portfolio. When we pay higher prices for portfolios which are performing or fresher, we believe it is not at the sacrifice of our expected returns. Price fluctuations for portfolio purchases from quarter to quarter or year over year are primarily indicative of the overall mix of the types of portfolios we are purchasing.

Schedule of Portfolios by Income Recognition Category

	September 30, 2008		September 30, 2007		September 30, 2006	
	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)	$ 405.9	$ 789.5	$ 101.1	$ 1,045.4	$ 50.6	$ 655.0
Cumulative Aggregate Managed Portfolios (at period end)	12,053.4	18,980.0	3,961.5	25,464.7	2,205.0	16,332.8
Receivable Carrying Value (at period end)	245.5	203.5	32.0	513.6	1.1	256.3
Finance Income Earned (for the respective period)	1.2	114.0	2.2	136.2	3.4	97.6
Total Cash Flows (for the respective period)	24.9	183.0	21.2	260.6	3.7	210.8

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. Additional differences between year to year period end balances may result from the transfer of portfolios between the interest method and the cost recovery method. We purchase consumer receivables at substantial discounts from the face amount. We record finance 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.

Collections Represented by Account Sales

Year	Collections Represented By account Sales	Finance Income Recognized
2008	$ 20,395,000	$ 9,361,000
2007	54,193,000	25,164,000
2006	55,035,000	32,041,000

Portfolio Performance (1)

The following table summarizes our historical portfolio purchase price and cash collections on interest method portfolios on an annual vintage basis since October 1, 2001 through September 30, 2008.

Purchase Period	Purchase Price(2)	Net Cash Collections Including Cash Sales(3)	Estimated Remaining Collections(4)	Total Estimated Collections(5)	Total Estimated Collections as a Percentage of Purchase Price
2001	$ 65,120,000	$105,302,000	—	105,302,000	162%
2002	36,557,000	47,826,000	—	47,826,000	131%
2003	115,626,000	203,875,000	2,692,000	206,567,000	179%
2004	103,743,000	171,857,000	3,635,000	175,492,000	169%
2005	126,023,000	185,217,000	37,717,000	222,934,000	177%
2006	200,237,000	203,438,000	103,504,000	306,942,000	153%
2007(6)	109,235,000	59,176,000	90,521,000	149,697,000	137%
2008	26,626,000	12,449,000	23,535,000	35,984,000	135%

(1) Total collections do not represent full collections of the Company with respect to this or any other year.

(2) Purchase price refers to the cash paid to a seller to acquire a portfolio less the purchase price refunded by a seller due to the return of non-compliant accounts (also defined as put-backs), plus third party commissions

(3) Cash collections include: net collections from our third-party collection agencies and attorneys, collections from our in-house efforts and collections represented by account sales.

(4) Does not include estimated collections from portfolios that are zero basis

(5) Total estimated collections refer to the actual net cash collections, including cash sales, plus estimated remaining collections.

(6) The Portfolio Purchase was reclassified from the interest method to the cost recovery method during the third quarter of fiscal year 2008 The following table describes the impact of the reclassification on the year 2007.

	Purchase Price	Net Cash Collections Including Cash Sales	Estimated Remaining Collections	Total Estimated Collections	Total Estimated Collections as a Percentage of Purchase Price
As reported 2007	$ 384,850,000	$ 69,409,000	$ 460,205,000	$ 529,614,000	138%
Less: Portfolio Purchase	(275,615,000)	(45,499,000)	(334,701,000)	(380,200,000)	(138)%
Interest method Portfolios without Portfolio Purchase-2007	$ 109,235,000	$ 23,910,000	$ 125,504,000	$ 149,414,000	137%
2008 Activity	—	35,266,000	(34,983,000)	283,000	
As reported 2008	$ 109,235,000	$ 59,176,000	$ 90,521,000	$ 149,697,000	137%

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 finance income 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, 2008, we recognized finance income of $1.2 million under the cost recovery method because we collected $1.2 million in excess of our purchase price on certain of these portfolios. In addition, we earned $114.1 million of finance income under the interest method based on actuarial computations which, in turn, are based on actual collections during the period and on what we project to collect in future periods. During the year ended September 30, 2008, we purchased portfolios with an aggregate purchase price of $49.9 million with a face value (gross contracted amount) of $1.6 billion.

New Accounting Pronouncements

In December 2007, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 110 ("SAB 110"). This staff accounting bulletin ("SAB") expresses the views of the staff regarding the use of a "simplified" method, as discussed in SAB No. 107 ("SAB 107"), in developing an estimate of expected term of "plain vanilla" share options in accordance with Financial Accounting Standards Board ("FASB") Statement No. 123 (revised 2004), *Share-Based Payment* . In particular, the Staff indicated in SAB 107 that it will accept a company's election to use the simplified method, regardless of whether the company has sufficient information to make more refined estimates of expected term. At the time SAB 107 was issued, the staff believed that more detailed external information about employee exercise behavior (e.g., employee exercise patterns by industry and/or other categories of companies) would, over time, become readily available to companies. Therefore, the staff stated in SAB 107 that it would not expect a company to use the simplified method for share option grants after December 31, 2007. The staff understands that such detailed information about employee exercise behavior might not have been widely available by December 31, 2007. Accordingly, the staff will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. This SAB does not have a material impact on the Company.

In February 2007, the FASB issued Statement 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). The objective of SFAS No. 159 is to provide companies with the option to recognize most financial assets and liabilities and certain other items at fair value. Statement 159 will allow companies the opportunity to mitigate earnings volatility caused by measuring related assets and liabilities differently without having to apply complex hedge accounting. Unrealized gains and losses on items for which the fair value option has been elected should be reported in earnings. The fair value option election is applied on an instrument by instrument basis (with some exceptions), is irrevocable, and is applied to an entire instrument. The election may be made as of the date of initial adoption for existing eligible items. Subsequent to initial adoption, the Company may elect the fair value option at initial recognition of eligible items or on entering into an eligible firm commitment. The Company can only elect the fair value option after initial recognition in limited circumstances.

SFAS No. 159 requires similar assets and liabilities for which the Company has elected the fair value option to be displayed on the face of the balance sheet either (a) together with financial instruments measured using other measurement attributes with parenthetical disclosure of the amount measured at fair value or (b) in separate line items. In addition, SFAS No. 159 requires additional disclosures to allow financial statement users to compare similar assets and liabilities measured differently either within the financial statements of the Company or between financial statements of different companies.

SFAS No. 159 is required to be adopted by the Company on October 1, 2008. Early adoption is permitted; however, the Company did not adopt SFAS No. 159 prior to the required adoption date of October 1, 2008. The Company is required to adopt SFAS No. 159 concurrent with SFAS No. 157, "Fair Value Measurements." The remeasurement to fair-value will be reported as a cumulative-effect adjustment in the opening balance of retained earnings. Additionally, any changes in fair value due to the concurrent adoption of SFAS No. 157 will be included in the cumulative-effect adjustment if the fair value option is also elected for that item.

The Company opted to not apply the fair value option to any of its financial assets or liabilities. If the Company elects to recognize items at fair value as a result of Statement 159, this could result in increased earnings volatility.

In September 2006 the FASB issued SFAS No. 157, *Fair Value Measurements* . The Statement is effective for all financial statements issued for fiscal years beginning after November 15, 2007, or October 1, 2008 as to the Company. The Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Adoption of SFAS No. 157 is not expected to have a material impact on the Company's results of operations or financial condition.

Inflation

We believe that inflation has not had a material impact on our results of operations for the years ended September 30, 2008, 2007 and 2006.

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 and during the summer months. 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 such 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. At September 30, 2008, our $175 million credit facility, all of which is variable rate debt, had an outstanding balance of $84.9 million and our Receivables Financing Agreement, all of which is variable rate debt, had an outstanding balance of $128.6 million. A 25 basis-point increase in interest rates would have increased our annual interest expense by approximately $700,000 based on the average debt obligation outstanding during the fiscal year. We do not currently invest in derivative financial or commodity instruments.

Item 8. ***Financial Statements And Supplementary Data.***

The Financial Statements of the Company, the Notes thereto and the Report of Independent Registered Public Accounting Firms thereon required by this item appears in this report on the pages indicated in the following index:

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

During the fiscal year ended September 30, 2008, the Company changed Independent Registered Public Accounting Firms. Eisner LLP was replaced by Grant Thornton LLP.

Item 9A. ***Controls and Procedures.***

Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-15(e) and 240.15d-15(e)) as of the end of the period ended September 30, 2008. Based on that evaluation, they have concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective in timely providing them with material information relating to the Company required to be disclosed in the reports the Company files or submits under the Exchange Act.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an assessment of the effectiveness of its internal control over financial reporting. In making this assessment, the Company used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework. Based on management's assessment the Company believes that, as of September 30, 2008, the Company's internal control over financial reporting is effective based on those criteria.

The Company's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the U.S. The Company's internal control over financial reporting includes those policies and procedures that:

(iii) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the U.S., and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

There are inherent limitations to the effectiveness of any control system. A control system, no matter how well conceived and operated, can provide only reasonable assurance that its objectives are met. No evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies and procedures may deteriorate.

Our independent registered public accounting firm, Grant Thornton LLP, audited the Company's internal control over financial reporting as of September 30, 2008 and their report dated February 20, 2009 expressed an unqualified opinion on our internal control over financial reporting and is included in this Item 9A.

Changes in Internal Controls over Financial Reporting

There have not been any changes in the Company's internal controls over financial reporting identified in connection with an evaluation thereof that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. There were no significant deficiencies or material weaknesses, and therefore no corrective actions were taken.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Asta Funding, Inc.

We have audited Asta Funding, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Asta Funding, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Asta Funding, Inc. and subsidiaries as of September 30, 2008 and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for the year ended September 30, 2008, and our report dated February 20, 2009, expressed an unqualified opinion.

/s/ Grant Thornton LLP

New York, New York
February 20, 2009

Item 9B. ***Other Information.***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

Directors and Executive Officers

The following table sets forth certain information with respect to our directors and executive officers, as of September 30, 2008:

Name	Age	Position
Arthur Stern	88	Director, Chairman of the Board and Executive Vice President
Gary Stern	56	Director, President and Chief Executive Officer
Herman Badillo(1)(3)	79	Director
Edward Celano(1)	70	Director
David Slackman(2)(4)	61	Director
Harvey Leibowitz(1)(2)	74	Director
Alan Rivera(2)(3)(5)	46	Director
Louis A. Piccolo(3)	56	Director
Cameron E. Williams	61	Chief Operating Officer
Mary Curtin	47	Senior Vice President
Mitchell Cohen(6)	53	Chief Financial Officer
Robert J. Michel(7)	51	Controller

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Governance Committee

(4) Lead Independent Director

(5) Resigned from the Board of Directors on December 17, 2008

(6) Resigned as Chief Financial Officer effective after the filing of Report on Form 10-K for 2008

(7) Assumes the role of Chief Financial Officer effective after the filing of Report on Form 10-K for 2008

Board of Directors

Arthur Stern has been a director and has served as Chairman Emeritus since January 2009. Mr. Stern served as Chairman of the Board of Directors and Executive Vice President of the Company since the Company's inception in July 1994 through January 2009. Since 1963, Mr. Arthur Stern has been President of Asta Group, Incorporated, a consumer finance company ("Group"). In such capacities, he has obtained substantial experience in distressed consumer credit analysis and receivables collections.

Gary Stern has been a director and the President and Chief Executive Officer of the Company since the Company's inception in July 1994. Mr. Gary Stern has been Vice President, Secretary, Treasurer and a director of the Group since 1980 and held other positions with Group prior thereto. In such capacities, he has obtained substantial experience in distressed consumer credit analysis and receivables collections.

Herman Badillo has been a director of the Company since September 1995. He has been Of Counsel at Sullivan Papain Block McGrath & Cannavo P.C. since 2005. Prior to joining his current firm Mr. Badillo was a founding member of Fischbein, Badillo, Wagner & Harding, a law firm located in New York City, for more than six years. He

has formerly served as Special Counsel to the Mayor of New York City for Fiscal Oversight of Education and as a member of the Mayor's Advisory Committee on the Judiciary. Mr. Badillo served as a United States Congressman from 1971 to 1978 and Deputy Mayor of New York City from 1978 to 1979.

Edward Celano has been a director of the Company since September 1995. Mr. Celano has served as a consultant to Walters and Samuels, Incorporated since 2003. He was formally a consultant with M.R. Weiser & Co., from 2001 to 2003 and an Executive Vice President of Atlantic Bank from May 1996 to February 2001. Prior to May 1996, Mr. Celano was a Senior Vice President of NatWest Bank, now Bank of America, after having held different positions at the bank for over 20 years.

David Slackman has been a director of the Company since May 2002. Mr. Slackman has served as Managing Director at HT Capital Advisors LLC from August 2008 to present. Mr. Slackman served as President, Manhattan Market — New York of Commerce Bank from March 2001 through June 2008. Prior to March 2001, Mr. Slackman was an Executive Vice President of Atlantic Bank of New York from 1994 to 2001 and a Senior Vice President of the Dime Savings Bank from 1986 to 1994.

Harvey Leibowitz has been a director of the Company since March 2000. Mr. Leibowitz has served as a Senior Vice President of Sterling National Bank since June 1994. Prior to June 1994, Mr. Leibowitz was employed as a Senior Vice President and Vice President of several banks and financial institutions since 1963.

Alan Rivera had been a director of the Company since February 2004. Mr. Rivera has served as Chief Financial Officer and General Counsel of Millbrook Capital Management Inc. since September 1996. Prior to September 1996, Mr. Rivera was an Executive Vice President of Finance and Administration and General Counsel of the New York City Economic Development Corporation from 1994 to 1996. Mr. Rivera resigned from the Board of Directors effective December 17, 2008.

Louis A. Piccolo has been a director of the Company since June 2004. Mr. Piccolo has served as President of A.L. Piccolo & Co., Inc since 1988. A.L. Piccolo & Co. is a business consulting firm specializing in management and financial consulting. Prior to 1988, Mr. Piccolo was an Executive Vice President and Chief Financial Officer of Alfred Dunhill of London, Inc from 1983 to 1988, and held the same positions at Debenham's PLC, from 1981 to 1983. From 1977 to 1981, Mr. Piccolo was a senior accountant at KPMG Peat Marwick.

Arthur Stern is the father of Gary Stern. There are no other family relationships among directors or officers of the Company.

Corporate Officers

Cameron Williams has been Chief Operating Officer of the Company since January 2008. Mr. Williams was Vice President — Strategic Initiatives from August 2007 through January 2008. Prior to joining the Company Mr. Williams was President and Chief Executive Officer of Popular Financial Holdings from 1998 through 2007.

Mary Curtin has been Senior Vice President of the Company since January 2008. Ms. Curtin was Vice President — Operations from March 2001 through January 2008.

Mitchell Cohen has been Chief Financial Officer of the Company since October 2004. Prior to joining the Company Mr. Cohen was a financial consultant to various private and public companies. Mr. Cohen has resigned from the Company. Mr. Cohen's resignation takes affect after the filing of this Form 10-K. Mr. Cohen will continue to consult with the Company to insure a smooth transition, and will receive a consulting fee of $5,000 per month for six months. The Board has also agreed to accelerate the vesting of 5,000 shares of restricted stock of the Company which otherwise would have vested on March 19, 2009.

Robert J. Michel has been Controller of the Company since January 2008. Prior to taking the Controller position Mr. Michel was the Director of Financial Reporting and Compliance at the Company since December 2004. Prior to joining the Company, Mr. Michel was a partner at Laurence Rothblatt & Company LLP, a CPA firm located in Great Neck, New York. Mr. Michel will assume the role of Chief Financial officer upon the departure of Mr. Cohen.

Committees of the Board of Directors

Compensation Committee. The Compensation Committee is comprised of David Slackman (Chairman), Harvey Leibowitz and Alan Rivera. The Compensation Committee is empowered by the Board of Directors to review the executive compensation of the Company's officers and directors and to recommend any changes in compensation to the full Board of Directors. Effective December 17, 2008, Mr. Rivera resigned from the Board of Directors of the Company. A replacement for Mr. Rivera will be determined as soon as possible.

Audit Committee. The Audit Committee is comprised of Harvey Leibowitz (Chairman), David Slackman and Edward Celano. The Audit Committee is empowered by the Board of Directors to, among other things: serve as an independent and objective party to monitor the Company's financial reporting process, internal control system and disclosure control system; review and appraise the audit efforts of the Company's independent accountants; assume direct responsibility for the appointment, compensation, retention and oversight of the work of the outside auditors and for the resolution of disputes between the outside auditors and the Company's management regarding financial reporting issues; and provide an open avenue of communication among the independent accountants, financial and senior management, and the Board of Directors.

Audit Committee Financial Expert. The Board of Directors has determined that Harvey Leibowitz is an "audit committee financial expert" as such term is defined by the Securities and Exchange Commission ("SEC"). As noted above, Mr. Leibowitz — as well as the other members of the Audit Committee — has been determined to be "independent" within the meaning of SEC and NASDAQ regulations.

Governance Committee. The Nominating and Corporate Governance Committee (the "Governance Committee") is comprised of Herman Badillo (Chairman), Louis Piccolo, and Alan Rivera. The Governance Committee is empowered by the Board of Directors to, among other things, recommend to the Board of Directors qualified individuals to serve on the Company's Board of Directors and to identify the manner in which the Nominating Committee evaluates nominees recommended for the Board. Effective December 17, 2008, Mr. Rivera resigned form the Board of Directors. A replacement for Mr. Rivera will be determined as soon as possible.

Code of Ethics

We have adopted a Code of Ethics that applies to the Company's chief executive officer, chief financial officer, chief accounting officer, controller, and treasurer. A copy of the Code of Ethics for Senior Financial Officers is attached hereto as Exhibit 14.1 to this Form 10-K.

Item 11. ***Executive Compensation.***

Compensation Discussion and Analysis

Introduction

This discussion presents the principles underlying our executive officer compensation program. Our goal in this discussion is to provide the reasons why we award compensation as we do and to place in perspective the data presented in the tables that follow this discussion. The focus is primarily on our executive's compensation for the fiscal year ended September 30, 2008, but some historical and forward-looking information is also provided to put the fiscal 2008 information in context. The information we present relates to Gary Stern, our President and Chief Executive Officer, Mitchell Cohen, our Chief Financial Officer, Arthur Stern, our Chairman of the Board and Executive Vice President, Cameron Williams, our Chief Operating Officer and Mary Curtin, our Senior Vice President, collectively referred to "Named Executive Officers."

Compensation Philosophy and Objectives

We seek to have compensation programs for our Named Executive Officers that achieve a variety of goals, including to:

- attract and retain talented and experienced executives in the competitive debt buying industry;
- motivate and fairly reward executives whose knowledge, skills and performance are critical to our success; and
- provide fair and competitive compensation.

In determining executive compensation for 2008, the Compensation Committee continued its process, initiated the prior year, to focus more on a pay-for-performance objective, to attempt to better link pay and performance, and to assure that its compensation practices are competitive with those in the industry, both for executive officers and for directors. To that end, the Compensation Committee again engaged a professional compensation consultant, Compensation Resources, Inc. ("CRI"), to provide benchmarking data, make suggestions, and assist it in the compensation process. CRI had assisted the Compensation Committee in determining appropriate bonuses and equity grants made in January 2008. CRI this year assisted the Committee in developing a more detailed performance plan for the Named Executive Officers for fiscal 2008, including the development of appropriate performance metrics for variable compensation determinations. Again this year, the chief executive officer assisted the Compensation Committee in determining compensation for the other Named Executive Officers.

Prior to this effort, the Compensation Committee determined bonuses and equity grants on a discretionary basis. In exercising discretion for fiscal 2007 performance, however, the Compensation Committee noted the results of the CRI study of comparable peer companies and sought to begin to make sure that its officers and directors had competitive compensation consistent with the Company's financial performance in fiscal 2007.

In fiscal 2008, the Compensation Committee continued the process of making sure that compensation rewarded good performance, that a greater percentage of overall compensation be tied to performance, and that there be a reasonable mix of cash and equity compensation. The Company also sought compensation levels that would put its executives within the range of compensation for its five peer group companies in its industry (Asset Acceptance Capital Corp., Encore Capital Group, Inc., NewStar Financial, Inc., Portfolio Recovery Associates, Inc., and Primus Guaranty, Ltd.), and for comparable companies available to our consultant from general compensation surveys. We selected our peer group companies with the concurrence of CRI. Our Compensation Committee realizes that benchmarking compensation may not always be appropriate, but believes that engaging in a comparative analysis of our compensation practices is useful.

As part of the process for fiscal 2008, the Compensation Committee first had a series of meetings and discussions with CRI to determine the appropriate performance measures on which to base its plan for variable compensation. The Compensation Committee desired a program that had internal and external components and that was also flexible, so that targets could be adjusted and weighted differently over time as the needs of the business changed. There was also a desire to take into account windfalls or unfair detriments that objective factors might produce at times, and to retain some measure of discretion for a portion of bonuses to be awarded each year. The Compensation Committee determined with the help of CRI to utilize the following performance measures for determining variable compensation: (a) performance of the Company's stock vs. NASDAQ, (b) performance vs. the identified peer companies, (c) net income, (d) return on equity and (e) net collections as a percent of total investment. Different weights were assigned to each component, as well as a 10% discretionary reserve. The Compensation Committee also believed there should be a "circuit breaker," i.e., a minimum level of performance that must be achieved in order to qualify for payment of any variable compensation award. The Compensation Committee reviewed its tentative conclusions with respect to the plan with the full Board to get the input of the entire Board about the process and the results of the Compensation Committee's deliberations, and the Board approved the plan subject to development of threshold, target and maximum bonus level performance goals.

During the first quarter of calendar 2008 when the plan was being developed with CRI, there had already been a significant decline in the market price of the Company's common stock. As a result of that decline, the Compensation Committee believed that the circuit breaker feature of any plan would be such that there would be no

bonus and equity grants made for fiscal 2008. Accordingly, there was no need to develop specific performance parameters for 2008. Performance measures for fiscal year 2009 have not been finalized.

Elements of Executive Officer Compensation

Overview. Total compensation paid to our executive officers is divided among three principal components. Salary is generally fixed and does not vary based on our financial and other performance. Some components, such as bonuses, stock options and restricted stock award grants, are variable and dependent upon our performance. Historically, judgments about these elements have been made subjectively. The value of certain of these components, such as stock options and restricted stock, is dependent upon our future stock price. At the recommendation of CRI, we have begun to move away from stock options towards restricted stock as the preferred form of equity compensation, as we believe it will result in less dilution and more straightforward accounting treatment.

We view the three components of our executive officer compensation as related but distinct. Our Compensation Committee, with the assistance of our compensation consultant, reviews total compensation to see if it falls in line with peer company and overall market data , and has made a comparison of the relationship of variable compensation, as well as base, to total compensation. Last year, the Compensation Committee determined that our compensation program was generally competitive on base salary, but had been below industry norms in variable compensation (bonuses), and, therefore, total compensation. The Compensation Committee attempted to align executive compensation more directly with company performance by increasing the potential for executives to earn variable compensation, while placing less emphasis on growth in base salaries.

Base Salary. We pay our executives a base salary, which we review and determine annually. We believe that a competitive base salary is a necessary element of any compensation program. Base salaries are established, in part, based on the individual position, responsibility, experience, skills, historic salary levels and the executive's performance during the prior year. We are also seeking over a period of years to align base compensation levels comparable to our competitors and other companies similarly situated. We do not view base salaries as primarily serving our objective of paying for performance.

For fiscal 2008, we held the salary level of Gary Stern and Arthur Stern constant, as we believed their overall compensation should have a greater reliance on performance. Mitchell Cohen was given a small raise in part for the same reason. Raises for Mary Curtin and Cameron Williams were more substantial to reflect their respective promotions and increased responsibilities as executive officers of the Company. We believe that our salary levels are generally sufficient to retain our existing executive officers and to hire new executive officers when and as required.

For fiscal 2009, we held the salary levels of the Named Executive Officers constant as the performance of the Company did not reach goals set for the year. Mr. Williams is contractually entitled to a salary increase of at least $50,000 June 1, 2009. We believe that our salary levels are generally sufficient to retain our existing executive officers and to hire new executive officers when and as required.

Cash Incentive Bonuses. Consistent with our emphasis on pay-for-performance incentive compensation programs, our executives are eligible to receive annual cash incentive bonuses primarily based upon their performance during the year. As indicated above, based on the circuit breaker aspect of our 2008 plan, no cash bonuses were awarded for fiscal 2008. In the past, bonus levels have been subjective, impacted in part by comparisons to overall cash compensation paid by our competitors as well as a broader range of comparable companies.

Under the terms of each of our executive employment agreements, when we adopt more objective performance bonus standards, subsequent restatement to the financial statements due to malfeasance or negligence of the executive will subject the executive to return of excess bonuses awarded if the executive would have received a reduced bonus amount based on the restated financial statements.

Equity Compensation. We believe that restricted stock awards are an important long-term incentive for our executive officers and employees and align officer interest with that of our stockholders. We recognize that Gary Stern and Arthur Stern already have a very significant equity stake in the Company, so that for them equity grants do not serve to further align their interests with that of our stockholders but do assure that their overall compensation is

fair from the point of view of comparable overall compensation with our competitors. We review our equity compensation plan annually. For fiscal 2008 performance, no awards were made.

We do not have any plan or obligation that requires us to grant equity compensation to any executive officer on specified dates. In recent years, we have developed the practice of approving bonuses and equity grants at about the time our audit of the prior fiscal year is completed to reward executives for work in the completed year. The authority to make equity grants to our executive officers rests with our Compensation Committee; however, our practice has been to make those grants subject to ratification and approval by the full Board of Directors. The Committee does consider the input of our chief executive officer in setting the compensation of our other executive officers, including in the determination of appropriate levels of equity grants.

Severance and Change-in-Control Benefits. Historically, we have provided our executive officers with employment contracts. In January 2007, we entered into three-year contracts with Gary Stern and Mitchell Cohen, and a one-year contract with Arthur Stern. In January 2008, we entered into a new one-year contract with Arthur Stern, which has now expired, and a two-year employment agreement with Cameron Williams. All contacts are similarly structured. These contracts set minimum base salary levels, but leave discretion as to bonuses and equity grants, with the agreement for Mr. Williams setting an expected level of the maximum cash bonus and stock grant. The contracts also provide for certain severance benefits in the event of termination, as well as a provision providing for a higher payment in the event of termination or retirement following a change-in-control as defined in the employment agreements. Those severance and other benefits are described under “Employment Agreements” below, and certain estimates of these severance and change of control benefits are provided in a chart below. When the existing employment agreements were negotiated, we did not review wealth and retirement accumulation as a result of employment with us in fixing severance benefits or any other compensation issues, and we only focused on fair compensation for the year in question. We provided this benefit to retain our executives and believed these provisions were consistent with the provisions of similar benefits by competitive companies.

Share Retention

We do not have a share retention policy or guideline for executive officers and directors encouraging or requiring them to retain a certain amount of equity in the Company. However, the most recent grant of restricted stock to directors in 2008 provided that, of the 5,000 restricted shares granted to each director, 1,000 shares would not vest until death, disability, retirement from the board or reaching the age of 80.

Regulatory Considerations

We account for the equity compensation expense for our employees under the rules of Statement of Financial Accounting Standards No. 123R, “Share-Based Payment” (“SFAS 123R”), which requires us to estimate and record an expense for each award of equity compensation over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is accrued.

THE COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on this review and these discussions, the Compensation Committee recommended to the Board of Directors that the following Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee:
David Slackman, Chairman
Harvey Leibowitz

SUMMARY OF COMPENSATION

The following table contains information about compensation received by the named executive officers for the fiscal year ended September 30, 2008.

	Summary Compensation Table					
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(3)	All Other Compensation ($)(8)	Total ($)
Arthur Stern	2008	360,385	0	167,055	466	527,906
Executive Vice President Chairman of the Board(4)	2007	370,962	0(2)	220,340	455	591,757
Gary Stern	2008	577,500	0	236,406	33,695	847,601
President & CEO	2007	570,096	0(2)	220,340	21,124	811,560
Mitchell Cohen	2008	277,308	0	143,956	28,662	449,926
Chief Financial Officer(5)	2007	260,577	75,000	220,340	19,570	575,487
Cameron Williams	2008	286,538	0	0	17,145	303,683
Chief Operating Officer(6)	2007	16,346	0	0	1,200	17,546
Mary Curtin	2008	225,577	0	61,854	8,782	296,213
Senior Vice President(7)	2007	190,577	70,000	73,456	8,400	342,433

(1) No bonuses were awarded to Named Executive Officers for fiscal year 2008. Bonuses reflected in the table above were awarded in January 2008 for fiscal year ended September 30, 2007. Also included above is a $50,000 bonus paid to Mr. Cohen during fiscal year 2007 for his work in connection with the $300 million portfolio purchase in March 2007. Bonuses paid in fiscal year 2007 for services provided in fiscal year 2006, as reported in our 2007 proxy statement, were as follows:

Arthur Stern	$ 50,000
Gary Stern	$100,000
Mitchell Cohen	$ 50,000

(2) Bonuses awarded to Gary Stern and Arthur Stern of $250,000 and $50,000, respectively, were not paid at the election of the two Named Executive Officers.

(3) The amounts shown in the Stock Awards column represent the approximate amount we recognized for financial statement reporting purposes in fiscal year 2008 for the fair value of equity awards granted to the named executive officers in fiscal year 2008 and prior years, in accordance with SFAS No. 123(R), excluding the impact of estimated forfeitures related to service-based vesting conditions, as required by SEC rules. As a result, these amounts do not reflect the amount of compensation actually received by the named executive officer during the fiscal year. For a description of the assumptions used in calculating the fair value of equity awards under SFAS No. 123(R), see Note A [10] and Note K of our financial statements in our Form 10-K for the year ended September 30, 2008.

(4) Arthur Stern as of January 2009 has stepped down as an employee of the Company, although he will continue to serve on the Board, with the title Chairman Emeritus and to consult for a combined annual directors and consulting fee of $300,000. Mr. Stern founded the Company and has served as Executive Vice President and Chairman of Board of the Company since 1995.

(5) Mitchell Cohen has resigned from the Company. Mr. Cohen’s resignation takes affect after the filing of this Form 10-K. Mr. Cohen will continue to consult with the Company to insure a smooth transition, and will receive a consulting fee of $5,000 per month for six months. The Board has also agreed to accelerate the vesting of 5,000 shares of restricted stock of the Company which otherwise would have vested on March 19, 2009.

(6) Mr. Williams was appointed to the Chief Operating Officer position on January 8, 2008. Salary for fiscal year 2007 represents the period August 27, 2007 (commencement of employment with the Company) through September 30, 2007. Salary earned for period was in the capacity of Vice President — Strategic Initiatives.

(7) Ms. Curtin was appointed to the Senior Vice President position on January 8, 2008. Salary, Bonus and Stock Awards were in a non-executive capacity for 2007.

(8) These amounts consist of:

- matching Company contributions under our 401(k) plan, and
- life premiums as follows:

Name	Year	401(k) Company Match ($)	Life Insurance Premium ($)	Automobile Allowance ($)	Health Insurance Premiums ($)	Total ($)
Arthur Stern	2008				466	466
	2007				455	455
Gary Stern	2008	5,661	24,982		3,052	33,695
	2007	10,000	8,224		2,900	21,124
Mitchell Cohen	2008	6,933	19,000		2,729	28,662
	2007	7,500	9,475		2,595	19,570
Cameron Williams	2008	5,250	—	9,600	2,296	17,146
	2007	—	—	1,200	0	1,200
Mary Curtin	2008	7,750	—	—	1,032	8,782
	2007	7,500	—	—	900	8,400

GRANTS OF STOCK OPTION AND STOCK AWARDS

The following table provides certain information with respect to restricted stock awards granted to our Named Executive Officers during fiscal year 2008. None of the Named Executive Officers received stock options during fiscal year 2008.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stocks or Units (#)(1)	Grant Date Fair Value of Stock and Option Awards ($)
Arthur Stern	1/17/08	5,000	$ 98,650
Gary Stern	1/17/08	20,000	$ 394,600
Mitchell Cohen	—	—	—
Cameron Williams	—	—	—
Mary Curtin	1/17/08	3,000	$ 59,190

(1) These restricted stock awards vest in three equal annual installments beginning 10/1/08.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table provides information on exercisable and unexercisable options and unvested stock awards held by the Named Executive Officers on September 30, 2008.

	Option Awards			Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Arthur Stern				5,000	35,050
	6,000	5.96	11/14/11	3,334	23,371
	30,000	4.725	11/1/12		
	70,000	14.87	11/3/13		
	80,000	18.22	10/28/14		
Gary Stern				5,000	35,050
	300,000	2.625	9/18/10	13,334	93,471
	6,000	5.96	11/14/11		
	60,000	4.725	11/1/12		
	70,000	14.87	11/3/13		
	150,000	18.22	10/28/14		
Mitchell Cohen	20,000	16.57	9/9/14	5,000	35,050
Cameron Williams	—	—	—	—	—
Mary Curtin				1,668	11,693
	3,334	18.76	11/16/14	2,000	14,020

(1) Based on $7.01 per share, the closing price of the common stock as reported by NASDAQ on September 30, 2008.

OPTION EXERCISES AND VESTING OF RESTRICTED STOCK AWARDS

The following table provides information on option exercises and vesting of stock awards of Named Executive Officers during the fiscal year ended September 30, 2008

OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
Arthur Stern	100,000	1,237,500	6,666	79,479
Gary Stern	200,000	4,407,500	11,666	114,679
Mitchell Cohen	0	0	5,000	67,750
Cameron Williams	0	0	0	0
Mary Curtin	0	0	2,667	29,623

(1) Represents the difference between the market price of the underlying securities at exercise and the exercise price of the option.

(2) Represents the number of shares vested multiplied by the market value of the shares on the vesting date.

Employment Agreements

In January 2007, the Company entered into employment agreements (each an "Employment Agreement") with each of Gary Stern, the Company's President and Chief Executive Officer, Arthur Stern, the Company's Executive Vice President and Mitchell Cohen, the Company's Chief Financial Officer (each, an "Executive"). Each of Gary Stern's and Mitchell Cohen's Employment Agreements expire on December 31, 2009, provided, however, that the parties are required to provide ninety days' prior written notice if they do not intend to seek an extension or renewal of the Employment Agreement. Arthur Stern's agreement had a one year term. If each Employment Agreement is not renewed by the expiration dates each executive will continue in their respective roles as officers of the Company at the discretion of the Board of Directors. In January 2008, the Company entered into a similar employment agreement with Cameron Williams, and a one -year agreement with Arthur Stern. Mr. Cohen has resigned from the Company. Mr. Cohen's resignation takes affect after the filing of this Form 10-K. Mr. Cohen will continue to consult with the Company to insure a smooth transition, and will receive a consulting fee of $5,000 per month for six months. The Board has also agreed to accelerate the vesting of 5,000 shares of restricted stock of the Company which otherwise would have vested on March 19, 2009.

As of January 2009 Arthur Stern has stepped down as an employee of the Company, although he will continue to serve on the Board, with the title Chairman Emeritus and to consult for a combined annual directors and consulting fee of $300,000. Mr. Stern founded the Company and has served as Executive Vice President and Chairman of Board of the Company since 1995.

The following is a summary of the employment agreements in place between the Company and its Named Executive Officers. The actual agreements are on file with the Securities and Exchange Commission.

The employment agreements each provide for a base salary, which may be increased by the Board in its sole discretion. The base contractual salary for each Executive Officer under their employment agreements is as follows:

Gary Stern	$577,500
Arthur Stern	$355,000
Cameron Williams	$300,000
Mitchell Cohen	$280,000

The executive is eligible to receive bonuses and equity awards in amounts to be determined by the Compensation Committee of the Board of Directors. Each executive may also participate in all of the Company's employee benefit plans and programs generally available to other employees. Mr. Williams' contract provides that he will be entitled to a cash bonus of up to $175,000 and a restricted stock grant of up to $175,000 if all performance goals for 2008 are satisfied at the highest level set by the Board. Such goals were not satisfied therefore the bonus and the stock grant were not awarded.

If the executive's employment is terminated "Without Cause" (as such term is defined in the Employment Agreement), subject to the execution of a general release agreement by the executive in favor of the Company, the Company must continue to pay the executive his base salary for 12 months following the effective date of termination and maintain insurance benefits for that period. (Insurance benefits for Mr. Williams must be maintained for 18 months.) Except as provided above, the executive will not be eligible to participate in the Company's benefit plans and programs as of the last day of his employment by the Company; provided, however that he will not be precluded from exercising his rights, if any, under COBRA or with respect to grants made under the Company's 1995 Stock Option Plan, the 2002 Plan, or the Equity Compensation Plan, pursuant to the terms of such plans and the applicable grant agreements thereunder. The Company must provide the executive either ninety days' prior written notice of such termination or an amount equal to ninety days' of his base salary in lieu of such notice of termination. Each party is required to provide ninety days' prior written notice if it does not intend to seek an extension or renewal of the Employment Agreement. The term " Cause " under the contract includes: (i) the employee's failure or refusal to perform his duties and responsibilities under the contract or the Company's policies and procedures (subject to certain cure rights); (ii) the employee's conviction of a felony or of any crime involving moral turpitude; (iii) the commission by the employee of a fraudulent, illegal or dishonest act in connection with the performance of his duties; or (iv) the commission by the employee of any willful misconduct or gross negligence which reasonably could be expected to have the effect of injuring the Company.

If the executive's employment with the Company is terminated for any reason within 180 days following a "change of control" of the Company (as such term is defined in the 2002 Plan), the Company is required to pay:

- a lump sum amount in cash equal to two (2) times the sum of the executive's base salary in effect on the date of termination and the highest annual bonus earned by the executive during his employment with the Company, and
- the executive will continue to receive the benefits and perquisites as provided in the employment agreement for two years from the date of termination.

The executive is also subject to standard non-compete and confidentiality provisions contained in the employment agreement.

The following table describes the potential payments and benefits upon employment termination for each of out Named Executive Officers pursuant to applicable law an the terms of their employment agreements with us, as if their employment had terminated on September 30, 2008 (the last day of the fiscal year) under the various scenarios described in the column headings as explained in the footnotes below: No severance is paid on a termination with Cause, if the executive terminates employment, if employment terminates at the end of the employment period, or if termination is because of death. Upon disability the individual will be paid his base salary for the remainder of the agreement from the date of disability.

Name(1)	Termination without Cause (2)	Change-in control Trigger Event(3)
Arthur Stern(4)	$ 355,000	$ 810,000
Gary Stern	$ 577,500	$ 1,355,000
Mitchell Cohen(5)	$ 280,000	$ 710,000
Cameron Williams	$ 450,000	$ 600,000

(1) Ms. Curtin does not have an employment agreement.

(2) Executive is paid for a period of twelve months following termination date. Chart does not include the value of 12 months continued health, medical and other benefits nor the effects of the requirement to give 90 days notice of termination or pay for such 90 day period.

(3) Executive is paid a lump sum amount in cash equal to two (2) times the sum of the executive's base salary in effect on the date of termination and the highest annual bonus earned by the executive during his employment with the Company. Chart does not include the value of 24 months continued health, medical and other benefits.

(4) Arthur Stern's contract expired 12/31/08. Additionally, Mr. Stern as of January 2009 has stepped down as an employee of the Company, although he will continue to serve on the Board, with the title Chairman Emeritus and to consult for a combined annual directors and consulting fee of $300,000.

(5) Mitchell Cohen, will be leaving the Company to relocate and take another position. A date has not yet been set for his departure as Mr. Cohen intends to stay with the Company until the latest banking arrangements are finalized and the Company has filed its Form 10-K for fiscal 2008. Mr. Cohen will continue to consult with the Company to insure a smooth transition, and will receive a consulting fee of $5,000 per month for six months. The Board has also agreed to accelerate the vesting of 5,000 shares of restricted stock of the Company which otherwise would have vested on March 19, 2009.

DIRECTOR COMPENSATION

Mr. Arthur Stern and Mr. Gary Stern received no compensation for serving as directors, except that they, like all directors, are eligible to be reimbursed for any expenses incurred in attending Board and committee meetings. For fiscal year 2008, the total annual fees that a director, other than Mr. Arthur Stern and Mr. Gary Stern, could have received for serving on our Board of Directors and committees of the Board of Directors were set as follow:

- An annual fee of $35,000 per year for each Independent Director,
- An annual fee for the Lead Independent Director of $25,000 per year,

- An annual fee of $20,000 for Chairman of Audit Committee,
- An annual fee of $10,000 for Audit Committee Member,
- An annual fee of $15,000 for Chairman of the Compensation Committee,
- An annual fee of $7,500 for Compensation Committee Member,
- An annual fee of $15,000 for Chairman of the Governance Committee, and
- An annual fee of $7,500 for Governance Committee Member.

The following table summarizes compensation paid to outside directors in fiscal 2008:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Total ($)
Herman Badillo	40,000	51,883	15,346	107,229(2)
Edward Celano	48,750	51,883	15,346	115,979(3)
Harvey Leibowitz	56,250	51,883	15,346	123,479(4)
David Slackman	57,500	51,883	15,346	124,729(5)
Alan Rivera	45,000	51,883	15,346	112,229(6)
Louis Piccolo	39,375	51,502	15,346	106,604(7)

(1) The amounts shown in the Stock Awards and Option Awards columns represents the approximate amount we recognized for financial statement reporting purposes in fiscal year 2008 for the fair value of equity awards granted to the outside directors in fiscal year 2008 and prior years, in accordance with SFAS No. 123(R), excluding the impact of estimated forfeitures related to service-based vesting conditions, as required by SEC rules. As a result, these amounts do not reflect the amount of compensation actually received by the named executive officer during the fiscal year. For a description of the assumptions used in calculating the fair value of equity awards under SFAS No. 123(R), see Note A [10] and Note K of our financial statements in our for the year ended September 30, 2008.

(2) Includes $3,750 paid in cash for Chairmanship of the Governance Committee and $2,500 for being a member of the Audit Committee. Both positions have been held since June 3, 2008.

(3) Includes $7,500 paid in cash for Chairmanship of the Nominating Committee (predecessor committee to Governance Committee) Mr. Celano was chairman until June 3, 2008. Also includes $7,500 for being a member of the Audit Committee.

(4) Includes $16,875 paid in cash for Chairmanship of the Audit Committee and $5,625 for being a member of the Compensation Committee.

(5) Includes $12,500 paid in cash for Chairmanship of the Compensation Committee, $5,000 in cash for being a member of the Audit Committee (member through June 3, 2008) and $6,250 for being Lead Independent Director, a position Mr. Slackman has held since June 3, 2008.

(6) Includes $11,250 paid in cash for being a member of the Compensation Committee and the Governance Committee. Mr. Rivera resigned his position on the Board of Directors effective December 17, 2008.

(7) Includes $5,625 paid in cash for being a member of the Governance Committee.

STOCK OPTION AND STOCK AWARD PLANS

Equity Compensation Plan

On December 1, 2005, the Board of Directors adopted the Company's Equity Compensation Plan (the "Equity Compensation Plan"), which was approved by the stockholders of the Company on March 1, 2006. The Equity Compensation Plan was adopted to supplement the Company's existing 2002 Stock Option Plan. In addition to permitting the grant of stock options as are permitted under the 2002 Stock Option Plan, the Equity Compensation Plan allows the Company flexibility with respect to equity awards by also providing for grants of stock awards (i.e. restricted or unrestricted), stock purchase rights and stock appreciation rights. The Company has 1,000,000 shares of Common Stock authorized under the Equity Compensation Plan, with 874,000 available for awards as of December 31, 2008. The following description does not purport to be complete and is qualified in its entirety by reference to the full text of the Equity Compensation Plan, which is included as an exhibit to the Company's reports filed with the SEC.

The general purpose of the Equity Compensation Plan is to provide an incentive to our employees, directors and consultants, including executive officers, employees and consultants of any subsidiaries, by enabling them to share in the future growth of our business. The Board of Directors believes that the granting of stock options and other equity awards promotes continuity of management and increases incentive and personal interest in the welfare of the Company by those who are primarily responsible for shaping and carrying out our long range plans and securing our growth and financial success.

The Board believes that the Equity Compensation Plan will advance the Company's interests by enhancing our ability to (a) attract and retain employees, directors and consultants who are in a position to make significant contributions to our success; (b) reward employees, directors and consultants for these contributions; and (c) encourage employees, directors and consultants to take into account our long-term interests through ownership of our shares.

2002 Stock Option Plan

On March 5, 2002, the Board of Directors adopted the Asta Funding, Inc. 2002 Stock Option Plan (the "2002 Plan"), which plan was approved by the Company's stockholders on May 1, 2002. The 2002 Plan was adopted in order to attract and retain qualified directors, officers and employees of, and consultants to, the Company. The following description does not purport to be complete and is qualified in its entirety by reference to the full text of the 2002 Plan, which is included as an exhibit to the Company's reports filed with the SEC.

The 2002 Plan authorizes the granting of incentive stock options (as defined in Section 422 of the Code) and non-qualified stock options to eligible employees of the Company, including officers and directors of the Company (whether or not employees) and consultants of the Company.

The Company has 1,000,000 shares of Common Stock authorized for issuance under the 2002 Plan and 393,334 shares were available as of September 30, 2008. Future grants under the 2002 Plan have not yet been determined.

1995 Stock Option Plan

The 1995 Stock Option Plan expired on September 14, 2005. The plan was adopted in order to attract and retain qualified directors, officers and employees of, and consultants, to the Company. The following description does not purport to be complete and is qualified in its entirety by reference to the full text of the 1995 Stock Option Plan, which is included as an exhibit to the Company's reports filed with the SEC.

The 1995 Stock Option Plan authorized the granting of incentive stock options (as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code")) and non-qualified stock options to eligible employees of the Company, including officers and directors of the Company (whether or not employees) and consultants to the Company.

The Company authorized 1,840,000 shares of Common Stock authorized for issuance under the 1995 Stock Option Plan. All but 96,002 shares were utilized. As of September 14, 2005, no more options could be issued under this plan.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The following table sets forth information as of December 31, 2008 with respect to beneficial ownership of the Company's Common Stock by (i) each director and executive officer acting in the capacity as such on September 30, 2008, (ii) each person known by the Company to own beneficially more than five percent of the Company's outstanding Common Stock, and (iii) all directors and executive officers as a group. Unless otherwise indicated, the address of each such person is c/o Asta Funding, Inc., 210 Sylvan Avenue, Englewood Cliffs, New Jersey 07632. All persons listed have sole voting and investment power with respect to their shares unless otherwise indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage(1)
Arthur Stern	647,683(2)	4.5%
Gary Stern	1,535,987(3)	10.3%
Mitchell Cohen	35,000(4)	*
Cameron Williams	0	n/a
Mary Curtin	9,667(5)	*
Herman Badillo 120 Broadway New York, NY 10271	45,000(6)	*
Edward Celano 2115 Scotch Gamble Road Scotch Plains, NJ	20,334(7)	*
Harvey Leibowitz 159 West 53 rd Street, Apt 229 New York, NY 10019	80,000(8)	*
David Slackman 28 Markwood Lane East Northport, NY 11731	54,834(9)	*
Alan Rivera 1370 6 th Avenue — 25 th Floor New York, NY 10019	49,666(10)	*
Louis A. Piccolo 350 West 50 rd Street New York, NY 10019	34,769(11)	*
Asta Group, Incorporated	842,000(12)	5.9%
Barbara Marburger 9 Locust Hollow Road Monsey, NY 10952	440,451(13)	3.1%
Judith R. Feder 928 East 10 th Street Brooklyn, NY 11230	1,573,000(14)	11.0%
Stern Family Investors LLC 928 East 10 th Street Brooklyn, NY 11230	692,000(15)	4.8%
GMS Family Investors LLC 928 East 10 th Street Brooklyn, NY 11230	862,000(16)	6.0%
Private Capital Management 8889 Pelican Bay Blvd. Suite 500 Naples, FL 34108	1,316,238(17)	9.2%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	840,647(18)	5.9%
Peters MacGregor Capital Management Pty Ltd P.O. Box 107 Spring Hill Old 4004 Australia	1,793,630(19)	12.6%
First Wilshire Securities Management Inc. 1224 East Green Street Suite 200 Pasadena, CA 91106	808,520(20)	5.7%
All executive officers and directors as a group (10 persons)	2,512,939(21)	16.4%

* Less than 1%

(1) Any shares of common stock that any person named above has the right to acquire within 60 days of December 31, 2008, are deemed to be outstanding for purposes of calculating the ownership percentage of such person, but are not deemed to be outstanding for purposes of calculating the beneficial ownership percentage of any other person not named in the table above.

(2) Includes 186,000 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008, and 214,599 shares of common stock owned by Asta Group, Incorporated which shares are attributable to Arthur Stern based on his percentage ownership of Asta Group. Includes 8,334 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Stern has the right to vote. Excludes 349,460 shares owned by Stern Family Investors LLC which shares are attributable to Arthur Stern based on his percentage ownership of such LLC and 948 shares owned by GMS Family Investors LLC which shares are attributable to Arthur Stern based on his percentage ownership of such LLC. Arthur Stern does not have voting or investment power with respect to any of the shares held by either LLC and disclaims beneficial ownership of the shares owned by the LLCs.

(3) Includes 586,000 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008, and 196,656 shares of common stock owned by Gary Stern as custodian for his minor children and 285,607 shares of common stock owned by Asta Group, which shares are attributable to Gary Stern based on his percentage ownership of Asta Group. Includes 18,334 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Stern has the right to vote. Excludes 684,945 shares owned by GMS Family Investors LLC which shares are attributable to Gary Stern based on his percentage ownership of such LLC. Gary Stern does not have voting or investment power with respect to any of the shares held by the LLC and disclaims beneficial ownership of the shares owned by the LLC. Also excludes 196,656 shares of common stock held by one of his children who is no longer a minor and for which he disclaims beneficial ownership.

(4) Includes 20,000 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Includes 5,000 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Cohen has the right to vote.

(5) Includes 3,668 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Ms. Curtin has the right to vote.

(6) Includes 37,000 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Includes 3,666 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Badillo has the right to vote. Excludes 1,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2008.

(7) Includes 10,334 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Includes 3,666 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Celano has the right to vote. Excludes 1,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2008.

(8) Includes 72,000 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Includes 2,666 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Leibowitz has the right to vote. Excludes 1,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2008.

(9) Includes 45,334 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Includes 3,666 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Slackman has the right to vote. Excludes 1,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2008.

(10) Includes 44,000 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Mr. Rivera resigned from the Board of Directors effective December 17, 2008. Effective with his resignation Mr. Rivera forfeited 4,334 restricted shares of common stock and 1,000 stock options that did not vest prior to his resignation.

(11) Includes 25,769 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Includes 3,666 shares of restricted stock that will not have vested within 60 days of December 31, 2008 which Mr. Piccolo has the right to vote. Excludes 1,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2008.

(12) Asta Group, Incorporated is 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, including Barbara Marburger.

(13) Includes 90,676 shares of common stock owned by Ms. Marburger as custodian for her minor child and 70,907 shares of common stock owned by Asta Group, which shares are attributable to Ms. Marburger based on her percentage ownership of Asta Group. Excludes shares of common stock held by her children who are no longer minors and for which she disclaims beneficial ownership. Ms. Marburger is the daughter of Arthur Stern and the sister of Gary Stern.

(14) Includes 19,000 shares of common stock owned directly, 692,000 shares owned by Stern Family Investors LLC and 862,000 shares owned by GMS Family Investors LLC. Ms. Feder is the manager of each LLC and as such has sole voting and investment power as to such shares.

(15) A limited liability company of which Judith R. Feder has sole voting and investment power. Arthur Stern has a 49.5% beneficial interest in the LLC, his wife, Alice Stern, has a 1% beneficial interest, and a trust for the benefit of the descendants of Arthur Stern, of which Judith R. Feder is trustee, has a 49.5% beneficial interest in the LLC.

(16) A limited liability company of which Judith R. Feder has sole voting and investment power. Gary Stern has a 79.46% beneficial interest in the LLC, trusts for the benefit of the children of Gary Stern of which Judith R. Feder is the trustee have a combined 20.43% beneficial interest (10.215% each), and Arthur Stern has a .11% beneficial interest in the LLC.

(17) Based on Information reported by Private Capital Management in its Form 13G/A filed with the Securities & Exchange Commission (“SEC”) on December 10, 2008.

(18) Based on information contained in a NASDAQ online report as of January 14, 2009, based on the Form 13G and 13F filings with the SEC as of such date. The Company is not aware of any additional filings by any person or Company known to beneficially own more than 5% of the outstanding shares of common stock. On February 17, 2009 based on the Form 13G/A filed with the SEC, the ownership of Wellington Management Company LLP was zero percent.

(19) Based on Information reported by Peters MacGregor Capital Management Pty, Ltd in its Form 13G/A filed with the Securities & Exchange Commission on February 3, 2009.

(20) Based on information contained in a NASDAQ online report as of January 14, 2009, based on the Form 13G and 13F filings with the SEC as of such date. The Company is not aware of any additional filings by any person or Company known to beneficially own more than 5% of the outstanding shares of common stock.

(21) Includes 1,029,771 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008. Includes 57,006 shares of restricted stock that will not have vested within 60 days of December 31, 2008. Excludes 5,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2008. Excludes the shares owned in the aggregate by Stern Family Investors LLC and GMS Family Investors LLC.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about the Company's Common Stock that may be issued upon the exercise of options, warrants and rights under the Company's Equity Compensation Plan and 2002 Stock Option Plan, as of September 30, 2008. These plans were the Company's only equity compensation plans in existence as of September 30, 2008. The 1995 Stock Option Plan expired September 14, 2005.

	(a)	(b)	(c)
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a))
Equity Compensation Plans Approved by Shareholders	1,037,438	$ 11.69	1,267,334
Equity Compensation Plans Not Approved by Shareholders	—	—	—
Total	1,037,438	$ 11.69	1,267,334

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and persons holding more than 10% of a registered class of the equity securities of the Company to file with the SEC and to provide the Company with initial reports of ownership, reports of changes in ownership and annual reports of ownership of Common Stock and other equity securities of the Company. Based solely upon a review of such reports furnished to the Company, the Company believes that all such Section 16(a) reporting requirements were timely fulfilled during the fiscal year ended September 30, 2008.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The Company has entered into employment agreements with its executive officers. See "Executive Compensation — Employment Agreements."

Transactions with officers, directors and affiliates of the Company are anticipated to be minimal and will be approved by a majority of the Board of Directors, including a majority of the disinterested members of the Board of Directors, and will be made on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

Since the adoption of the Sarbanes-Oxley Act in July 2002, there has been a growing public and regulatory focus on the independence of directors. Additional requirements relating to independence are imposed by the Sarbanes-Oxley Act with respect to members of the Audit Committee. The Board has established procedures consistent with the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission and The NASDAQ Stock Market. The Board of Directors has also determined that the following members of the Board satisfy the NASDAQ definition of independence: Edward Celano, Harvey Leibowitz, David Slackman, Alan Rivera, Louis A. Piccolo and Herman Badillo. Mr. Alan Rivera resigned from the Board of Directors on December 17, 2008.

Item 14. *Principal Accounting Fees and Services.*

Audit Fees. The Company incurred $1,141,000 for the audit of the Company's annual financial statements for the year ended September 30, 2008 and for the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q filed during fiscal 2008. Such fees included the audit of internal controls over financial reporting as required by the Sarbanes- Oxley Act of 2002. The Company paid $727,000 for the audit of the Company's annual financial statements for the year ended September 30, 2007 and for the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q filed during fiscal 2007.

Financial Information Systems Design Implementation Fees. The Company was not billed for and did not receive any professional services described in Paragraph (c)(4)(ii) of Rule 2-01 of the SEC's Regulation S-X (in general, information technology services) from the Company's independent registered public accounting firm during the year ended September 30, 2008 or 2007.

Tax Fees and All Other Fees. The Company was not billed for any tax compliance or any other services by Grant Thornton LLP or Eisner LLP during fiscal year 2008. The Company was not billed for any tax compliance or any other services by Eisner LLP during fiscal year 2007

The Audit Committee has approved the engagement of Grant Thornton LLP as the Company's independent registered public accounting firm. The Audit Committee requires the Company's independent registered public accounting firm to advise the Audit Committee in advance of the independent registered public accounting firm's intent to provide any professional services to the Company other than services provided in connection with an audit or a review of the Company's financial statements. The Audit Committee shall approve, in advance, any non-audit services to be provided to the Company by the Company's independent registered public accounting firm.

Other Matters. No other matters were considered by the Audit Committee of the Board of Directors.

Part IV

Item 15. ***Exhibits, Financial Statement Schedules.***

Exhibits designated by the symbol * are filed with this Annual Report on Form 10-K. All exhibits not so designated are incorporated by reference to a prior filing as indicated.

Exhibits designated by the symbol † are management contracts or compensatory plans or arrangements that are required to be filed with this report pursuant to this Item 15.

The Company undertakes to furnish to any stockholder so requesting a copy of any of the following exhibits upon payment to us of the reasonable costs incurred by us in furnishing any such exhibit.

(a) The following documents are filed as part of this report

1. Financial Statements — See Index to Consolidated Financial Statements in Part II, Item 8

2. Exhibits

Exhibit Number	
3.1	Certificate of Incorporation.(1)
3.2	Amendment to Certificate of Incorporation(3)
3.3	By laws.(2)
10.1	Asta Funding, Inc 1995 Stock Option Plan as Amended(1)†
10.2	Asta Funding, Inc. 2002 Stock Option Plan(3)†
10.3	Asta Funding, Inc. Equity Compensation Plan(6)†
10.4	Third Amended and Restated Loan and Security Agreement dated May 11, 2004, between the Company and Israel Discount Bank of NY(5)
10.5	Fourth Amended and Restated Loan and Security Agreement dated July 10, 2006, between the Company and Israel Discount Bank of NY(7)
10.6	Lease agreement between the Company and 210 Sylvan Avenue LLC dated July 29, 2005(8)
10.7	Receivables Finance Agreement dated March 2, 2007 between the Company and the Bank of Montreal (10)
10.8	Subservicing Agreement between the Company and the Subservicer dated March 2, 2007(17)
10.9	Purchase and Sale Agreement dated February 5, 2007(11)
10.10	Third Amendment to the Fourth Amended and Restated Loan and Security Agreement dated March 30, 2007, between the Company and Israel Discount Bank(12)
10.11	Fourth Amendment to the Fourth Amended and Restated Loan and Security Agreement dated May 10, 2007, between the Company and Israel Discount Bank(13)
10.12	Fifth Amendment to the Fourth Amended and Restated Loan and Security Agreement dated June 27, 2007, between the Company and Israel Discount Bank(14)
10.13	First Amendment to the Receivables Finance Agreement dated July 1, 2007 between the Company and Bank of Montreal(15)
10.14	Sixth Amendment to the Fourth Amended and Restated Loan and Security Agreement dated December 4, 2007, between the Company and Israel Discount Bank(16)
10.15	Second Amendment to the Receivables Financing Agreement dated December 27, 2007(18)
10.16	Third Amendment to the Receivables Financing Agreement dated May 19, 2008(19)
10.17	Amended and Restated Servicing Agreement dated May 19, 2008 between the Company and The Bank of Montreal(19)
10.18	Subordinated Promissory Note between Asta Funding, Inc and Asta Group, Inc. dated April 29, 2008(20)
10.19	Seventh Amendment to the Fourth Amended and Restated Loan Agreement, Dated February 20, 2009 between the Company and IDB*
10.20	Form of Amended and Restated Revolving Note*

Exhibit Number	
10.21	Fourth Amendment to the Receivables Financing Agreement dated February 20, 2009 between the Company and Bank of Montreal*
10.22	Subordinated Guarantor Security Agreement dated February 20, 2009 to Bank of Montreal*
10.23	Subordinated Limited Recourse Guaranty Agreement dated February 20, 2009*
10.24	Subordinated Guarantor Security Agreement dated February 20, 2009 to Asta Group, Inc.*
10.25	Subordinated Limited Recourse Guaranty Agreement dated February 20, 2009 to Asta Group.*
10.26	Form of Intercreditor Agreement*
10.27	Amended and Restated Management Agreement, dated as of January 16, 2009, between Palisades Collection, L.L.C., and [*].*
10.28	Amended and Restated Master Servicing Agreement, dated as of January 16, 2009, between Palisades Collection, L.L.C., and [*] *
10.29	First Amendment to Amended and Restated Master Servicing Agreement, dated as of September 16, 2007, by and among Palisades Collection, L.L.C., and [*], and [*]*
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 Cohen, 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 Cohen, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

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

(2) Incorporated by reference to Exhibit 3.1 to Asta Funding's Annual Report on Form 10-KSB for the year ended September 30, 1998.

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

(4) Not used.

(5) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed May 19, 2004.

(6) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed March 3, 2006.

(7) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed July 12, 2006.

(8) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed August 2, 2005.

(9) Not used

(10) Incorporated by reference to Exhibit 10.1 to Asta Funding's Quarterly Report on Form 10-Q for the three months ended March 31, 2007.

(11) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed February 9, 2007

(12) Incorporated by reference to Exhibit 10.2 to Asta Funding's Quarterly Report on Form 10-Q for the Three Months Ended March 31, 2007

(13) Incorporated by reference to Exhibit 10.3 to Asta Funding's Quarterly Report on Form 10-Q for the Three Months Ended March 31, 2007

(14) Incorporated by reference to Exhibit 10.1 to Asta Funding's Quarterly Report on Form 10-Q for the Three Months Ended June 30, 2007

(15) Incorporated by reference to Exhibit 10.2 to Asta Funding's Quarterly Report on Form 10-Q for the Three Months Ended June 30, 2007.

(16) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed December 10, 2007

(17) Incorporated by reference to Exhibit 10.4 to Asta Funding's Quarterly Report on Form 10-Q for the Three Months Ended March 31, 2007

(18) Incorporated by reference to Exhibit 10.15 to Asta Funding's Annual Report on Form 10-K for the year ended September 30, 2007

(19) Incorporated by reference to Exhibit 10.15 to Asta Funding's Quarterly Report on Form 10-Q for the three months ended March 31, 2008

(20) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed May 1, 2008

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.

By: /s/ Gary Stern
Gary Stern
President and Chief Executive Officer
(Principal Executive Officer)

Dated: February 20, 2009

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	February 20, 2009
/s/ Mitchell Cohen Mitchell Cohen	Chief Financial Officer Principal Financial and Accounting Officer	February 20, 2009
/s/ Arthur Stern Arthur Stern	Chairman of the Board and Executive Vice President	February 20, 2009
/s/ Herman Badillo Herman Badillo	Director	February 20, 2009
/s/ Edward Celano Edward Celano	Director	February 20, 2009
/s/ Harvey Leibowitz Harvey Leibowitz	Director	February 20, 2009
/s/ David Slackman David Slackman	Director	February 20, 2009
/s/ Louis A. Piccolo Louis A. Piccolo	Director	February 20, 2009

Table of Contents

ASTA FUNDING, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 and 2007

ASTA FUNDING, INC. AND SUBSIDIARIES

Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Asta Funding, Inc.

We have audited the accompanying consolidated balance sheet of Asta Funding, Inc. and subsidiaries (the "Company") as of September 30, 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for the year ended September 30, 2008. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asta Funding, Inc. and subsidiaries as of September 30, 2008 and the results of their operations and their cash flows for the year ended September 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Asta Funding, Inc. and subsidiaries' internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 20, 2009 expressed an unqualified opinion.

/s/ Grant Thornton LLP

New York, New York
February 20, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Asta Funding, Inc.

We have audited the accompanying consolidated balance sheet of Asta Funding, Inc. and subsidiaries as of September 30, 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended September 30, 2007. 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 the standards of the Public Company Accounting Oversight Board (United States). 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. as of September 30, 2007, and the consolidated results of their operations and their consolidated cash flows for each of the years in the two-year period ended September 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ EISNER LLP

New York, New York
December 27, 2007

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	September 30, 2008	September 30, 2007
ASSETS		
Cash and cash equivalents	**$ 3,623,000**	$ 4,525,000
Restricted cash	**3,047,000**	5,694,000
Consumer receivables acquired for liquidation (at net realizable value)	**449,012,000**	545,623,000
Due from third party collection agencies and attorneys	**5,070,000**	4,909,000
Investment in venture	**555,000**	2,040,000
Furniture and equipment (net of accumulated depreciation of $2,367,000 in 2008 and $2,048,000 in 2007)	**762,000**	793,000
Deferred income taxes	**15,567,000**	12,349,000
Other assets	**3,500,000**	4,323,000
	$481,136,000	$580,256,000
LIABILITIES		
Debt	**$213,485,000**	$326,466,000
Subordinated debt — related party	**8,246,000**	—
Other liabilities	**4,618,000**	7,537,000
Dividends payable	**571,000**	557,000
Income taxes payable	**6,315,000**	8,161,000
Total liabilities	**233,235,000**	342,721,000
Commitments and contingencies		
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 14,276,158 shares in 2008 and 13,918,158 in 2007	**143,000**	139,000
Additional paid-in capital	**69,130,000**	65,030,000
Retained earnings	**178,925,000**	172,366,000
Accumulated other comprehensive loss	**(297,000)**	—
Total stockholders' equity	**247,901,000**	237,535,000
	$481,136,000	$580,256,000

See Notes to Consolidated Financial Statement

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	Year Ended September 30,		
	2008	**2007**	**2006**
Revenues:			
Finance income, net	**$115,295,000**	$138,356,000	$101,024,000
Other income	**200,000**	2,181,000	405,000
	115,495,000	140,537,000	101,429,000
General and administrative expenses	**29,561,000**	25,450,000	18,268,000
Interest expense (2008 — Related party — $154,000)	**17,881,000**	18,246,000	4,641,000
Impairments	**53,160,000**	9,097,000	2,245,000
	100,602,000	52,793,000	25,154,000
Income before equity in earnings in venture and income taxes	**14,893,000**	87,744,000	76,275,000
Equity in earnings in venture	**55,000**	225,000	550,000
Income before income taxes	**14,948,000**	87,969,000	76,825,000
Provision for income taxes	**6,119,000**	35,703,000	31,060,000
Net income	**$ 8,829,000**	$ 52,266,000	$ 45,765,000
Basic net income per share	**$ 0.62**	$ 3.79	$ 3.36
Diluted net income per share	**$ 0.61**	$ 3.56	$ 3.13
Weighted average shares outstanding:			
Basic	**14,138,650**	13,807,838	13,637,406
Diluted	**14,553,346**	14,691,861	14,615,148

See Notes to Consolidated Financial Statement

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

For the years ended September 30, 2008, 2007 and 2006

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Loss	Total
Balance, September 30, 2005	13,595,324	$136,000	$60,798,000	$ 84,243,000	$ —	$145,177,000
Exercise of options	159,833	2,000	870,000			872,000
Tax benefit arising from exercise of non qualified stock options			30,000			30,000
Dividends				(7,687,000)		(7,687,000)
Stock based compensation expense			105,000			105,000
Net income				45,765,000		45,765,000
Balance, September 30, 2006	13,755,157	138,000	61,803,000	122,321,000	—	184,262,000
Exercise of options	95,001	1,000	1,328,000			1,329,000
Restricted stock granted	68,000					
Stock based compensation expense			1,140,000			1,140,000
Tax benefit arising from exercise of non qualified stock options and vesting of restricted stock of restricted of			759,000			759,000
Dividends				(2,221,000)		(2,221,000)
Net income				52,266,000		52,266,000
Balance, September 30, 2007	13,918,158	139,000	65,030,000	172,366,000	—	237,535,000
Exercise of options	300,000	3,000	422,000			425,000
Restricted stock granted	58,000	1,000	(1,000)			—
Stock based compensation expense			1,013,000			1,013,000
Tax benefit arising from exercise of non-qualified stock options and vesting of restricted stock			2,666,000			2,666,000
Dividends				(2,270,000)		(2,270,000)
Other comprehensive loss(net of tax of $202,000)					(297,000)	(297,000)
Net income				8,829,000		8,829,000
Balance, September 30, 2008	**14,276,158**	**$143,000**	**$69,130,000**	**$178,925,000**	**$ (297,000)**	**$247,901,000**

Comprehensive income is as follows:

	2008
Net income	$8,829,000
Other comprehensive loss, net of tax-foreign currency translation	(297,000)
Comprehensive income	$8,532,000
Accumulated other comprehensive loss	$ (297,000)

There were no elements of other comprehensive income for the years ended September 30, 2007 or 2006.

See Notes to Consolidated Financial Statements

ASTA FUNDING, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended September 30,		
	2008	**2007**	**2006**
Cash flows from operating activities:			
Net income	**$ 8,829,000**	$ 52,266,000	$ 45,765,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**1,278,000**	841,000	575,000
Deferred income taxes	**(2,634,000)**	(4,772,000)	(7,730,000)
Impairments of consumer receivables acquired for liquidation	**53,160,000**	9,097,000	2,245,000
Stock based compensation	**1,013,000**	1,140,000	105,000
Changes in:			
Due from third party collection agencies and attorneys	**(161,000)**	(1,847,000)	(1,637,000)
Other assets	**(136,000)**	(2,324,000)	(191,000)
Income taxes payable	**(1,846,000)**	(2,216,000)	9,134,000
Other liabilities	**(3,725,000)**	3,390,000	632,000
Net cash provided by operating activities	**55,778,000**	55,575,000	48,898,000
Cash flows from investing activities:			
Purchase of consumer receivables acquired for liquidation	**(49,886,000)**	(440,895,000)	(200,237,000)
Principal payments received from collection of consumer receivables acquired for liquidation	**81,645,000**	114,421,000	90,450,000
Principal payments received from collections represented by sales of consumer receivables acquired for liquidation	**11,034,000**	29,029,000	22,994,000
Effect of foreign exchange on consumer receivables acquired for liquidation	**658,000**	—	—
Investment in venture	**—**	—	(7,810,000)
Cash distribution received from venture	**1,485,000**	3,925,000	1,845,000
Purchase of other investments	**—**	(5,777,000)	(2,862,000)
Collections on other investments	**—**	8,251,000	—
Acquisition of businesses, net of cash acquired	**—**	—	(1,406,000)
Capital expenditures	**(361,000)**	(163,000)	(423,000)
Net cash provided by (used) in investing activities	**44,575,000**	(291,209,000)	(97,449,000)
Cash flows from financing activities:			
(Repayments) borrowings under lines of credit, net	**(113,001,000)**	243,655,000	53,526,000
Borrowings under subordinated loan — related party	**8,246,000**	—	—
Change in restricted cash	**2,647,000**	(5,694,000)	—
Dividends paid	**(2,256,000)**	(7,716,000)	(2,110,000)
Proceeds from exercise of stock options	**425,000**	1,329,000	872,000
Tax benefit arising from exercise of non-qualified stock options	**2,666,000**	759,000	30,000
Net cash (used in) provided by financing activities	**(101,273,000)**	232,333,000	52,318,000
Net (decrease) increase in cash and cash equivalents	**(920,000)**	(3,301,000)	3,767,000
Effect of foreign exchange on cash	**18,000**	—	—
Cash and cash equivalents at beginning of year	**4,525,000**	7,826,000	4,059,000
Cash and cash equivalents at end of year	**$ 3,623,000**	$ 4,525,000	$ 7,826,000
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest (2008 — Related party — $112,000)	**$ 19,784,000**	$ 16,644,000	$ 4,766,000
Income taxes	**$ 8,282,000**	$ 41,932,000	$ 29,535,000

See notes to consolidated financial statements

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE A —THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Company:

Asta Funding, Inc., together with its wholly owned significant operating subsidiaries Palisades Collection LLC, Palisades Acquisition XVI, LLC ("Palisades XVI"), VATIV Recovery Solutions LLC ("VATIV") and other subsidiaries, not all wholly owned, and not considered material (the "Company") is engaged in the business of purchasing, managing for its own account and servicing distressed consumer receivables, including charged-off receivables, semi-performing receivables and performing receivables. The primary Charged-off receivables are accounts that have been written-off by the originators and may have been previously serviced by collection agencies. Semi-performing receivables are accounts where the debtor is currently making partial or irregular monthly payments, but the accounts may have been written-off by the originators. Performing receivables are accounts where the debtor is making regular monthly payments that may or may not have been delinquent in the past. Distressed consumer receivables are the unpaid debts of individuals to banks, finance companies and other credit providers. A large portion of the Company's distressed consumer receivables are MasterCard(R), Visa(R), other credit card accounts, telecommunication accounts and auto deficiency receivables, which were charged-off by the issuers for non-payment. The Company acquires these portfolios at substantial discounts from their face values. The discounts are based on the characteristics (issuer, account size, debtor location and age of debt) of the underlying accounts of each portfolio.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and industry practices.

[1A] Liquidity

The Company's cash requirements have been and will continue to be significant and will depend on external financing to acquire consumer receivables. Significant requirements include the payments of debt, purchase of consumer receivables, servicing the consumer receivable portfolios, paying dividends, interest and income taxes. Acquisitions of consumer receivables acquired for liquidation are financed primarily through cash flows from operating activities and with the Company's credit facility financed by the Sixth Amendment to the Fourth Amended and Restated Loan Agreement (the "Credit Facility"), (all amendments to the Credit Facility hereafter referred to as the Credit Facility) which matures on July 11, 2009. At December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008, due to the borrowing base required by a consortium of banks (the "Bank Group"), the Company was approaching the upper limit of its borrowing capacity. However, with limited purchases of portfolios through the fiscal year ended September 30, 2008, coupled with the $8.2 million of subordinated debt incurred by the Company, availability is approximately $18.5 million at September 30, 2008. Our borrowing availability is limited to a formula based on the age of the receivables. As the collection environment remains challenging, we may be required to seek additional funding. Although availability has increased, the limited availability coupled with slower collections has had and could continue to have a negative impact on our ability to purchase new portfolios for future growth.

Subsequent to September 30, 2008, collections deteriorated resulting in impairments of approximately $21.4 million as described in Note Q-Subsequent Events (Unaudited). If the Company's collections continue to deteriorate, the Company might need to secure another source of funding in order to satisfy its working capital needs, curtail its operations, or secure financing on terms that are not favorable to the Company. However, the Company believes its net cash collections over the next twelve months will be sufficient to cover its operating expenses. See Note F-Debt and Subordinated Debt-related party, for further information.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

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

[2] Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company's investment in a venture, representing a 25% interest, is accounted for using the equity method. See Note D Investment in Venture for further information. All significant intercompany balances and transactions have been eliminated in consolidation.

[3] Cash and cash equivalents and restricted cash:

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 depository institutions mandated by the Company's lenders. Management periodically evaluates the creditworthiness of such institutions. Cash balances exceed Federal Deposit Insurance Corporation ("FDIC") limits from time to time

On February 5, 2007, Palisades Acquisition XV, LLC, a wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement (the "Portfolio Purchase Agreement") with Great Seneca Financial Corporation, and other affiliates (collectively, the "Sellers"), under which we agreed to acquire a portfolio of approximately $6.9 billion in face value receivables (the "Portfolio Purchase") for a purchase price of $300 million plus 20% of any future Net Payments (as defined in the Portfolio Purchase Agreement) received by the Company after the Company has received Net Payments equal to 150% of the purchase price plus our cost of funds. The Portfolio Purchase (now owned by Palisades XVI) predominantly consists of credit card accounts and includes some accounts in collection litigation and accounts as to which the Sellers have been awarded judgments. The transaction was consummated on March 5, 2007. To finance this purchase, the Company entered into a Receivables Financing Agreement with the Bank of Montreal ("BMO") as the funding source, consisting of debt with full recourse only to Palisades XVI, and bearing an interest rate which approximates 170 basis points over LIBOR. The term of the agreement was originally three years. All assets of Palisades XVI, principally the Portfolio Purchase, are pledged to secure such borrowing.

As part of the Receivables Financing Agreement all proceeds received as a result of the net collections from the Portfolio Purchase are to be applied to interest and principal of the underlying loan. The restricted cash at September 30, 2008 represents cash on hand, substantially all of which is designated to be paid to our lender on or about the tenth day of the subsequent month of the collections received. The lender has mandated in which depository institutions the cash is to be maintained. Generally, the cash balance exceeds Federal Deposit Insurance Corporation ("FDIC") limits.

[4] Income recognition, Impairments and Accretable yield adjustments:

Income Recognition

The Company accounts for its investment in consumer receivables acquired for liquidation using the interest method under the guidance of AICPA Statement of Position 03-3, "Accounting for Loans or Certain Securities Acquired in a Transfer" ("SOP 03-3"). Practice Bulletin 6 was amended by SOP 03-3. Under the guidance of SOP 03-3 (and the amended Practice Bulletin 6) static pools of accounts are established. These pools are aggregated based on certain common risk criteria. Each static pool is recorded at cost and is accounted for as a single unit for the recognition of income, principal payments and loss provision.

Once a static pool is established for a quarter, individual receivable accounts are not added to the pool (unless replaced by the seller) or removed from the pool (unless sold or returned to the seller). SOP 03-3 (and the amended Practice Bulletin 6) requires that the excess of the contractual cash flows over expected cash flows not be recognized as an adjustment of revenue or expense or on the balance sheet. SOP 03-3 initially freezes the internal rate of return

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

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

[4] Income recognition, Impairments and Accretable yield adjustments: — (Continued)

("IRR"), estimated when the accounts receivable are purchased, as the basis for subsequent impairment testing. Significant increases in actual, or expected future cash flows may be recognized prospectively through an upward adjustment of the IRR over a portfolio's remaining life. Any increase to the IRR then becomes the new benchmark for impairment testing. Under SOP 03-3 and the amended Practice Bulletin 6, rather than lowering the estimated IRR if the collection estimates are not received or projected to be received, the carrying value of a pool would be written down to maintain the then current IRR.

Impairments and accretable yield adjustments

The Company accounts for its impairments in accordance with SOP 03-3. This SOP provides guidance on accounting for differences between contractual and expected cash flows from an investor's initial investment in loans or debt securities acquired in a transfer if those differences are attributable, at least in part, to credit quality. Increases in expected cash flows should be recognized prospectively through an adjustment of the internal rate of return while decreases in expected cash flows should be recognized as impairments. SOP 03-3 makes it more likely that impairment losses and accretable yield adjustments for portfolios' performances which exceed original collection projections will be recorded, as all downward revisions in collection estimates will result in impairment charges, given the requirement that the IRR of the affected pool be held constant. As a result of the slower economy and other factors that resulted in slower collections on certain portfolios, impairments of $53.2 million and $9.1 million were recorded during the fiscal years ended September 30, 2008 and 2007, respectively, as compared to $2.2 million recorded in fiscal year 2006. There were no accretable yield adjustments recorded in fiscal year ended September 30, 2008.

In the quarter ended June 30, 2008, the Company discontinued using the interest method for income recognition under SOP 03-3 for the Portfolio Purchase. The recognition of income under SOP 03-3 is dependent on the Company having the ability to develop reasonable expectations of both the timing and amount of cash flows to be collected. In the event the Company cannot develop a reasonable expectation as to both the timing and amount of cash flows expected to be collected, SOP 03-3 permits the use of the change to the cost recovery method. Due to uncertainties related to the timing of the collections of the older judgments purchased in this portfolio as a result of the economic environment, the lack of reasonable delivery of media requests, the lack of validation of certain account components, and the sale of the primary servicer (which was commonly owned by the seller), the Company determined that it no longer has the ability to develop a reasonable expectation of the timing of the cash flows to be collected and therefore, transferred the Portfolio Purchase to the cost recovery method. The Company will recognize income only after it has recovered its carrying value, which, as of September 30, 2008 was approximately $207 million. There can be no assurance as to when or if the carrying value will be recovered. The change to the cost recovery method was not done to avoid additional impairment charges. Prior to using the cost recovery method, impairment charges totaling $30.3 million were recognized during the first six months of fiscal year 2008.

Our analysis of the timing and amount of cash flows to be generated by our portfolio purchases are based on the following attributes:

- the type of receivable, the location of the debtor and the number of collection agencies previously attempting to collect the receivables in the portfolio. We have found that there are better states to try to collect receivables and we factor in both better and worse states when establishing our initial cash flow expectations.
- the average balance of the receivables influence our analysis in that lower average balance portfolios tend to be more collectible in the short-term and higher average balance portfolios are more appropriate for our law suit strategy and thus yield better results over the longer term. As we have significant experience with both types of balances, we are able to factor these variables into our initial expected cash flows;

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

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

[4] Income recognition, Impairments and Accretable yield adjustments: — (Continued)

- the age of the receivables, the number of days since charge-off, the payments, if any, since charge-off, and the credit guidelines of the credit originator also represent factors taken into consideration in our estimation process since, for example, older receivables might be more difficult to collect in amount and/or require more time to collect;
- past history and performance of similar assets acquired. As we purchase portfolios of like assets, we accumulate a significant historical data base on the tendencies of debtor repayments and factor this into our initial expected cash flows;
- our ability to analyze accounts and resell accounts that meet our criteria;
- jobs or property of the debtors found within portfolios. With our business model, this is of particular importance. Debtors with jobs or property are more likely to repay their obligation through the suit strategy and, conversely, debtors without jobs or property are less likely to repay their obligation. We believe that debtors with jobs or property are more likely to repay because courts have mandated the debtor must pay the debt. Ultimately, the debtor will pay to clear title or release a lien. We also believe that these debtors generally might take longer to repay and that is factored into our initial expected cash flows; and
- credit standards of issuer.

We acquire accounts that have experienced deterioration of credit quality between origination and the date of our acquisition of the accounts. The amount paid for a portfolio of accounts reflects our determination that it is probable we will be unable to collect all amounts due according to the portfolio of accounts' contractual terms. We consider the expected payments and estimate the amount and timing of undiscounted expected principal, interest and other cash flows for each acquired portfolio coupled with expected cash flows from accounts available for sales. The excess of this amount over the cost of the portfolio, representing the excess of the accounts' cash flows expected to be collected over the amount paid, is accreted into income recognized on finance receivables over the expected remaining life of the portfolio.

We believe we have significant experience in acquiring certain distressed consumer receivable portfolios at a significant discount to the amount actually owed by underlying debtors. We acquire these portfolios only after both qualitative and quantitative analyses of the underlying receivables are performed and a calculated purchase price is paid so that we believe our estimated cash flow offers us an adequate return on our acquisition costs after our servicing expenses. Additionally, when considering larger portfolio purchases of accounts, or portfolios from issuers with whom we have limited experience, we have the added benefit of soliciting our third party servicers for their input on liquidation rates and, at times, incorporate such input into the estimates we use for our expected cash flows.

Typically, when purchasing portfolios with which we have the experience detailed above, we have expectations of achieving a 100% return on our invested capital back within an 18-28 month time frame and expectations of generating in the range of 130-150% of our invested capital over 3-5 years. We continue to use this as our basis for establishing the original cash flow estimates for our portfolio purchases. We routinely monitor these results against the actual cash flows and, in the event the cash flows are below our expectations and we believe there are no reasons relating to mere timing differences or explainable delays (such as can occur particularly when the court system is involved) for the reduced collections, an impairment would be recorded as a provision for credit losses. Conversely, in the event the cash flows are in excess of our expectations and the reason is due to timing, we would defer the "excess" collections and record as deferred revenue.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

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

[5] Commissions and fees

Commissions and fees are the contractual commissions earned by third party collection agencies and attorneys, and direct costs associated with the collection effort- generally court costs. The Company expects to continue to purchase portfolios and utilize third party collection agencies and attorney networks.

[6] Furniture, equipment and leasehold improvements:

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). Amortization on leasehold improvements is provided by the straight line-method of the remaining life of the respective lease. An accelerated depreciation method is used for tax purposes.

[7] Income taxes:

Deferred federal and state taxes arise from (i) recognition of finance income collected for tax purposes, but not yet recognized for financial reporting; (ii) provision for impairments/credit losses, all resulting in timing differences between financial accounting and tax reporting, and (iii) amortization of leasehold improvements resulting in timing differences between financial accounting and tax reporting.

[8] 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. The assumed proceeds from the exercise of dilutive options are calculated using the treasury stock method based on 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, 2008, 2007 and 2006:

	2008			2007			2006		
	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	$8,829,000	14,138,650	$ 0.62	$52,266,000	13,807,838	$ 3.79	$45,765,000	13,637,406	$ 3.36
Dilutive effect of stock Options		414,696			884,023			977,742	
Diluted	$8,829,000	14,553,346	$ 0.61	$52,266,000	14,691,861	$ 3.56	$45,765,000	114,615,148	$ 3.13

At September 30, 2008, 400,160 options at a weighted average exercise price of $18.70 were not included in the diluted earnings per share calculation as they were antidilutive. There were no anti dilutive securities at September 30, 2007 and 2006.

[9] 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. With respect to income recognition under the interest method, the Company takes into consideration the relative credit quality of the underlying

receivables constituting the portfolio acquired, the strategy involved to maximize the collections thereof, the time required to implement the collection strategy as well as other factors to estimate the anticipated cash flows. Actual results could differ from those estimates including management's estimates of future cash flows and the resultant allocation of collections between principal and interest resulting therefrom. Downward revisions to estimated cash flows will result in impairments.

[10] Stock-based compensation:

The Company accounts for stock-based employee compensation under FASB SFAS No. 123 (Revised 2005), Share-Based Payment ("SFAS 123R"). SFAS 123R, requires that compensation expense associated with stock options and vesting of restricted stock awards be recognized in the statement of operations.

[11] Impact of Recently Issued Accounting Standards

In December 2007, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 110 ("SAB 110"). This staff accounting bulletin ("SAB") expresses the views of the staff regarding the use of a "simplified" method, as discussed in SAB No. 107 ("SAB 107"), in developing an estimate of expected term of "plain vanilla" share options in accordance with Financial Accounting Standards Board ("FASB") Statement No. 123 (revised 2004), *Share-Based Payment* . In particular, the Staff indicated in SAB 107 that it will accept a company's election to use the simplified method, regardless of whether the company has sufficient information to make more refined estimates of expected term. At the time SAB 107 was issued, the staff believed that more detailed external information about employee exercise behavior (e.g., employee exercise patterns by industry and/or other categories of companies) would, over time, become readily available to companies. Therefore, the staff stated in SAB 107 that it would not expect a company to use the simplified method for share option grants after December 31, 2007. The staff understands that such detailed information about employee exercise behavior may not have been widely available by December 31, 2007. Accordingly, the staff will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. This SAB does not have a material impact on the Company.

In February 2007, the FASB issued Statement 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). The objective of SFAS No. 159 is to provide companies with the option to recognize most financial assets and liabilities and certain other items at fair value. Statement 159 will allow companies the opportunity to mitigate earnings volatility caused by measuring related assets and liabilities differently without having to apply complex hedge accounting. Unrealized gains and losses on items for which the fair value option has been elected should be reported in earnings. The fair value option election is applied on an instrument by instrument basis (with some exceptions), is irrevocable, and is applied to an entire instrument. The election may be made as of the date of initial adoption for existing eligible items. Subsequent to initial adoption, the Company may elect the fair value option at initial recognition of eligible items or on entering into an eligible firm commitment. The Company can only elect the fair value option after initial recognition in limited circumstances.

SFAS No. 159 requires similar assets and liabilities for which the Company has elected the fair value option to be displayed on the face of the balance sheet either (a) together with financial instruments measured using other measurement attributes with parenthetical disclosure of the amount measured at fair value or (b) in separate line items. In addition, SFAS No. 159 requires additional disclosures to allow financial statement users to compare similar assets and liabilities measured differently either within the financial statements of the Company or between financial statements of different companies.

SFAS No. 159 is required to be adopted by the Company on October 1, 2008. Early adoption is permitted; however, the Company did not adopt SFAS No. 159 prior to the required adoption date of October 1, 2008. The Company is required to adopt SFAS No. 159 concurrent with SFAS No. 157, "Fair Value Measurements." The

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

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

[11] Impact of Recently Issued Accounting Standards — (Continued)

remeasurement to fair-value will be reported as a cumulative-effect adjustment in the opening balance of retained earnings. Additionally, any changes in fair value due to the concurrent adoption of SFAS No. 157 will be included in the cumulative-effect adjustment if the fair value option is also elected for that item.

The Company opted to not apply the fair value option to any of its financial assets or liabilities. If the Company elects to recognize items at fair value as a result of Statement 159, this could result in increased earnings volatility.

In September 2006 the FASB issued SFAS No. 157, *Fair Value Measurements* . The Statement is effective for all financial statements issued for fiscal years beginning after November 15, 2007, or October 1, 2008 as to the Company. The Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Adoption of SFAS No. 157 is not expected to have a material impact on the Company's results of operations or financial condition.

[12] Reclassifications;

Certain items in prior years' financial statements have been reclassified to conform to current year's presentation.

NOTE B —CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION

Accounts acquired for liquidation are stated at their net estimated realizable value and consist primarily of defaulted consumer loans to individuals throughout the country and in Central and South America.

The Company accounts for its investments in consumer receivable portfolios, using either:

- the interest method; or
- the cost recovery method.

The Company accounts for its investment in finance receivables using the interest method under the guidance of AICPA Statement of Position 03-3, "Accounting for Loans or Certain Securities Acquired in a Transfer" ("SOP 03-3"). Practice Bulletin 6 Amortization of Discounts on Certain Acquired Loans ("Practice Bulletin 6") was amended by SOP 03-3. Under the guidance of SOP 03-3 (and the amended Practice Bulletin 6), static pools of accounts are established. These pools are aggregated based on certain common risk criteria. Each static pool is recorded at cost and is accounted for as a single unit for the recognition of income, principal payments and loss provision.

Once a static pool is established for a quarter, individual receivable accounts are not added to the pool (unless replaced by the seller) or removed from the pool (unless sold or returned to the seller). SOP 03-3 (and the amended Practice Bulletin 6) requires that the excess of the contractual cash flows over expected cash flows not be recognized as an adjustment of revenue or expense or on the balance sheet. SOP 03-3 initially freezes the internal rate of return, referred to as IRR, estimated when the accounts receivable are purchased, as the basis for subsequent impairment testing. Significant increases in actual or expected future cash flows may be recognized prospectively through an upward adjustment of the IRR over a portfolio's remaining life. Any increase to the IRR then becomes the new benchmark for impairment testing. Rather than lowering the estimated IRR if the collection estimates are not received or projected to be received, the carrying value of a pool would be impaired, or written down to maintain the then current IRR. 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. Revenue arising from collections in excess of anticipated amounts attributable to timing differences is deferred until such time as a review results in a change in the expected cash flows. The estimated future cash flows are reevaluated quarterly.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE B —CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION — (CONTINUED)

The Company uses the cost recovery method when collections on a particular pool of accounts cannot be reasonably predicted. Under the cost recovery method, no income is recognized until the cost of the portfolio has been fully recovered. A pool can become fully amortized (zero carrying balance on the balance sheet) while still generating cash collections. In this case, all cash collections are recognized as revenue when received.

The Company accounts for its investments in consumer receivable portfolios, using either:

- the interest method; or
- the cost recovery method.

The Company's extensive liquidating experience is in the field of distressed credit card receivables, telecommunication receivables, consumer loan receivables, retail installment contracts, consumer receivables, and auto deficiency receivables. The Company uses the interest method for accounting for asset acquisitions within these classes of receivables when it believes it can reasonably estimate the timing of the cash flows. In those situations where the Company diversifies its acquisitions into other asset classes where the Company does not possess the same expertise or history, or the Company cannot reasonably estimate the timing of the cash flows, the Company utilizes the cost recovery method of accounting for those portfolios of receivables. At September 30, 2008, approximately $203.5 million of the consumer receivables acquired for liquidation are accounted for using the interest method, while approximately $245.5 million are accounted for using the cost recovery method.

After SOP 03-3 was adopted, the Company aggregates portfolios of receivables acquired sharing specific common characteristics which were acquired within a given quarter. The Company currently considers for aggregation portfolios of accounts, purchased within the same fiscal quarter, that generally meet the following characteristics:

- same issuer/originator;
- same underlying credit quality;
- similar geographic distribution of the accounts;
- similar age of the receivable; and
- same type of asset class (credit cards, telecommunication, etc.)

The Company uses a variety of qualitative and quantitative factors to estimate collections and the timing thereof. This analysis includes the following variables:

- the number of collection agencies previously attempting to collect the receivables in the portfolio;
- the average balance of the receivables, as higher balances might be more difficult to collect while low balances might not be cost effective to collect;
- the age of the receivables, as older receivables might be more difficult to collect or might be less cost effective. On the other hand, the passage of time, in certain circumstances, might result in higher collections due to changing life events of some individual debtors;
- past history of performance of similar assets;
- time since charge-off;
- payments made since charge-off;
- the credit originator and its credit guidelines;

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE B —CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION — (CONTINUED)

- our ability to analyze accounts and resell accounts that meet our criteria for resale;

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE B —CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION — (CONTINUED)

- the locations of the debtors, as there are better states to attempt to collect in and ultimately the Company has better predictability of the liquidations and the expected cash flows. Conversely, there are also states where the liquidation rates are not as favorable and that is factored into our cash flow analysis;
- jobs or property of the debtors found within portfolios. In our business model, this is of particular importance. Debtors with jobs or property are more likely to repay their obligation and conversely, debtors without jobs or property are less likely to repay their obligation; and
- the ability to obtain timely customer statements from the original issuer.

The Company obtains and utilizes, as appropriate, input, including but not limited to monthly collection projections and liquidation rates, from our third party collection agencies and attorneys, as further evidentiary matter, to assist in evaluating and developing collection strategies and in evaluating and modeling the expected cash flows for a given portfolio.

The following tables summarize the changes in the balance sheet of the investment in receivable portfolios during the following periods.

	For the Year Ended September 30, 2008		
	Interest Method Portfolios	Cost Recovery Portfolios	Total
Balance, beginning of period	$ 508,515,000	$ 37,108,000	$ 545,623,000
Acquisitions of receivable portfolios, net	26,626,000	23,260,000	49,886,000
Net cash collections from collection of consumer receivables acquired for liquidation	(163,494,000)	(24,085,000)	(187,579,000)
Net cash collections represented by account sales of consumer receivables acquired for liquidation	(19,545,000)	(850,000)	(20,395,000)
Transfer to cost recovery(1)	(209,518,000)	209,518,000	—
Impairments	(53,160,000)	—	(53,160,000)
Effect of foreign currency translation	—	(658,000)	(658,000)
Finance income recognized(2)	114,046,000	1,249,000	115,295,000
Balance, end of period	$ 203,470,000	$245,542,000	$ 449,012,000
Revenue as a percentage of collections	62.3%	5.0%	55.4%

(1) The Company acquired the Portfolio Purchase in March 2007. During the quarter ending June 30, 2008, the Company transferred the carrying value of the Portfolio Purchase to the cost recovery method.

(2) Includes $45.3 million derived from fully amortized interest method pools.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE B —CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION — (CONTINUED)

	For the Year Ended September 30, 2007		
	Interest Method Portfolios	Cost Recovery Portfolios	Total
Balance, beginning of period	$ 256,199,000	$ 1,076,000	$ 257,275,000
Acquisitions of receivable portfolios, net	390,350,000	50,545,000	440,895,000
Net cash collections from collection of consumer receivables acquired for liquidation(1)	(213,135,000)	(14,478,000)	(227,613,000)
Net cash collections represented by account sales of consumer receivables acquired for liquidation	(47,502,000)	(6,691,000)	(54,193,000)
Transfer to cost recovery(2)	(4,478,000)	4,478,000	—
Impairments	(9,097,000)	—	(9,097,000)
Finance income recognized(3)	136,178,000	2,178,000	138,356,000
Balance, end of period	$ 508,515,000	$ 37,108,000	$ 545,623,000
Revenue as a percentage of collections	52.2%	10.3%	49.1%

(1) Includes put backs of purchased accounts returned to the seller totaling $5.5 million.

(2) Represents a portfolio acquired during the three months ended December 31, 2006 which the Company successfully negotiated the return to the seller. The portfolio was returned on July 31, 2007.

(3) Includes $23.9 million derived from fully amortized interest method pools.

As of September 30, 2008 the Company had $449,012,000 in consumer receivables acquired for liquidation, of which $203,470,000 are accounted for on the interest method. Based upon current projections, net cash collections, applied to principal for interest method portfolios are estimated as follows for the twelve months in the periods ending:

September 30, 2009	$ 92,701,000
September 30, 2010	72,015,000
September 30, 2011	29,519,000
September 30, 2012	9,121,000
September 30, 2013	1,342,000
September 30, 2014	82,000
September 30, 2015	4,000
	204,784,000
Deferred revenue	(1,314,000)
Total	$ 203,470,000

Accretable yield represents the amount of income the Company can expect to generate over the remaining amortizable life of its existing portfolios based on estimated future net cash flows as of September 30, 2008. The Company adjusts the accretable yield upward when it believes, based on available evidence, that portfolio

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE B —CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION — (CONTINUED)

collections will exceed amounts previously estimated. Projected accretable yield for the fiscal years ended September 30, 2008 and 2007 are as follows:

	Year Ended September 30, 2008
Balance at beginning of period, October 1, 2007	$ 176,615,000
Income recognized on finance receivables, net	(114,046,000)
Additions representing expected revenue from purchases	9,569,000
Transfer to cost recovery	(57,951,000)
Reclassifications from nonaccretable difference	43,947,000(1)
Balance at end of period, September 30, 2008	$ 58,134,000

	Year Ended September 30, 2007
Balance at beginning of period, October 1, 2006	$ 148,900,000*
Income recognized on finance receivables, net	(136,178,000)
Additions representing expected revenue from purchases	144,764,000
Impairments	(3,345,000)
Reclassifications from nonaccretable difference	22,474,000
Balance at end of period, September 30, 2007	$ 176,615,000

* Revised to reflect zero basis income recognized.

(1) Includes portfolios that became zero based portfolios during the period, removal of zero basis portfolios from the accretable yield calculation and, other immaterial impairments and accretions based on the certain collection curves being extended.

During the year ended September 30, 2008, the Company purchased $1.5 billion of face value charged-off consumer receivables at a cost of approximately $49.9 million. This includes a portfolio with an approximate value of $8.6 million that was purchased in South America. During the year ended September 30, 2007, the Company purchased $10.9 billion of face value charged-off consumer receivables at a cost of $440.9 million. This includes a portfolio with an approximate value of $4.5 million that was returned to the seller at the Company's original cost and put backs of purchased accounts returned to the seller totaling $5.5 million. At September 30, 2008, the estimated remaining net collections on the receivables purchased and classified under the interest method, ($26.6 million) during the fiscal year ended September 30, 2008 are $23.5 million.

The following table summarizes collections on a gross basis as received by the Company's third-party collection agencies and attorneys, less commissions and direct costs for the years ended September 30, 2008, 2007 and 2006, respectively.

	For the Years Ended, September 30,		
	2008	2007	2006
Gross collections(1)	$ 332,711,000	$ 398,432,000	$ 320,203,000
Commissions and fees(2)	124,737,000	116,626,000	105,735,000
Net collections	$ 207,974,000	$ 281,806,000	$ 214,468,000

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE B —CONSUMER RECEIVABLES ACQUIRED FOR LIQUIDATION — (CONTINUED)

(1) Gross collections include: collections from third-party collection agencies and attorneys, collections from in-house efforts and collections represented by account sales.

(2) Commissions and fees are the contractual commissions earned by third party collection agencies and attorneys, and direct costs associated with the collection effort- generally court costs. The Company expects to continue to purchase portfolios and utilize third party collection agencies and attorney networks.

Finance income recognized on net collections represented by account sales was $9.4 million, $25.2 million and $32.0 million for the fiscal years ended September 30, 2008, 2007 and 2006, respectively.

During the year ended September 30, 2008, the Company recognized $53.2 million of impairment charges due to changes in timing of cash flows, of which $22.9 million are portfolios still being accounted for under the interest method. The expected cash flows are generated based on a number of attributes including current economic conditions. Due to current economic conditions these expected cash flows may be subject to change. Management has analyzed the sensitivity of the portfolios which have been impaired. The carrying value of such portfolios as of September 30, 2008 was $53.6 million. If changes in the collection assumptions were different, the results could be as follows:

	Impairment Charges (Dollars in millions)	
Impairment charge for year ended September 30, 2008	$	22.9
Impact on impairment balance due to10% adverse change in collections(1)	$	0.5-$5.3
Impact on impairment balance due to 20% change in collections(1)	$	1.1-$10.6
Impact on impairment balance due to 30% change in collections(1)	$	1.6-$15.9

(1) The assumptions used to calculate the range of the impact is as follows:

Decrease in collections in year one without recovery in subsequent years and decrease in collections in year one with corresponding increase in collections in subsequent years, and a decrease in collections without a corresponding recover in the following years.

These sensitivities are hypothetical and should be used with caution. As the table above demonstrates, the Company's methodology for determining impairment charges is highly sensitive to changes in assumptions. Actual collection experience may differ and any difference may have a material effect on the amount of future impairment charges.

NOTE C —ACQUISITION

In February 2006, the Company acquired VATIV for approximately $1.4 million in cash. VATIV provides bankruptcy and deceased account servicing. The purchase price has been allocated to goodwill at the VATIV reporting unit. The revenue and operating results of VATIV are immaterial to the Company.

NOTE D —INVESTMENT IN VENTURE

In August 2006, the Company acquired a 25% interest in a newly formed venture for $7,810,000. The Company accounts for its investment in the venture using the equity method. This venture is in business to liquidate the assets of a retail business which it acquired through bankruptcy proceedings. From the inception of the venture in 2006, through September 30, 2008, distributions from the venture to the Company were $8,085,000. During fiscal year 2008, the Company received distributions in the amount of $1,540,000.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE E —FURNITURE AND EQUIPMENT

Furniture and equipment as of September 30, 2008 and 2007 consist of the following:

	2008	2007
Furniture	**$ 310,000**	$ 307,000
Equipment	**2,714,000**	2,534,000
Leasehold improvements	**105,000**	—
	3,129,000	2,841,000
Less accumulated depreciation	**2,367,000**	2,048,000
Balance, end of period	**$ 762,000**	$ 793,000

Depreciation expense for the years ended September 30, 2008, 2007 and 2006 aggregated $319,000, $279,000 and $324,000, respectively.

NOTE F —DEBT AND SUBORDINATED DEBT — RELATED PARTY

On July 11, 2006, the Company entered into the Fourth Amended and Restated Loan Agreement with the Bank Group and as a result the credit facility increased to $175 million, from $125 million with an expandable feature which enables the Company to increase the line to $225 million with the consent of the Bank Group. The line of credit bears interest at the lesser of LIBOR plus an applicable margin, or the prime rate minus an applicable margin based on certain leverage ratios. The credit line is collateralized by all portfolios of consumer receivables acquired for liquidation, other than the Portfolio Purchase, discussed below, 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. The term of the agreement is three years and is to mature in July 2009. The applicable rate at September 30, 2008 and 2007 was 5.00% and 7.75%, respectively. The average interest rate excluding unused credit line fees for the fiscal year ended September 30, 2008 and 2007, respectively, was 6.12% and 7.61%. The outstanding balance on this line of credit was approximately $84.9 million as of September 30, 2008. The outstanding balance on this line of credit was approximately $141.7 million as of September 30, 2007. The Company and the Bank Group are in the beginning phase of discussions to renew the current Credit Facility. If, however, a renewal cannot be ultimately agreed to, the Company, at maturity, will consider the sale of assets collateralized by this loan agreement, to satisfy its obligations after July 11, 2009.

On December 4, 2007, the Company signed the Sixth Amendment to the Fourth Amended and Restated Loan Agreement (the “Credit Agreement”) with the Bank Group that temporarily increased the total revolving loan commitment from $175 million to $185 million. The temporary increase of $10 million, which was not used, was required to be repaid by February 29, 2008.

On February 20, 2009, the Company entered into the Seventh Amendment to the Credit Agreement in order to, among other items, reduce the level of the loan commitment, redefine certain financial covenant ratios, revise the requirement for an unqualified opinion on annual audited financial statements, and permit certain encumbrances relating to restructuring of the BMO Facility. The level of the Loan Agreement is reduced from $175 million to a low of $80 million. See Note Q — Subsequent Events for more information.

In March 2007, Palisades XVI borrowed approximately $227 million under a new Receivables Financing Agreement (“Receivables Financing Agreement”), as amended in July 2007, December 2007 and May 2008 **,** with BMO, in order to finance the Portfolio Purchase. The Portfolio Purchase had a purchase price of $300 million (plus 20% of net payments after Palisades XVI recovers 150% of its purchase price plus cost of funds). Prior to the modification, discussed below, the debt was full recourse only to Palisades XVI and bore an interest rate of approximately 170 basis points over LIBOR. The original term of the agreement was three years. This term was

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE F —DEBT AND SUBORDINATED DEBT — RELATED PARTY — (CONTINUED)

extended by the second and third amendments to the Receivables Financing Agreement as discussed below. Proceeds received as a result of the net collections from the Portfolio Purchase are applied to interest and principal of the underlying loan. The Portfolio Purchase is serviced by Palisades Collection LLC, a wholly owned subsidiary of the Company, which has engaged unaffiliated subservicers for a majority of the Portfolio Purchase. As of September 30, 2008 and 2007, the outstanding balance on this loan was approximately $128.6 million, and $184.8 million, respectively.

At September 30, 2007, Palisades XVI was required to remit an additional $13.1 million to its lender in order to be in compliance under the Receivables Financing Agreement. The Company facilitated the ability of Palisades XVI to make this payment by borrowing $13.1 million under its current revolving credit facility and causing another of its subsidiaries to purchase a portion of the Portfolio Purchase from Palisades XVI at a price of $13.1 million prior to the measurement date under the Receivables Financing Agreement.

On December 27, 2007, Palisades XVI entered into the second amendment to its Receivables Financing Agreement. As the actual collections had been slower than the minimum collections scheduled under the original agreement, coupled with contemplated sales of accounts which had not occurred, BMO and Palisades XVI agreed to an extended amortization schedule which did not contemplate the sales of accounts. The effect of this reduction was to extend the payments of the loan from approximately 25 months to approximately 31 months from the amendment date. BMO charged Palisades XVI a fee of $475,000 which was paid on January 10, 2008. The fee was capitalized and is being amortized over the remaining life of the Receivables Financing Agreement.

On May 19, 2008, Palisades XVI entered into the third amendment to its Receivables Financing Agreement. As the actual collections on the Portfolio Purchase continued to be slower than the minimum collections scheduled under the second amendment, BMO and Palisades XVI agreed to a more extended amortization schedule than the schedule determined in connection with the second amendment. The effect of this amendment is to extend the payments of the loan which is now scheduled to be repaid by December 2010, approximately nine months longer than the original term. The lender also increased the interest rate from 170 basis points over LIBOR to approximately 320 basis points over LIBOR, subject to automatic reduction in the future if additional capital contributions are made by the parent of Palisades XVI. The applicable rate was 6.69% and 7.46% at September 30, 2008 and 2007, respectively. The average interest rate of the Receivable Financing Agreement was 6.10% for the year ended September 30, 2008. From the inception of the Receivables Financing Agreement on March 2, 2007 through September 30, 2007 the average rate was 7.06%. In addition, on May 19, 2008, the Company entered into an amended and restated Servicing Agreement . The amendment calls for increased documentation, responsibilities and approvals of subservicers engaged by Palisades Collection L.L.C

The aggregate minimum repayment obligations required under the third amendment to the Receivables Financing Agreement entered into on May 19, 2008 with Palisades Acquisition XVI including interest and principal for fiscal years ending September 30, 2009 and September 30, 2010 are $67.0 million, and $75.0 million, respectively. As the payments are to be made on a monthly basis and the minimums are based on averages, these minimums could vary somewhat. While the Company believes it will be able to make all payments due under the new payment schedule, the Company also believes that if it fails to do so, it will be required to sell the Portfolio Purchase or may be subject to a foreclosure on the Portfolio Purchase.

As a result of the actual collections being lower than the minimum collection rates required under the Receivables Financing Agreement for the months ended November 30, 2008, December 31, 2008 and January 31, 2009, termination events occurred under the Agreement. In order to resolve these issues, on February 20, 2009, Palisades XVI entered into the fourth amendment to its Receivables Financing Agreement. The effect of this amendment is, among other things, to (i) lower the collection rate minimum to $1 million per month and as an average for each period of three consecutive months and (ii) provide for an automatic extension of the maturity date

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE F —DEBT AND SUBORDINATED DEBT — RELATED PARTY — (CONTINUED)

from April 30, 2011 to April 30, 2012 should the outstanding balance be reduced to $25 million or less by April 30, 2011. In addition, the rate will remain the unchanged at approximately 320 basis points over LIBOR, subject to automatic downward adjustments in the future should certain collection milestones be attained. See Note Q — Subsequent Events for more information on this amendment.

On April 29, 2008, the Company obtained a subordinated loan pursuant to a subordinated promissory note from Asta Group, Inc (the "Family Entity"). The Family Entity is a greater than 5% shareholder of the Company beneficially owned and controlled by Arthur Stern, the Chairman of the Board of the Company, Gary Stern, the Chief Executive Officer of the Company, and members of their families. The loan is in the aggregate principal amount of approximately $8.2 million, bears interest at a rate of 6.25% per annum, is payable interest only each quarter until its maturity date of January 9, 2010, subject to prior repayment in full of the Company's senior loan facility with the Bank Group. The subordinated loan was incurred by the Company to resolve certain issues related to the activities of one of the subservicers utilized by Palisades Collection L.L.C. under the Receivables Financing Agreement. Proceeds from the subordinated loan were used initially to further collateralize the Company's $175 million revolving loan facility with the Bank Group and was used to reduce the balance due on that facility as of May 31, 2008.

The Company's average debt obligation (excluding the subordinated debt — related party) for the periods ended September 30, 2008 and 2007, was approximately $283.1 million, and $241.5 million, respectively. The average interest rate for the fiscal years ended September 30, 2008 and 2007, respectively was 6.11% and 7.34%, respectively.

The Company's cash requirements have been and will continue to be significant and will depend on external financing to acquire consumer receivables. Acquisitions are financed primarily through cash flows from operating activities and with the Company's credit facility, which matures on July 11, 2009. At December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008, due to the borrowing base required by the Bank Group, the Company was approaching the upper limit of its borrowing capacity. However, with limited purchases of portfolios through the fiscal year ended September 30, 2008, coupled with the $8.2 million of subordinated debt incurred by the Company, availability is approximately $18.5 million at September 30, 2008. Our borrowing availability is limited to a formula based on the age of the receivables. As the collection environment remains challenging, we may be required to seek additional funding. Although availability has increased, the limited availability coupled with slower collections has had and could continue to have a negative impact on our ability to purchase new portfolios for future growth.

Subsequent to September 30, 2008, collections deteriorated resulting in impairments of approximately $21.4 million as described in Note Q-Subsequent Events (Unaudited). If the Company's collections continue to deteriorate, the Company might need to secure another source of funding in order to satisfy its working capital needs, curtail its operations, or secure financing on terms that are not favorable to the Company. However, the Company believes its net cash collections over the next twelve months will be sufficient to cover its operating expenses.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE F —DEBT AND SUBORDINATED DEBT — RELATED PARTY — (CONTINUED)

The Company's debt and subordinated debt — related party at September 30, 2008 and 2007 are summarized as follows:

			2008	
	2008	2007	Stated Interest Rate	Average Interest Rate
Credit Facility	$ 84,934,000	$141,656,000	5.00%	6.12%
Receivables Financing Agreement	128,551,000	184,810,000	6.69%	6.10%
Total debt	$213,485,000	$326,466,000	n/a	6.11%
Subordinated debt — related party	$ 8,246,000	—	6.25%	6.25%

NOTE G —OTHER LIABILITIES

Other liabilities as of September 30, 2008 and 2007 are as follows:

	2008	2007
Accounts payable and accrued expenses	**$3,145,000**	$4,934,000
Accrued interest payable	**1,135,000**	2,064,000
Other	**338,000**	539,000
Total other liabilities	**$4,618,000**	$7,537,000

NOTE H —INCOME TAXES

The components of the provision for income taxes for the years ended September 30, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Current:			
Federal	**$ 6,567,000**	$ 30,476,000	$ 29,206,000
State	**2,152,000**	9,999,000	9,584,000
Foreign	**34,000**	—	—
	8,753,000	40,475,000	38,790,000
Deferred:			
Federal	**(1,987,000)**	(3,593,000)	(5,820,000)
State	**(647,000)**	(1,179,000)	(1,910,000)
	(2,634,000)	(4,772,000)	(7,730,000)
Provision for income taxes	**$ 6,119,000**	$ 35,703,000	$ 31,060,000

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

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:

	2008	2007	2006
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State income tax, net of federal benefit	**5.8**	5.8	5.8
Other	**0.1**	(0.2)	(0.4)
Effective income tax rate	**40.9%**	40.6%	40.4%

The Company recognized a net deferred tax asset of $15,567,000 and $12,349,000 as of September 30, 2008 and 2007, respectively. The components are as follows:

	September 30, 2008	September 30, 2007
Deferred revenue	$ 534,000	7,564,000
Impairments	13,930,000	4,594,000
Compensation expense	880,000	505,000
Other	223,000	—
Equity in venture	—	(314,000)
Net deferred asset	$ 15,567,000	$ 12,349,000

We file consolidated Federal and state income tax returns. Our subsidiaries are single member limited liability companies (LLC) and therefore do not file separate tax returns.

We account for income taxes using the asset and liability method which requires the recognition of deferred tax assets, and if applicable, deferred tax liabilities, for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and if applicable, liabilities. Additionally, we would adjust deferred taxes to reflect estimated tax rate changes, if applicable. We conduct periodic evaluations to determine whether it is more likely than not that some or all of our deferred tax assets will not be realized. Among the factors considered in this evaluation are estimates of future earnings, the future reversal of temporary differences and the impact of tax planning strategies that we can implement if warranted. We would be required to provide a valuation allowance for any portion of our deferred tax assets that, more likely than not, will not be realized. There is no valuation allowance recorded at September 30, 2008. As required by FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The corporate federal income tax returns of the Company for 2004, 2005 and 2006 are subject to examination by the IRS, generally for three years after they are filed. The state income tax returns and other state filings of the Company are subject to examination by the state taxing authorities, for various periods generally up to four years after they are filed.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE I —COMMITMENTS AND CONTINGENCIES

Employment Agreements

On January 25, 2007, the Company entered into an employment agreement (the "Employment Agreement") with the Company's President and Chief Executive Officer, the Company's Executive Vice President and the Company's Chief Financial Officer (each, an "Executive"). Each of Gary Stern's and Mitchell Cohen's Employment Agreements, the Company's Chief Executive Officer and Chief Financial Officer, respectively, expire on December 31, 2009, provided, however, that the parties are required to provide ninety days' prior written notice if they do not intend to seek an extension or renewal of the Employment Agreement. The agreement for Arthur Stern, the Company's Executive Vice President, had a one year term. In January 2008, the Company entered into a similar two year employment agreement with Cameron Williams, the Company's Chief Operating Officer, and a one year agreement with Arthur Stern. The employment agreements each provide for a base salary, which may be increased by the Board of Directors in its sole discretion as follows: Arthur Stern — $355,000 and Cameron Williams — $300,000, except that by June 1, 2009, Mr. Williams' base salary shall equal or exceed $350,000.

In February 2009, Mitchell Cohen, CFO, announced his resignation from the Company effective with the filing of this Report on Form 10-K.

On January 17, 2008, the Compensation Committee awarded 58,000 shares of restricted stock to certain officers and directors of the Company. These shares vest in three equal annual installments starting on October 1, 2008.

LEASES

The Company leases its facilities in Englewood Cliffs, New Jersey; Bethlehem, Pennsylvania; and Sugar Land, Texas. The leases are operating leases, and the Company incurred related rent expense in the amounts of $526,000, $526,000 and $381,000 during the years ended September 30, 2008, 2007 and 2006, respectively. The future minimum lease payments are as follows:

Year Ending September 30,	
2009	$496,000
2010	354,000
2011	12,000
2012	—
2013	—
	$862,000

As discussed in Note Q-Subsequent Events (unaudited) the Company announced it is closing its Pennsylvania location.

CONTINGENCIES

In the ordinary course of its business, the Company is involved in numerous legal proceedings. The Company regularly initiates collection lawsuits, using its network of third party law firms, against consumers. Also, consumers occasionally initiate litigation against the Company, in which they allege that the Company has violated a federal or state law in the process of collecting their account. The Company does not believe that these matters are material to its business and financial condition. The Company is not involved in any material litigation in which it was a defendant.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE I —COMMITMENTS AND CONTINGENCIES — (CONTINUED)

During 2006, a subsidiary of the Company received subpoenas from three jurisdictions to produce information in connection with debt collection practices in those jurisdictions. The Company has fully cooperated with the issuing agencies and has provided the requested documentation. One jurisdiction has closed the case with no action taken against the Company. The Company has not made any provision with respect to the remaining matters in the financial statements as the nature of these matters is information requests only and the Company considers these matters closed.

In the course of conducting its business, the Company is required by certain of the jurisdictions within which it operates to obtain licenses and permits to conduct its collection activities. The Company has been notified by one such jurisdiction that it did not operate for a period of time from February 1, 2005 to April 17, 2006 with the proper license. The Company did not make any provision for such matter in the financial statements. There has been no communication from the jurisdiction regarding this matter for over a year and the Company is properly licensed in this jurisdiction. The Company considers this matter closed.

NOTE J —CONCENTRATIONS

At September 30, 2008 approximately 36% of our portfolios were serviced by two collection organizations. We have servicing agreements in place with these two collection organizations as well as all other third party collection agencies and attorneys that cover standard contingency fees and servicing of the accounts.

NOTE K —STOCK OPTION PLANS

Equity Compensation Plan

On December 1, 2005, the Board of Directors adopted the Company's Equity Compensation Plan (the "Equity Compensation Plan"), which was approved by the stockholders of the Company on March 1, 2006. The Equity Compensation Plan was adopted to supplement the Company's existing 2002 Stock Option Plan. In addition to permitting the grant of stock options as are permitted under the 2002 Stock Option Plan, the Equity Compensation Plan allows the Company flexibility with respect to equity awards by also providing for grants of stock awards (i.e. restricted or unrestricted), stock purchase rights and stock appreciation rights.

The general purpose of the Equity Compensation Plan is to provide an incentive to the Company's employees, directors and consultants, including executive officers, employees and consultants of any subsidiaries, by enabling them to share in the future growth of the business. The Board of Directors believes that the granting of stock options and other equity awards promotes continuity of management and increases incentive and personal interest in the welfare of the Company by those who are primarily responsible for shaping and carrying out the long range plans and securing growth and financial success.

The Board believes that the Equity Compensation Plan will advance the Company's interests by enhancing its ability to (a) attract and retain employees, directors and consultants who are in a position to make significant contributions to the Company's success; (b) reward employees, directors and consultants for these contributions; and (c) encourage employees, directors and consultants to take into account the Company's long-term interests through ownership of the Company's shares.

The Company has 1,000,000 shares of Common Stock authorized for issuance under the Equity Compensation Plan and 874,000 were available as of September 30, 2008. As of September 30, 2008, approximately 158 of the Company's employees were eligible to participate in the Equity Compensation Plan. Future grants under the Equity Compensation Plan have not yet been determined.

NOTE K —STOCK OPTION PLANS — (CONTINUED)

2002 Stock Option Plan

On March 5, 2002, the Board of Directors adopted the Asta Funding, Inc. 2002 Stock Option Plan (the "2002 Plan"), which plan was approved by the Company's stockholders on May 1, 2002. The 2002 Plan was adopted in order to attract and retain qualified directors, officers and employees of, and consultants to, the Company. The following description does not purport to be complete and is qualified in its entirety by reference to the full text of the 2002 Plan, which is included as an exhibit to the Company's reports filed with the SEC.

The 2002 Plan authorizes the granting of incentive stock options (as defined in Section 422 of the Code) and non-qualified stock options to eligible employees of the Company, including officers and directors of the Company (whether or not employees) and consultants of the Company.

The Company has 1,000,000 shares of Common Stock authorized for issuance under the 2002 Plan and 393,334 were available as of September 30, 2008. As of September 30, 2008, approximately 158 of the Company's employees were eligible to participate in the 2002 Plan. Future grants under the 2002 Plan have not yet been determined.

1995 Stock Option Plan

The 1995 Stock Option Plan expired on September 14, 2005. The plan was adopted in order to attract and retain qualified directors, officers and employees of, and consultants, to the Company. The following description does not purport to be complete and is qualified in its entirety by reference to the full text of the 1995 Stock Option Plan, which is included as an exhibit to the Company's reports filed with the SEC.

The 1995 Stock Option Plan authorized the granting of incentive stock options (as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code")) and non-qualified stock options to eligible employees of the Company, including officers and directors of the Company (whether or not employees) and consultants to the Company.

The Company authorized 1,840,000 shares of Common Stock for issuance under the 1995 Stock Option Plan. All but 96,002 shares were utilized. As of September 14, 2005, no more options could be issued under this plan.

The following table summarizes stock option transactions under the plans:

	Year Ended September 30,					
	2008		2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding options at the beginning of year	1,337,438	$ 9.39	1,414,439	$ 9.45	1,580,605	$ 9.11
Options granted	—	—	18,000	28.75	—	0.00
Options cancelled		—	—	0.00	(6,333)	22.36
Options exercised	(300,000)	1.42	(95,001)	13.99	(159,833)	5.51
Outstanding options at the end of year	1,037,438	$ 11.69	1,337,438	$ 9.39	1,414,439	$ 9.45
Exercisable options at the end of year	1,031,438	$ 11.59	1,325,438	$ 9.21	1,414,439	$ 9.45

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE K —STOCK OPTION PLANS — (CONTINUED)

The Company recognized $92,000 of compensation expense related to stock options granted during the fiscal year ended September 30, 2008 for options granted in preceding periods. As of September 30, 2008, there was $43,000 of unrecognized compensation cost related to unvested stock options. The Company recognized $141,000 and $105,000 of stock based compensation expense related to stock option grants in fiscal year 2007 and 2006, respectively.

The intrinsic value of options exercised during the fiscal years ended September 30, 2008, 2007 and 2006, was $6.3 million, $2.1 million, and $4.6 million, respectively.

The aggregate intrinsic value of the outstanding and exercisable options as of September 30, 2007 and 2006 was $38.6 million and $40.4 million, respectively. There was no intrinsic value of the outstanding and exercisable options as of September 30, 2008.

The average fair value of 18,000 options granted in fiscal 2007 was $28.75. The fair value was calculated using the Black Scholes method with a volatility of 36.3%, a risk free interest rate of 4.94%, dividend yield of 0.47%, and a life as with all options, of 10 years.

The following table summarizes information about the plans' outstanding options as of September 30, 2008:

	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
$ 0.8100 - $ 2.8750	300,000	2.0	$ 2.63	300,000	$ 2.63
$ 2.8751 - $ 5.7500	106,667	4.1	4.73	106,667	4.73
$5.7501 - $ 8.6250	12,000	3.1	5.96	12,000	5.96
$14.3751 - $17.2500	218,611	5.2	15.04	218,611	15.04
$17.2501 - $20.1250	382,160	6.0	18.22	382,160	18.22
$25.8751 - $28.7500	18,000	8.2	28.75	12,000	28.75
	1,037,438	4.8	$ 11.69	1,031,438	$ 11.59

The following table summarizes information about restricted stock transactions:

	Year Ended September 30, 2008 Shares	Weighted Average Grant Date Fair Value	Year Ended September 30, 2007 Shares	Weighted Average Grant Date Fair Value
Unvested at the beginning of period	45,333	$ 28.75	0	$ 28.75
Awards granted	58,000	19.73	68,000	19.73
Vested	(22,666)	28.75	(22,667)	28.75
Forfeited	0	0.00	0	0.00
Unvested at the end of period	80,667	$ 22.26	45,333	$ 22.26

No restricted stock awards granted in fiscal year 2006.

The Company recognized $921,000 and $999,000 of compensation expense during the fiscal years ended September 30, 2008 and 2007, respectively, related to the shares of restricted stock granted under this plan. There

NOTE K —STOCK OPTION PLANS — (CONTINUED)

was no compensation expense related to this plan in fiscal year 2006. As of September 30, 2007, there was $1,179,000 of unrecognized compensation cost related to unvested restricted stock.

The Company recognized a total of $1,013,000 and $1,140,000 in compensation expense for the fiscal years ended September 30, 2008 and 2007, respectively, for the stock options and restricted stock grants. As of September 30, 2008, there was a total of $1,180,000 of unrecognized compensation cost related to unvested stock options and restricted stock grants. The method used to calculate stock based compensation is the straight line pro-rated method.

NOTE L —STOCKHOLDERS' EQUITY

During the year ended September 30, 2008, the Company declared quarterly cash dividends aggregating $2,270,000, which includes $0.04 per share, per quarter, of which $571,000 was accrued as of September 30, 2008 and paid November 3, 2008.

During the year ended September 30, 2007, the Company declared quarterly cash dividends aggregating $2,221,000 which includes $0.04 per share, per quarter, of which $557,000 was accrued as of September 30, 2007 and paid November 1, 2007. During the year ended September 30, 2006, the Company declared quarterly cash dividends aggregating $7,687,000 which includes $0.04 per share, per quarter, plus a special dividend of $0.40 per share which in total amounted to $6,052,000 and was paid November 1, 2006.

The Company expects to pay a regular cash dividend in future quarters, but amount has not yet been determined. This will be at the discretion of the board of directors and will depend upon the Company's financial condition, operating results, capital requirements and any other factors the board of directors deems relevant. In addition, agreements with the Company's lenders may, from time to time, restrict the ability to pay dividends.

NOTE M — RETIREMENT PLAN

The Company maintains a 401(k) Retirement Plan covering all of its eligible employees. Matching contributions made by the employees to the plan are made at the discretion of the board of directors each plan year. Contributions for the years ended September 30, 2008, 2007 and 2006 were $121,000, $117,000 and $96,000, respectively.

NOTE N — FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS 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 there are a limited number of market participants 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.

The carrying value of receivables was $449,012,000 and $545,623,000 at September 30, 2008 and 2007, respectively. The Company computed the fair value of these receivables using its forecasting model and the fair value approximated the carrying value at both September 30, 2008 and 2007.

The carrying value of advances under lines of credit and subordinated debt (related party) was $221,731,000 and $326,466,000 at September 30, 2008 and 2007, respectively. The majority of these loans are variable rate and short-term, therefore, the carrying amounts approximate fair value.

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE O —RELATED PARTY TRANSACTION

On April 29, 2008, the Company obtained a subordinated loan pursuant to a subordinated promissory note from the Family Entity. The loan is in the aggregate principal amount of approximately $8.2 million, bears interest at a rate of 6.25% per annum, is payable interest only each quarter until its maturity date of January 9, 2010, subject to prior repayment in full of the Company's senior loan facility with the Bank Group.

The Company had a consulting agreement with a member of the Board of Directors of the Company, who, during the period of the consulting agreement was a non-independent director. The agreement commenced March 1, 2006 and ceased December 31, 2007. The director has since become an independent director of the Company. The agreement called for the consultant to provide services as requested. Expense under the agreement totaled $15,000 for the fiscal year ended September 30, 2008. Expenses under the agreement for the fiscal years ended 2007 and 2006 were immaterial.

NOTE P —SUMMARIZED QUARTERLY DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2008					
Total revenue	$34,275,000	$ 33,882,000	$23,572,000	$23,766,000	$115,495,000
Income (loss) before income taxes	22,452,000	(12,954,000)	4,102,000	1,348,000	14,948,000
Net income (loss)	13,314,000	(7,707,000)	2,440,000	782,000	8,829,000
Basic net income per share	$ 0.96	$ (0.54)	$ 0.17	$ 0.05	$ 0.62
Diluted net income per share	$ 0.90	$ (0.54)	$ 0.17	$ 0.05	$ 0.61
2007					
Total revenue	$25,645,000	$ 33,083,000	$38,938,000	$43,096,000	$140,762,000
Income before income taxes	19,038,000	21,102,000	25,777,000	22,052,000	87,969,000
Net income	11,326,000	12,552,000	15,308,000	13,080,000	52,266,000
Basic net income per share	$ 0.82	$ 0.91	$ 1.10	$ 0.94	$ 3.79
Diluted net income per share	$ 0.77	$ 0.85	$ 1.03	$ 0.88	$ 3.56

* Due to rounding the sum of quarterly totals for earnings per share may not add to the yearly total.

NOTE Q —SUBSEQUENT EVENTS (UNAUDITED)

On February 20, 2009, the Company received the necessary Bank Group approval and entered into the Seventh Amendment to the Credit Agreement in order to, among other items, reduce the level of the loan commitment, redefine certain financial covenant ratios, revise the requirement for an unqualified opinion on annual audited financial statements, and permit certain encumbrances relating to restructuring of the BMO Facility. Pursuant to the Seventh Amendment, the loan commitment has been revised down from $175.0 million to the following schedule: (1) $90.0 million until March 30, 2009, (2) $85.0 million from March 31, 2009 through June 29, 2009, and (3) $80.0 million from June 30, 2009 and thereafter. Beginning with the fiscal year ending September 30, 2008 (and for each period included in calculating fixed charge coverage ratio for the fiscal year ending September 30, 2008) and continuing thereafter for each reporting period thereafter (and for each period included in calculating fixed charge coverage ratio for such reporting period), EBITDA and fixed charges attributable to Palisades XVI shall be excluded from the computation of the fixed charge coverage ratio for Asta Funding and its Subsidiaries. In addition, the fixed charge coverage ratio has been revised to exclude impairment expense of portfolios of consumer receivables acquired

ASTA FUNDING, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2008 and 2007

NOTE Q — SUBSEQUENT EVENTS (UNAUDITED) — (CONTINUED)

for liquidation and increase the ratio from a minimum of 1.50 to 1.0 to a minimum of 1.75 to 1.0. The permitted encumbrances under the Credit Agreement were revised to include certain encumbrances incurred by the Company in connection with certain guarantees and liens provided to BMO Facility and the Family Entity. Further, individual portfolio purchases in excess of $7.5 million will now require the consent of the agent and portfolio purchases in excess of $15.0 million in the aggregate during any 120 day period will require the consent of the Bank Group. In addition, as the environment continues to be challenging, data received during the second quarter of fiscal 2009 reflects a continued slowness of collections in relation to our estimates. As this data impacts the first quarter of fiscal year 2009, impairments of approximately $21.4 million, are required in the first quarter of fiscal year 2009.

As of January 31, 2009 our debt on the Bank Group facility was $58.7 million, as compared to $84.9 million at September 30, 2008. Our borrowing availability is based on a formula calculated on the age of the receivables. As of December 31, 2008 our borrowing availability was approximately the same level as of September 30, 2008, $18.5 million.

As a result of the actual collections being lower than the minimum collection rates required under the Agreement for the months ended November 30, 2008, December 31, 2008 and January 31, 2009, termination events occurred under the Agreement. In order to resolve these issues, on February 20, 2009, we executed the Fourth Amendment to the Receivables Financing Agreement with BMO. The effect of this Fourth Amendment is, among other things, to (i) lower the collection rate minimum to $1 million per month as an average for each period of three consecutive months, (ii) provide for an automatic extension of the maturity date from April 30, 2011 to April 30, 2012 should the outstanding balance be reduced to $25 million or less by April 30, 2011 and (iii) permanently waive the previous termination events. The interest rate will remain unchanged at approximately 320 basis points over LIBOR, subject to automatic reduction in the future should certain collection milestones be attained. The milestones are achieving certain levels of debt as of various dates during the remainder of the agreement.

As additional credit support for repayment by Palisades XVI of its obligations under the Receivables Financing Agreement and as an inducement for BMO to enter into the Fourth Amendment, the Company offered BMO a limited recourse, subordinated guaranty, secured by the assets of the Company, in an amount not to exceed $8 million plus reasonable costs of enforcement and collection. Under the terms of the guaranty, BMO cannot exercise any recourse against the Company until the earlier of (i) five years from the date of the Fourth Amendment and (ii) the termination of the Company's existing senior lending facility or any successor senior facility.

In addition, as further credit support under the Receivables Financing Agreement, the Family Entity offered BMO a limited recourse, subordinated guaranty, secured solely by a collateral assignment of $700,000 of the $8.2 million subordinated note executed by the Company for the benefit of the Family Entity. The subordinated note was separated into a $700,000 note and a $7.5 million note for such purpose. Under the terms of the guaranty, except upon the occurrence of certain termination events, BMO cannot exercise any recourse against the Family Entity until the occurrence of a termination event under the Receivables Financing Agreement and an undertaking of reasonable efforts to dispose of Palisades XVI's assets. As an inducement for agreeing to make such collateral assignment, the Family Entity was also granted a subordinated guaranty by the Company (other than Asta Funding, Inc.) for the performance by Asta Funding, Inc. of its obligation to repay the $8.2 million, secured by the assets of the Company (other than Asta Funding, Inc.), and the Company agreed to indemnify the Family Entity to the extent that BMO exercises recourse in connection with the collateral assignment. Without the consent of the agent under the senior lending facility, the Family Entity will not be permitted to act on such guaranty, and cannot receive payment under such indemnity, until the termination of the Company's senior lending facility or lenders under any successor senior facility.

On February 12, 2009 the Company announced the closing of the collection facility located in Pennsylvania. Management's preliminary estimates of the cost related to the closing of the facility will be approximately $250,000 including but not limited to, severance costs for approximately 38 employees. There will be no material impact on the level of collections, as the operations will be shifted to the New Jersey location, or accounts will be outsourced. The event will be treated as restructuring charges in the second quarter of fiscal year 2009.

EXHIBIT 10.19

SEVENTH AMENDMENT TO
FOURTH AMENDED AND RESTATED LOAN AGREEMENT

THIS SEVENTH AMENDMENT TO FOURTH AMENDED AND RESTATED LOAN AGREEMENT (this " Amendment ") is executed and entered into as of February 20, 2009, by and among **ASTA FUNDING ACQUISITION I, LLC,** a Delaware limited liability company, **ASTA FUNDING ACQUISITION II, LLC** , a Delaware limited liability company, **PALISADES COLLECTION, L.L.C.** , a Delaware limited liability company, **PALISADES ACQUISITION I, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION II, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION IV, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION V, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION VI, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION VII, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION VIII, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION IX, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION X, LLC** , a Delaware limited liability company, **CLIFFS PORTFOLIO ACQUISITION I, LLC** , a Delaware limited liability company, **SYLVAN ACQUISITION I, LLC** , a Delaware limited liability company, and **OPTION CARD, LLC** , a Colorado limited liability company (sometimes collectively referred to herein as " Borrowers " and individually as a " Borrower "); **ASTA FUNDING, INC.** , a Delaware corporation, **COMPUTER FINANCE, LLC** , a Delaware limited liability company, **ASTAFUNDING.COM, LLC** , a Delaware limited liability company, **ASTA COMMERCIAL, LLC** , a Delaware limited liability company, and **VATIV RECOVERY SOLUTIONS, LLC** , a Texas limited liability company (collectively, " Guarantors "); **ASTA FUNDING ACQUISITION IV, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION XI, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION XII, LLC,** a Delaware limited liability company, **PALISADES ACQUISITION XIII, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION XIV, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION XV, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION XVII, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION XVIII, LLC** , a Delaware limited liability company, **CITIZENS LENDING GROUP LLC** , a Delaware limited liability company and **VENTURA SERVICES, LLC** , a Delaware limited liability company (collectively, " Additional Guarantors "); **ISRAEL DISCOUNT BANK OF NEW YORK,** a New York banking corporation (" IDB "), as collateral agent for itself and the lenders signatory hereto from time to time (together with any successor collateral agent appointed pursuant to Section 9.7, the " Collateral Agent "), as administrative agent (together with any successor administrative agent appointed pursuant to Section 9.7, the " Administrative Agent ", and together with the Collateral Agent, the " Agents "), and as co-lead arranger; **MIDDLE MARKET FINANCE** , a division of Merrill Lynch Business Financial Services Inc. (" Merrill Lynch "), as co-lead arranger and as co-administrative agent; and the Lenders (as defined below).

RECITALS:

A. Borrowers and Guarantors (collectively, the " Credit Parties "), along with Administrative Agent and Lenders are parties to a certain Fourth Amended and Restated Loan

and Security Agreement dated as of July 11, 2006 (as amended, modified, supplemented or restated from time to time, the " Credit Agreement "). All capitalized terms used in this Amendment, unless specifically defined herein, shall have the meanings attributed to them in the Credit Agreement.

B. The Credit Parties have requested that the Lenders amend certain terms of the Credit Agreement to, among other things, recognize the aforementioned Additional Guarantors as Credit Parties to the Credit Agreement pursuant to the terms of this Amendment.

AGREEMENT:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Credit Parties, Administrative Agent and Lenders agree as follows:

SECTION 1. ACCURACY OF RECITALS.

The Credit Parties acknowledge, represent, warrant and agree that the Recitals stated above are true and complete in all respects.

SECTION 2. MODIFICATION.

2.1 The following definitions as contained in Annex A attached to the Credit Agreement are amended and restated in their entirety to read as follows:

" Capital Contribution Amounts " shall have the meaning set forth in Section 6.4(d) below.

" Guarantors " means each Guarantor and Additional Guarantor described in the preamble to this Amendment, each Subsidiary of any Borrower that is not a Borrower, and each other Person, if any, that executes a guaranty or other similar agreement in favor of Administrative Agent, for itself and the ratable benefit of Lenders, in connection with the transactions contemplated by the Amendment and the other Loan Documents.

" Permitted Encumbrances " means the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable or which are being contested in accordance with Section 5.2(b) ; (b) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Credit Party is a party as lessee made in the ordinary course of business; (d) inchoate and unperfected workers', mechanics', or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e) carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business and securing liabilities in an outstanding aggregate amount not in excess of $100,000 at any time, so long as such Liens attach only to Inventory; (f) inchoate and unperfected bailees' and landlord liens with respect to locations in which a

bailee or landlord waiver is not required, and which arise in the ordinary course of business, so long as such Liens attach only to assets located on the applicable Real Estate; (g) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (h) any attachment or judgment lien not constituting an Event of Default under Section 8.1(j) ; (i) with respect to any Real Estate, the permitted exceptions set forth on an Exhibit of any mortgage granted to Administrative Agent, on behalf of Lenders, applicable to such Real Estate, and zoning restrictions, easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such Real Estate; (j) presently existing or hereafter created Liens in favor of Administrative Agent, on behalf of Lenders; (k) Liens expressly permitted under Section 6.7 (other than subsection (a) thereto) of the Agreement; (l) a Lien in favor of BMO Capital Markets Corp., as collateral agent, granted by the Credit Parties to secure the Guaranteed Indebtedness of the Credit Parties to the extent permitted under Section 6.6(c) , provided such Lien is at all times subordinate to Lien of the Agents and Lenders pursuant to an intercreditor agreement (and any other applicable documents, from time to time) satisfactory, in form and substance, to the Administrative Agent and (m) a Lien in favor of Asta Group, Incorporated, as granted by the Credit Parties, to secure payment on that certain promissory note, dated April 29, 2008 (together with such other promissory notes as supersede such promissory note, provide that such successor notes, in the aggregate, do not exceed the original principal amount of such promissory note, the "Group Promissory Note"), executed by Asta Funding, in favor of Asta Group, Incorporated, in the original principal amount of $8,226,278 and a certain indemnification agreement (the "Group Indemnification Agreement") pursuant to which one or more of the Credit Parties agrees to indemnify Asta Group, Incorporated (on terms reasonably satisfactory to the Agent) for any and all losses associated with a pledge of all or a portion of all of the Group Promissory Note to BMO Capital Markets Corp., as collateral agent in connection with the Receivables Financing Agreement, provided such Lien is at all times subordinate to Lien of the Agents and Lenders pursuant to an intercreditor agreement (and any other applicable documents, from time to time) satisfactory, in form and substance, to the Administrative Agent.

" Revolving Loan Commitment " means (a) as to any Lender, the aggregate commitment of such Lender to make Advances as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make Advances which aggregate commitment shall not exceed the following amounts: (1) Ninety Million Dollars ($90,000,000) from the date hereof through March 30, 2009, (2) Eighty-Five Million Dollars ($85,000,000) from March 31, 2009 through June 29, 2009, and (3) Eighty Million Dollars ($80,000,000) from June 30, 2009 and thereafter.

2.2 Annex J attached to the Credit Agreement is hereby deleted in its entirety and replaced with the Replacement Annex J attached to this Amendment as Exhibit A .

2.3 Section 1.1(a)(ii) of the Credit Agreement is amended and restated in its entirety as follows:

(i) Use of Advances to finance Portfolio purchases in excess of $7,500,000 shall require the consent of the Administrative Agent and use of Advances to finance Portfolio purchases in excess of $15,000,000 in the aggregate during any 120 day period shall require the consent of the Requisite Lenders. In connection with such purchases, Borrowers shall deliver to Administrative Agent and Requisite Lenders, if applicable, the Portfolio Proposal relating to such purchases. For purposes of this Section 1.1(a)(ii) only, any Requisite Lenders that have not responded within 4 Business Days of receipt of a request for their consent for the purchase of Portfolios in excess of $15,000,000 shall be deemed to have consented to such purchase. Borrowers agree not to intentionally propose, modify or structure (or permit to be structured) any Portfolio purchases from any one ore more sellers or its affiliates, whether as a single transaction or a series of transactions, for the purpose of evading the requirements of this Section 1.1(a)(ii) to obtain the consent of Administrative Agent or Requisite Lenders, as the case may be. Without limiting the foregoing, any Portfolio purchase occurring within 120 days of any other Portfolio purchase or purchases shall be included for purposes of determining whether the consent of the Administrative Agent or Requisite Lenders is required under this Section 1.1(a)(ii) . Notwithstanding anything in this Section to the contrary, a Borrower may acquire a Rejected Portfolio having a purchase price in excess of the amount set forth in this Section without the consent of the Administrative Agent or the Requisite Lenders if the purchase is made with Borrowers' own cash or borrowings that are made without including the Rejected Portfolio as an Eligible New Portfolio in the Borrowing Base, and if the Rejected Portfolio is subject to a security interest or Lien in favor of Collateral Agent, for the benefit of itself, the Agents and Lenders, to secure the Obligations. Without conferring approval rights upon Administrative Agent (except as otherwise provided in this Section 1.1(a)(ii)), the applicable Borrower shall deliver to Administrative Agent, upon Administrative Agent's request, such information (as is reasonably available to the applicable Borrower) relating to the purchase of a Portfolio as Administrative Agent may reasonably request (including any available Portfolio Acquisition Documents) within a reasonable period of time following the applicable Borrower's purchase of such Portfolio.

2.4 Section 1.4(a) of the Credit Agreement is amended and restated in its entirety as follows:

(b) Borrowers shall pay interest to Administrative Agent, for the ratable benefit of Lenders in accordance with the Revolving Loan being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates: the Base Rate plus the Applicable Base Rate Margin per annum or, at the election of Borrower Representative, the applicable LIBOR Rate plus the Applicable LIBOR Margin per annum, based on the aggregate Advances outstanding from time to time; provided, however, at no time shall the interest rate under this Section 1.4(a) be less than five hundred (500) basis points per annum.

The Applicable Margins through and including the First Adjustment Date shall be plus one hundred (100) basis points for Base Rate Loans and three hundred (300) basis points for LIBOR Loans. The Applicable Margins if adjusted as described below, shall be determined in accordance with the following table:

IF LEVERAGE RATIO IS:	APPLICABLE BASE RATE MARGIN	APPLICABLE LIBOR MARGIN
Less than 1.0 to 1.0	100 basis points	300 basis points
Greater than or equal to 1.0 to 1.0 but less than 1.25 to 1.0	125 basis points	325 basis points
Greater than or equal to 1.25 to 1.0	150 basis points	350 basis points

The Applicable Margins shall be adjusted (up or down) prospectively on a quarterly basis as determined by Borrowers' consolidated financial condition for the Fiscal Quarter then ended, commencing with the delivery of Borrowers' quarterly unaudited Financial Statements to Lenders for the Fiscal Quarter ending December 31, 2008 (the " First Adjustment Date "). All adjustments in the Applicable Margins after the First Adjustment Date shall be implemented quarterly on a prospective basis, commencing at least 5 days after the date of delivery to Lenders of the quarterly unaudited or annual audited (as applicable) Financial Statements evidencing the need for an adjustment. Concurrently with the delivery of those Financial Statements, Borrower Representative shall deliver to Administrative Agent and Lenders a certificate, signed by its chief financial officer, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins. Failure to timely deliver such Financial Statements shall, in addition to any other remedy provided for in this Agreement, result in an increase in the Applicable Margins to the highest level set forth in the foregoing grid, until the fifth day following the delivery of those Financial Statements demonstrating that such an increase is not required. If a Default, which is not reasonably capable of being cured, or Event of Default has occurred and is continuing at the time any reduction in the Applicable Margins is to be implemented, that reduction shall be deferred until the first day of the first calendar month following the date on which such Default, which is not reasonably capable of being cured, or Event of Default is waived or cured.

2.5 Article 4 of the Credit Agreement is amended by the addition of new Section 4.3 to read as follows:

4.3 Annual Audited Statements . A qualification on the audited Financial Statements of Asta Funding and its Subsidiaries solely as a result of (a) the Commitment Termination Date scheduled to occur in less than one year and/or (b) the failure to amend the Receivables Financing Agreement in connection with the waiver originally provided to Palisades Acquisition XVI, LLC ("Pal XVI") dated as of December 1, 2008, shall not be deemed to violate the reporting requirements set forth in paragraph (b) of Annex E to the Credit Agreement.

2.6 Section 6.4(b) of the Credit Agreement is amended by adding "Notwithstanding the foregoing, no Affiliate which is less than 100% directly or indirectly wholly-owned by Asta or which is organized outside of the laws of the United States or any State therein shall be required to join this Agreement." to the end thereof.

2.7 Section 6.4 is amended by adding the following as clause (d) thereto:

(d) Notwithstanding anything in this Agreement to the contrary, from time to time, one or more of the Credit Parties (and Non-Credit Party Affiliates) shall be entitled, in their sole discretion, to make capital contributions from time to time to other Credit Parties and Non-Credit Party Affiliates for ultimate contribution to Pal XVI for the purpose of funding costs, expenses and liabilities incurred by Pal XVI relating to litigation and similar proceedings on the collection and/or sale of the receivable assets owned by Pal XVI (the amount of such contributions, "Capital Contribution Amounts"); provided, at no time shall the Capital Contribution Amounts outstanding exceed $500,000; provided, further, that no Capital Contribution Amount may be made if such proposed Capital Contribution Amount together with any outstanding Capital Contribution Amounts are greater than the Borrowing Availability.

2.8 Section 6.6 of the Credit Agreement is amended and restated in its entirety to read as follows:

6.6 Guaranteed Indebtedness . No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party, (b) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement, (c) the obligations of the Credit Parties pursuant to a guaranty in favor of BMO Capital Markets Corp. pursuant to which the Credit Parties guaranty up to $8,000,000 of the obligations of Pal XVI set forth in and evidenced by that certain Receivables Financing Agreement dated as of March 2, 2007 (the "Receivables Financing Agreement") by and among Pal XVI, as borrower, Palisades Collection L.L.C., as servicer, Fairway Finance Company, LLC, as lender, BMO Capital Markets Corp., as administrative and collateral agent, and Bank of Montreal, as liquidity agent for the liquidity providers, provided such obligations are at all times subordinate to payment of the Obligations of the Credit Parties to the Agents and Lenders pursuant to an intercreditor agreement (and any other applicable documents, from time to time) satisfactory, in form and substance, to the Administrative Agent, (d) the obligations of the Credit Parties pursuant to the Group Promissory Note, the Group Indemnification Agreement and the guaranty in favor of Asta Group, Incorporated pursuant to which the Credit Parties guaranty the obligations of Asta Funding under the Group Promissory Note, provided such obligations are at all times subordinate to payment of the Obligations of the Credit Parties to the Agents and Lenders pursuant to an intercreditor agreement (and any other applicable documents, from time to time) satisfactory, in form and substance, to the Administrative Agent and (e) in connection with Pal XVI, as satisfied by capital contributions Capital Contribution Amounts pursuant to Section 6.4(d) above.

2.9 Section 6.10 of the Credit Agreement is amended and restated in its entirety to read as follows:

6.10 Financial Covenants . Borrowers shall not breach or fail to comply with any of the Financial Covenants. Beginning with the fiscal year ending September 30, 2008 (and for each period included in calculating Fixed Charge Coverage Ratio for the

fiscal year ending September 30, 2008) and continuing thereafter for each reporting period thereafter (and for each period included in calculating Fixed Charge Coverage Ratio for such reporting period), EBITDA and Fixed Charges attributable to each of (i) Pal XVI and (ii) all non-cash impairments of portfolio-related assets in accordance with GAAP shall be excluded from the computation of the Fixed Charge Coverage Ratio for Asta Funding and its Subsidiaries, notwithstanding anything contained on Annex G to the contrary.

2.10 The first sentence of Section 6.20 is amended by added "and each Guarantor joined to this Agreement may continue to engage in the trade or business in which it was so engaged (and own assets related thereto) at the time of such joinder."

2.11 Clause (b) of Annex E is amended by adding "(or in the case of the end of Fiscal Year ending September 2008, within 150 days)" after "To Administrative Agent and Lenders, within 90 days after the end of each Fiscal Year" in the first sentence thereof.

2.12 The number "1.50" in clause (a) of Annex G is hereby replaced with "1.75".

2.13 No Other Modifications. Except as otherwise specifically modified by this Amendment, all terms, conditions, covenants, rights, duties, obligations and liabilities of the Credit Parties under the Credit Agreement remain in full force and effect and unmodified.

SECTION 3. REAFFIRMATION OF SECURITY INTEREST.

The Credit Parties acknowledge and agree that the Lien and security interest in the Collateral granted by the Credit Parties to the Collateral Agent, for the benefit of the Agents and the Lenders, pursuant to the Collateral Documents is and continues to be first in priority. Notwithstanding the foregoing, in order to secure payment and performance of all of the Obligations of the Credit Parties to the Agents and Lenders (including, without limitation, the Obligations defined in each Security Agreement and the Secured Obligations defined in each Pledge Agreement), each Credit Party hereby grants, assigns, conveys, mortgages, pledges, hypothecates and transfers to the Collateral Agent, for the benefit of the Agents and Lenders, a first-priority Lien and security interest in and other Lien (as applicable) upon all of its right, title and interest in, to and under the Collateral (including, without limitation, the Collateral described in each Security Agreement and the Pledged Collateral described in each Pledge Agreement). The provisions of this Section 3 are intended to acknowledge the Liens and security interests granted pursuant to the Collateral Documents. The provisions of this Section 3 shall be deemed to ratify the existing Liens and security interests of the Collateral Agent, for the benefit of the Agents and the Lenders, in the Collateral to the extent such Liens and security interests existed prior to the date hereof, and to create a Lien and security interest to the extent that no Lien or security interest therein existed in favor of the Collateral Agent, for the benefit of the Agents and the Lenders.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

The execution and delivery of this Amendment and the documents and instruments contemplated by this Amendment have been duly authorized by all requisite action by or on behalf of the members of the Credit Parties.

SECTION 5. FEES.

The Borrowers shall pay to Administrative Agent, for the account of the Lenders, the fees described in the fee letter of even date herewith.

SECTION 6. COVENANTS.

6.1 This Amendment shall be governed by the terms and provisions of the Credit Agreement.

6.2 In the event of a conflict between the terms of this Amendment and the terms of the Credit Agreement, the terms of this Amendment shall govern and control.

6.3 The Credit Parties hereby confirm and agree that the terms, conditions, covenants, guaranties, assurances, promises and provisions contained in the Loan Documents to which each is a party remain in full force and effect without amendment or modification as a result of this Amendment and that the obligations, liabilities and duties of the Credit Parties remain unimpaired as a result of this Amendment and are in full force and effect.

6.4 In order for this Amendment to become effective, the following conditions must be satisfied and the following items must be received by Administrative Agent in form and substance satisfactory to Administrative Agent on or prior to the date that the Credit Parties shall execute and deliver this Amendment to Lenders:

A. Amended and Restated Revolving Notes . Duly executed originals of Amended and Restated Revolving Notes payable to the order of each Revolving Lender dated the date of the Amendment.

B. Intercreditor Agreement . Duly executed intercreditor agreement by BMO Capital Markets Corp., Administrative Agent and Borrower Representative, in form and substance acceptable to Administrative Agent, with respect to the subordinate Lien in favor of BMO Capital Markets Corp., as collateral agent, described in paragraph (l) of the definition of Permitted Encumbrances.

C. Other Documents . Such other information, confirmations, certificates, documents and agreements respecting any Credit Party as Administrative Agent may, in its reasonable discretion, request.

D. Amendment Fee . Administrative Agent, shall have received, on behalf of Lenders, an executed copy of the fee letter and payment of the amendment fee described therein.

SECTION 7. BINDING EFFECT.

The Credit Agreement as modified herein shall be binding upon and shall inure to the benefit of the members of the Credit Parties and their successors and assigns.

SECTION 8. COUNTERPART EXECUTION; FACSIMILES.

This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Amendment to physically form one document. Signatures may be exchanged by facsimile, with the original signature to follow. Each party to this Amendment agrees to be bound by its own faxed signature and to accept the faxed signature of the other parties to this Amendment.

For purposes of clarification and notwithstanding all Lenders' signatories hereto, certain of the Lenders comprising the non-Requisite Lender group did not approve the revisions to Paragraphs 2.9 and 2.11 above, whereby only Requisite Lender approval was obtained and necessary for such revisions to be effective.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

BORROWERS:

ASTA FUNDING ACQUISITION I, LLC
ASTA FUNDING ACQUISITION II, LLC
PALISADES COLLECTION, L.L.C.
CLIFFS PORTFOLIO ACQUISITION I, LLC
PALISADES ACQUISITION I, LLC
PALISADES ACQUISITION II, LLC
PALISADES ACQUISITION IV, LLC
PALISADES ACQUISITION V, LLC
PALISADES ACQUISITION VI, LLC
PALISADES ACQUISITION VII, LLC
PALISADES ACQUISITION VIII, LLC
PALISADES ACQUISITION IX, LLC
PALISADES ACQUISITION X, LLC
SYLVAN ACQUISITION I, LLC
OPTION CARD, LLC

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

GUARANTORS:

ASTA FUNDING, INC.

By: /s/ Gary Stern
Name: Gary Stern
Title: President and Chief Executive Officer

COMPUTER FINANCE, LLC
ASTAFUNDING.COM, LLC
ASTA COMMERCIAL, LLC
VATIV RECOVERY SOLUTIONS, LLC
ASTA FUNDING ACQUISITION IV, LLC
PALISADES ACQUISITION XI, LLC
PALISADES ACQUISITION XII, LLC
PALISADES ACQUISITION XIII, LLC
PALISADES ACQUISITION XIV, LLC
PALISADES ACQUISITION XV, LLC
PALISADES ACQUISITION XVII, LLC
PALISADES ACQUISITION XVIII, LLC
CITIZENS LENDING GROUP, LLC
VENTURA SERVICES, LLC

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

AGENT:

ISRAEL DISCOUNT BANK OF NEW YORK,
as Administrative Agent, Collateral Agent and
Co-Lead Arranger

By: /s/ Kenneth Lipke
Name: Kenneth Lipke
Title: First Vice President

By: /s/ Jeffrey S. Ackerman
Name: Jeffrey S. Ackerman
Title: Senior Vice President

MIDDLE MARKET FINANCE, a division of MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC., as Co-Administrative Agent and Co-Lead Arranger

By: /s/ Phillip Salter
Name: Phillip Salter
Title: Vice President

LENDERS:

ISRAEL DISCOUNT BANK OF NEW YORK,
as Lender

By: /s/ Kenneth Lipke
Name: Kenneth Lipke
Title: First Vice President

By: /s/ Jeffrey S. Ackerman
Name: Jeffrey S. Ackerman
Title: Senior Vice President

MIDDLE MARKET FINANCE, a division of MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC . , as Lender

By: /s/ Phillip Salter
Print Name: Phillip Salter
Print Title: Vice President

BMO CAPITAL MARKETS FINANCING, INC.,
as Lender

By: /s/ Heather L. Turf
Print Name: Heather L. Turf
Print Title: Vice President

BANK LEUMI USA, as Lender

By: /s/ John Le Clair
Print Name: John Le Clair
Print Title: Vice President

THE BERKSHIRE BANK, as Lender

By: /s/ Ira A. Mermelstein
Print Name: Ira A. Mermelstein
Print Title: Vice President

SIGNATURE BANK, as Lender

By: /s/ Thomas J. D'Antona
Print Name: Thomas J. D'Antona
Print Title: Senior Vice President & Senior Lender

PROVIDENT BANK, as Lender

By: /s/ Ronald Romeo
Print Name: Ronald Romeo
Print Title: Vice President

EXHIBIT A
TO SEVENTH AMENDMENT TO
FOURTH AMENDED AND RESTATED LOAN AGREEMENT

REPLACEMENT ANNEX J

(from Annex A — Commitments definition)
to
FOURTH AMENDED AND RESTATED LOAN AGREEMENT

Lender	Revolving Loan Commitment as of December 31, 2008 through March 30, 2009	Revolving Loan Commitment as of March 31, 2009 through June 29, 2009	Revolving Loan Commitment as of June 30, 2009 and thereafter
Israel Discount Bank of New York	$23,142,857.14	$21,857,142.86	$20,571,428.58
Middle Market Finance, a division of Merrill Lynch Business Financial Services Inc.	$15,428,571.43	$14,571,428.57	$13,714,285.71
Bank Leumi USA	$10,285,714.29	$ 9,714,285.71	$ 9,142,857.14
BMO Capital Markets Financing, Inc.	$18,000,000.00	$17,000,000.00	$16,000,000.00
The Berkshire Bank	$ 5,142,857.14	$ 4,857,142.86	$ 4,571,428.57
Signature Bank	$10,285,714.29	$ 9,714,285.71	$ 9,142,857.14
Provident Bank	$ 7,714,285.71	$ 7,285,714.29	$ 6,857,142.86
Total	**$90,000,000.00**	**$85,000,000.00**	**$80,000,000.00**

Exhibit 10.20

FORM OF REVOLVING NOTE

February 20, 2009 New York, New York

FOR VALUE RECEIVED, the undersigned, **ASTA FUNDING ACQUISITION I, LLC,** a Delaware limited liability company, **ASTA FUNDING ACQUISITION II, LLC** , a Delaware limited liability company, **PALISADES COLLECTION, L.L.C.** , a Delaware limited liability company, **PALISADES ACQUISITION I, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION II, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION IV, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION V, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION VI, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION VII, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION VIII, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION IX, LLC** , a Delaware limited liability company, **PALISADES ACQUISITION X, LLC** , a Delaware limited liability company, **CLIFFS PORTFOLIO ACQUISITION I, LLC** , a Delaware limited liability company, **SYLVAN ACQUISITION I, LLC** , a Delaware limited liability company, and **OPTION CARD, LLC** , a Colorado limited liability company (collectively referred to as " Borrowers "), HEREBY PROMISE TO PAY to the order of _____**,** a New York banking corporation (" Lender "), at the offices of _____**,** a New York banking corporation, as Administrative Agent for Lenders (" Administrative Agent "), at its address at _____, or at such other place as Administrative Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of _____or, if less, the aggregate unpaid amount of all Advances made at any time to the undersigned under the "Loan Agreement" (as hereinafter defined), plus interest on the unpaid balance as provided in the Loan Agreement. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Loan Agreement or in Annex A attached thereto.

This Revolving Note (" Note ") is one of the Revolving Notes issued pursuant to that certain Fourth Amended and Restated Loan Agreement dated as of July 11, 2006, by and among Borrowers, the other Credit Parties signatory thereto, Administrative Agent, and the other Agents and Lenders signatory thereto from time to time (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, collectively, the " Loan Agreement "), and is one of the Revolving Notes given in renewal of and substitution for various Revolving Notes payable to the order of Lender. This Note is entitled to the benefit and security of the Loan Agreement, the Collateral Documents and all of the other Loan Documents referred to therein. Reference is hereby made to the Loan Agreement for a statement of all of the terms and conditions under which the Revolving Loans evidenced hereby are made and are to be repaid. The date and amount of each Advance made by Lenders to Borrowers, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Administrative Agent on its books in accordance with the terms of the Loan Agreement; provided that the failure of Administrative Agent to make any such recordation shall not affect the obligations of Borrowers to make a payment when due of

any amount owing under the Loan Agreement or this Note in respect of the Advances made by Lender to Borrowers.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Loan Agreement. The entire unpaid balance shall be immediately due and payable in full on the Commitment Termination Date.

If any payment on this Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

This Note is secured by the Collateral. Borrowers shall have no right to prepay this Note, except as expressly permitted or required under the Loan Agreement.

Upon the occurrence and during the continuance of any Default, which is not reasonably capable of being cured, or Event of Default, this Note may, when and as provided in the Loan Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Note.

In the event of any conflict between the terms of this Note and the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail. All of the terms, covenants, provisions, conditions, stipulations, promises and agreements contained in the Loan Agreement to be kept, observed and/or performed by the undersigned are made a part of this Note and are incorporated into this Note by this reference to the same extent and with the same force and effect as if they were fully set forth in this Note; the undersigned promise and agree to keep, observe and perform them or cause them to be kept, observed and performed, strictly in accordance with the terms and provisions thereof.

Each party liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, (i) waives presentment for payment, demand, protest and notice of presentment, notice of protest, notice of non-payment and notice of dishonor of this debt and each and every other notice of any kind respecting this Note and all lack of diligence or delays in collection or enforcement hereof; (ii) agrees that Lender at any time or times, without notice to the undersigned or its consent, may grant extensions of time, without limit as to the number of the aggregate period of such extensions, for the payment of any principal, interest or other sums due hereunder; (iii) to the extent permitted by law, waives all exemptions under the laws of the State of New York and/or any state or territory of the United States; (iv) to the extent permitted by law, waives the benefit of any law or rule of law intended for its advantage or protection as an obligor under this Note or providing for its release or discharge from liability on this Note, in whole or in part, on account of any facts or circumstances other than full and complete payment of all amounts due under this Note; and (v) in accordance with, and to the extent provided in, the

Loan Agreement, agrees to pay, in addition to all other sums of money due, all cost of collection and attorney's fees, whether suit be brought or not, if this Note is not paid in full when due, whether at the stated maturity or by acceleration.

If any term, provision, covenant or condition of this Note or the application of any term, provision, covenant or condition of this Note to any party or circumstance shall be found by a court of competent jurisdiction to be, to any extent, invalid or unenforceable, then the remainder of this Note and the application of such term, provision, covenant, or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, provision, covenant or condition shall be valid and enforced to the fullest extent permitted by law. Upon determination that any such term, provision, covenant or condition is invalid, illegal or unenforceable, Lender may, but is not obligated to, advance funds to Borrowers under this Note until Borrowers and Lender amend this Note so as to effect the original intent of the parties as closely as possible in a valid and enforceable manner.

Except as provided in the Loan Agreement, this Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Note as of the date first above written.

ASTA FUNDING ACQUISITION I, LLC
ASTA FUNDING ACQUISITION II, LLC
PALISADES COLLECTION, L.L.C.
CLIFFS PORTFOLIO ACQUISITION I, LLC
PALISADES ACQUISITION I, LLC
PALISADES ACQUISITION II, LLC
PALISADES ACQUISITION IV, LLC
PALISADES ACQUISITION V, LLC
PALISADES ACQUISITION VI, LLC
PALISADES ACQUISITION VII, LLC
PALISADES ACQUISITION VIII, LLC
PALISADES ACQUISITION IX, LLC
PALISADES ACQUISITION X, LLC
SYLVAN ACQUISITION I, LLC
OPTION CARD, LLC

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

Exhibit 10.21

FOURTH AMENDMENT TO THE
RECEIVABLES FINANCING AGREEMENT

THIS FOURTH AMENDMENT TO THE RECEIVABLES FINANCING AGREEMENT, dated as of February 20, 2009 (this " Amendment "), is entered into by and among PALISADES ACQUISITION XVI, LLC, a Delaware limited liability company (the " Borrower "), PALISADES COLLECTION, L.L.C., a Delaware limited liability company (the " Servicer "), FAIRWAY FINANCE COMPANY, LLC (the " Lender "), BMO CAPITAL MARKETS CORP. (" BMO CM "), as Administrator for the Lender (in such capacity, the " Administrator ") and as collateral agent for the Secured Parties (in such capacity, the " Collateral Agent "), and BANK OF MONTREAL (" BMO "), as liquidity agent for the Liquidity Providers (in such capacity, the " Liquidity Agent "). Capitalized terms used and not otherwise defined herein are used as defined in the Receivables Financing Agreement, dated as of March 2, 2007 (as amended, supplemented or otherwise modified from time to time, the " Receivables Financing Agreement "), among the Borrower, the Servicer, the Lender, the Administrator, the Collateral Agent and the Liquidity Agent.

WHEREAS, the parties hereto desire to amend the Receivables Financing Agreement in certain respects as provided herein;

NOW THEREFORE, in consideration of the premises and other material covenants contained herein, the parties hereto agree as follows:

SECTION 1. Amendments . The Receivables Financing Agreement is hereby amended as follows:

1.1 The definitions of " Aggregate Collection Rate ", " Applicable Percentage ", " Collection Rate " and " Interest Adjustment Date " as set forth in Section 1.1 of the Receivables Financing Agreement are hereby deleted.

1.2 The following definition of " Asta Guaranties " is hereby added to Section 1.1 of the Receivables Financing Agreement immediately following the definition of " Asta ":

"" Asta Guaranties " means (i) the guaranty, dated as of February 20, 2009, from the guarantors from time to time party thereto in favor of the Collateral Agent and (ii) the guaranty, dated as of February 20, 2009 from Asta Group, Incorporated in favor of the Collateral Agent, each as amended, supplemented or otherwise modified from time to time."

1.3 The following definition of " Borrower Action " is hereby added to Section 1.1 of the Receivables Financing Agreement immediately following the definition of "Borrower":

"" Borrower Action " means any litigation, investigation or proceeding of the type described in Section 8.1.14 (excluding ordinary course collection activity litigation and proceedings)."

1.4 The definition of " Borrowing Base " as set forth in Section 1.1 of the Receivables Financing Agreement is hereby deleted and replaced in its entirety as follows:

"" Borrowing Base " means, on any Distribution Date, the GAAP balance of all Eligible Receivables of the Borrower as determined by the Servicer and as agreed to by the Administrator."

1.5 The definition of " Borrowing Base Deficit " as set forth in Section 1.1 of the Receivables Financing Agreement is hereby deleted and replaced in its entirety as follows:

"" Borrowing Base Deficit " means on any Distribution Date, the excess, if any, of 110% of the Loans outstanding over the Borrowing Base."

1.6 The following definition of " Executive Officer " is hereby added to Section 1.1 of the Receivables Financing Agreement immediately following the definition of "Event of Bankruptcy" therein:

"" Executive Officer " means, for any Person, each of the chief executive officer, chief operating officer, chief financial officer and general counsel."

1.7 The following definition of " Guarantor Security Agreements " is hereby added to Section 1.1 of the Receivables Financing Agreement immediately following the definition of "GAAP" therein:

"" Guarantor Security Agreements " means (i) the guarantor security agreement, dated as of February 20, 2009 among the guarantors from time to time party thereto and the Collateral Agent and (ii) the security agreement, dated as of February 20, 2009, between Asta Group, Incorporated and the Collateral Agent, each as amended, supplemented or otherwise modified from time to time."

1.8 The definition of " Stated Maturity Date " as set forth in Section 1.1 of the Receivables Financing Agreement is hereby deleted and replaced in its entirety as follows:

"" Stated Maturity Date " means April 30, 2011; provided , however , that such date may be accelerated pursuant to Section 10.2 ; and provided , further , that, subject to Section 10.2 , if the aggregate principal amount of all Loans from time to time outstanding is reduced to $25,000,000 or less on or before the April 30, 2011 Distribution Date, the Stated Maturity Date will be extended to April 30, 2012."

1.9 The following definition of " Pledged Note " is hereby added to Section 1.1 of the Receivables Financing Agreement immediately following the definition of "Person" therein:

"" Pledged Note " means that certain promissory note, dated February 20, 2009, executed by Asta payable to Asta Group, Incorporated in the original principal amount of $700,000."

1.10 The definition of " Transaction Documents " as set forth in Section 1.1 of the Receivables Financing Agreement is hereby amended by adding "the Asta Guaranties, the Guarantor Security Agreements" immediately after "Transfer Agreement" therein.

1.11 Section 9.1.8(e) of the Receivables Financing Agreement is hereby deleted in its entirety and replaced with the following:

"(x) Within five Business Days of an Executive Officer's knowledge thereof, notice of (i) any material Borrower Action not previously disclosed to the Collateral Agent and the Administrator, and (ii) any materially adverse development in previously disclosed Borrower Action, (y) on a monthly basis, a summary update of all Borrower Action known to any Executive Officer and (z) to the extent reasonably requested by the Administrator, additional documents or information relating to any Borrower Action."

1.12 The following Section 9.1.12 is hereby added to the Receivables Financing Agreement:

" Financial Advisor . The Servicer shall hire (a) by March 31, 2009 (or such other later time as is commercially reasonable) unless otherwise agreed to by the Administrator in writing and (b) no more than once per calendar year at the request of the Administrator, in each case, at the Borrower's sole expense, a financial advisor selected by the Servicer and reasonably acceptable to the Administrator to review the collection process with respect to the Receivables and to deliver a report to the Servicer, with a copy to the Administrator, on financial advisor's findings and recommendation on how, if at all, to improve such collection process within a reasonable amount of time thereafter."

1.13 Section 9.2.1 of the Receivables Financing Agreement is hereby amended by (i) replacing "true-sale" with "non-recourse true-sale in form that complies with the requirements of this Section 9.2.1 and is reasonably satisfactory to the Administrator" and (ii) replacing "Borrowing Base Deficiency" with "Borrowing Base Deficit" therein.

1.14 Section 9.2.4 is hereby deleted and replaced in its entirety as follows:

"9.2.4 Incurrence of Indebtedness. Borrower shall not create, incur or permit to exist, any Indebtedness except for (a) Indebtedness and liabilities incurred pursuant to the Transaction Documents and normal trade payables incurred in the ordinary course of its business, (b) Indebtedness

arising under Qualifying Hedge Agreements, (c) Permitted Indebtedness not in excess of $1,000,000 in the aggregate or (d) Indebtedness which, if applicable, may be vacated, stayed, discharged (without payment therefore to affect such discharge) or bonded within thirty days of the occurrence thereof. "Permitted Indebtedness" means judgments, settlements, legal fees and other legal expenses (and claims which give rise to GAAP liabilities related thereto) relating to the collection and/or sale of any of the Receivable Assets, solely to the extent such Indebtedness is paid when due and owing.

1.15 Section 10.1.5 is hereby deleted and replaced in its entirety as follows:

"10.1.5 Borrowing Base Deficit . At any time a Borrowing Base Deficit shall exist and such condition shall continue unremedied for 2 Business Days."

1.16 Section 10.1.10 of the Receivables Financing Agreement is hereby amended by replacing the "or" immediately before "(c)" with "," and adding "or (d) any breach or default shall have occurred under any of the Asta Guaranties or the Guarantor Security Agreements."

1.17 Section 10.1.14 of the Receivables Financing Agreement is hereby deleted and replaced in its entirety as follows:

" Average Monthly Payments . Average payments of principal on the Loans pursuant to Section 4.2(b) clause fourth are less than $1,000,000 for any 3 consecutive Distribution Dates."

SECTION 2. Receivables Financing Agreement in Full Force and Effect as Amended .

Except as specifically amended hereby, the Receivables Financing Agreement shall remain in full force and effect. All references to the Receivables Financing Agreement shall be deemed to mean the Receivables Financing Agreement as modified hereby. This Amendment shall not constitute a novation of the Receivables Financing Agreement, but shall constitute an amendment thereof. The parties hereto agree to be bound by the terms and conditions of the Receivables Financing Agreement, as amended by this Amendment, as though such terms and conditions were set forth herein.

SECTION 3. Miscellaneous .

A. After giving effect to this Amendment, on and as of the date hereof, except as otherwise disclosed in writing to BMO CM, the Borrower's representations and warranties set forth in Section 8.1 of the Receivables Financing Agreement (as amended hereby) are true and correct in all material respects, as though made on and as of such date (except to the extent such representations and warranties relate solely to an earlier date and then as of such earlier date).

B. This Amendment may be executed in any number of counterparts, and by the different parties hereto on the same or separate counterparts, each of which when so executed

and delivered shall be deemed to be an original instrument but all of which together shall constitute one and the same agreement.

C. The effectiveness of this Amendment is subject to the following condition precedents:

i. the Administrator shall have received counterparts of this Amendment, duly executed by all parties hereto;

ii. the execution and delivery of the Asta Guaranties and the Guarantor Security Agreements by all parties thereto;

iii. the delivery of (a) the Pledged Note to the Collateral Agent and (b) opinions in connection with this Amendment and related documents in form and substance reasonably satisfactory to the Collateral Agent; and

iv. the Borrower shall have reimbursed the Administrator for all its reasonable documented out-of-pocket costs and out-of-pocket expenses incurred in connection with the preparation and delivery of this Amendment, including, without limitation, the fees and disbursements of counsel to the Administrator.

D. The descriptive headings of the various sections of this Amendment are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

E. This Amendment may not be amended or otherwise modified except as provided in the Receivables Financing Agreement.

F. Each of the Administrator and the Lender do not waive and have not waived, and hereby expressly reserve, its right at any time to take any and all actions, and to exercise any and all remedies, authorized or permitted under the Receivables Financing Agreement, as amended, or any of the other Transaction Documents, or available at law or equity or otherwise.

G. Any provision in this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

H. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY OTHERWISE APPLICABLE CONFLICTS OF LAW PRINCIPLES (OTHER THAN THOSE SET FORTH IN SECTION 5- 1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

I. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF BORROWER, ASTA, THE ORIGINATOR, THE SERVICER, THE ADMINISTRATOR, THE COLLATERAL AGENT, LENDER OR ANY OTHER AFFECTED PARTY. EACH OF BORROWER AND THE SERVICER ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER TRANSACTION DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE OTHER PARTIES ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER TRANSACTION DOCUMENT.

J. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FEDERAL COURT SITTING IN NEW YORK, NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWER AND THE SERVICER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE BORROWER AND THE SERVICER IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO.

K. The parties hereto hereby acknowledge the following breaches of the Transaction Documents may have occurred: (i) the failure of the Borrower to notify the Administrator, the Collateral Agent and the Liquidity Agent, in accordance with Section 9.18 of the Receivables Financing Agreement of certain proceedings, (ii) the failure of the Borrower to deliver to the Administrator an opinion of counsel described in Section 9.1.11 of the Receivables Financing Agreement for the 2008 calendar year, (iii) the failure to comply with Section 9.2.1 of the Receivables Financing Agreement, (iv) the failure of the Borrower to satisfy the Rolling Collection Rate test set forth in Section 10.1.14 of the Receivables Financing Agreement for the November 2008, December 2008 and January 2009 Collection Periods and (v) the failure of the Borrower to deliver amendments to a Subservicing Agreement and a related Management Agreement in accordance with Section 3.01 of the Servicing Agreement (collectively, the " Potential Breaches "). The Lender, the Administrator, the Collateral Agent and the Liquidity Agent each hereby agree to waive the Termination Events and Servicer Termination Events, if any, relating to the Potential Breaches that occurred prior to the date hereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the 20th of February, 2009.

PALISADES ACQUISITION XVI, LLC,
as Borrower

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Signature Page to Fourth Amendment

BMO CAPITAL MARKET CORP.,
as Administrator and as Collateral Agent

By: /s/ John Pappano
Name: John Pappano
Title: Managing Director

FAIRWAY FINANCE COMPANY, LLC,
as Lender

By: /s/ Phillip A. Martone
Name: Phillip A. Martone
Title: Vice President

Signature Page to Fourth Amendment

PALISADES COLLECTION, L.L.C.,
as Servicer

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Signature Page to Fourth Amendment

BANK OF MONTREAL, as Liquidity Agent

By: /s/ John Pappano
Name: John Pappano
Title: Managing Director

EXHIBIT 10.22

SUBORDINATED GUARANTOR SECURITY AGREEMENT

THIS SUBORDINATED GUARANTOR SECURITY AGREEMENT (together with all amendments and other modifications, if any from time to time hereto, this " Security Agreement "), is dated as of February 20, 2009, by and among EACH OF THE GRANTORS SIGNATORY HERETO AND EACH ADDITIONAL PARTY THAT BECOMES A GRANTOR HERETO PURSUANT TO SECTION 25 HEREOF (together with their respective successors and assigns, collectively " Grantors " and each individually " Grantor "), and BMO CAPITAL MARKETS CORP., as collateral agent for the Secured Parties (in such capacity, the " Collateral Agent ").

W I T N E S S E T H :

WHEREAS, Palisades Acquisition XVI, LLC (the " Borrower "), Palisades Collection L.L.C., as the servicer of the Receivables (in such capacity, the " Servicer "), Fairway Finance Company, LLC, a Delaware limited liability company (together with its successors and assigns, the " Lender "), BMO Capital Markets Corp., as administrative agent for the Lender (in such capacity, the " Administrator ") and as Collateral Agent, and Bank of Montreal, as liquidity agent for the Liquidity Providers (in such capacity, the " Liquidity Collateral Agent "), have entered into a Receivables Financing Agreement, dated as of March 2, 2007 (as amended, supplemented or otherwise modified from time to time, the " Receivables Financing Agreement "), pursuant to which the Lender, subject to the terms and conditions of the Receivables Financing Agreement, has made Loans to the Borrower, which Loans are evidenced by the Lender Note;

WHEREAS, the Grantors have entered into the Subordinated Limited Recourse Guaranty Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the " Guaranty ") in favor of Collateral Agent; and

WHEREAS, the Grantors have agreed to grant a security interest in certain collateral to the Collateral Agent in order to secure the Grantors' obligations to the Collateral Agent under the Guaranty;

WHEREAS, the senior secured creditors of Grantors have, as a condition to consenting to the Guaranty and this Security Agreement, required that the Secured Parties subordinate their liens and claims as set forth in the Senior Creditor Intercreditor Agreement;

WHEREAS, one of the Grantors, Asta, has issued promissory notes to the order of Asta Group, Incorporated, in the aggregate principal amount of $8,226,278 (as amended, supplemented or otherwise modified from time to time, collectively, the " Asta Group Notes ") and the other Grantors have agreed to guarantee payment of the Asta Group Notes pursuant to the Subordinated Limited Recourse Guaranty Agreement dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the " Asta Group Guaranty");

WHEREAS, Asta has agreed to grant a security interest in certain collateral to Asta Group in order to secure Asta's liability under the Asta Group Notes and other Grantors have

agreed to grant to Asta Group a security interest in certain collateral in order to secure their liability under the Asta Group Guaranty; and

WHEREAS, the Collateral Agent and Asta Group have agreed to enter into the Junior Creditor Intercreditor Agreement to provide, among other things, that its liens will be pari pasu .

NOW, THEREFORE, THE PARTIES HERETO FOR GOOD AND VALUABLE CONSIDERATION AGREE AS FOLLOWS:

1. DEFINED TERMS .

(a) Unless otherwise defined herein, terms defined in the Receivables Financing Agreement or the Guaranty are used in this Security Agreement (including the recitals hereof) as therein defined. All other terms contained in this Security Agreement, unless the context indicates otherwise or such terms are defined below, have the meanings provided for by the UCC to the extent the same are used or defined therein and, otherwise, as set forth in the Receivables Financing Agreement or the Guaranty, as applicable. In addition, the following terms shall have the following meanings (such meanings to be applicable to both the singular and plural forms of the terms defined):

" Asta " means Asta Funding, Inc.

" Borrower " has the meaning set forth in the preamble , or its permitted successors or assigns.

" Collateral " has the meaning set forth in Section 2 .

" Collateral Agent " has the meaning set forth in the preamble ; or its permitted successors or assigns.

" Excluded Assets " has the meaning set forth in Section 2(a) .

" Guaranty " has the meaning set forth in the preamble .

" IDB " means Israel Discount Bank of New York, a New York banking corporation, in its capacity as collateral agent, together with its successors and assigns.

" Loan Agreement " means the Fourth Amended and Restated Loan Agreement, entered into as of July 11, 2006, by and among Asta, each of the Borrowers party thereto, each of the Guarantors party thereto, IDB and Merrill Lynch Capital, as amended, supplemented or otherwise modified from time to time.

" Intercreditor Agreements " means the Senior Lender Intercreditor Agreement and the Junior Lender Intercreditor Agreement.

" Junior Lender Intercreditor Agreement " means the intercreditor agreement, dated as of the date hereof, by and between Asta Group, Incorporated and the Collateral Agent.

" Lien " means any mortgage, lien, pledge, charge, right, claim, security interest or encumbrance of any kind of or on any Person's assets or properties in favor of any other Person (including any UCC financing statement or any similar instrument filed against such Person's assets or properties).

" Permitted Encumbrances " means any "Senior Lien" (as defined in the Senior Lender Intercreditor Agreement), any "Junior Lien" (as defined in the Junior Lender Intercreditor Agreement), Liens permitted under any "Senior Indebtedness" (as defined in the Senior Lender Intercreditor Agreement) or otherwise consented to by the "Senior Agent" (as defined in the Senior Lender Intercreditor Agreement) and purchase money Liens against assets other than Portfolios.

" Portfolio " means each group or pool or consumer loans acquired by any of the Borrowers (as defined in the IDB Loan Agreement) from a single seller (or seller and its affiliates) in a single purchase transaction, which consumer loans are recorded and administered in the books and records of the Borrower acquiring the same as a separate group or pool of consumer loans.

" Portfolio Acquisition Document " means the purchase and other agreements between a Credit Party (as defined in the Loan Agreement) and the seller of each Portfolio, as each may be amended.

" Receivables Financing Agreement " has the meaning set forth in the preamble .

" Security Agreement " has the meaning set forth in the preamble .

" Senior Creditor Intercreditor Agreement " means the subordination and intercreditor agreement, dated as of the date hereof, by and between IDB and the Collateral Agent.

" Servicing Agreement " has the meaning set forth in Section 2(a)(xvii) .

" Tangible Net Worth " means, with respect to the Grantors, the aggregate shareholders' equity (or the equivalent thereof) of the Grantors calculated in accordance with GAAP consistently applied after subtracting therefrom the aggregate amount of the Grantors' intangible assets (as determined in accordance with GAAP), including, without limitation, goodwill, franchises, licenses, patents, trademarks, tradenames, copyrights and service marks and after subtracting any equity of the Borrower calculated in accordance with GAAP.

" Tangible Net Worth Trigger Event " means on any date that the Tangible Net Worth is less than $50,000,000.

(b) "UCC jurisdiction" means any jurisdiction that has adopted all or substantially all of Article 9 as contained in the 2000 Official Text of the Uniform Commercial Code, as recommended by the National Conference of Commissioners on Uniform State Laws and the American Law Institute, together with any subsequent amendments or modifications to the Official Text.

2. GRANT OF LIEN .

(a) To secure the prompt and complete payment, performance and observance of all of the Guaranteed Obligations, each Grantor hereby grants, assigns, conveys, mortgages, pledges, hypothecates and transfers to Collateral Agent, for the benefit of the Secured Parties, a security interest in and Lien that is prior to any Lien or security interest other than Permitted Encumbrances upon all of its right, title and interest in, to and under all property, including personal property and other assets, whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor (including under any trade names, styles or derivations thereof), and whether owned or consigned by or to, or leased from or to, such Grantor, and regardless of where located (all of which being hereinafter collectively referred to as the " Collateral "), including, without limitation, the following:

(i) all Accounts;

(ii) all Chattel Paper (including Electronic chattel paper and Tangible chattel paper);

(iii) all Documents;

(iv) all General Intangibles (including Payment intangibles and Software and tax refunds);

(v) all Contracts;

(vi) all Licenses; (vii) all Goods (including Inventory, Equipment and Fixtures); (viii) all Consumer Loans; (ix) all Instruments;

(x) all Investment Property;

(xi) all Intellectual Property;

(xii) all Deposit Accounts and Securities Accounts of any Grantor, and all other bank accounts and all deposits therein;

(xiii) all money, cash or cash equivalents of any Grantor;

(xiv) all Supporting Obligations and Letter-of-credit rights of any Grantor;

(xv) all Commercial tort claims;

(xvi) without limiting any of the foregoing, all Portfolios and Portfolio Acquisition Documents and all accounts receivable, consumer receivables, rights to

payment of a monetary obligation, whether or not earned by performance, and other Accounts constituting any or all of the Portfolios;

(xvii) the Collateral (as defined in the Senior Lender Intercreditor Agreement); and

(xviii) all right, title and interest of Grantors in and to all servicing agreements, master servicing agreements, servicing and collection agreements and other similar contracts and agreements relating to any Portfolio (or any portion of a Portfolio) or Account (the "Servicing Agreements") and any right to payment arising under the Servicing Agreements; and to the extent not otherwise included, all Proceeds, tort claims, insurance claims and other rights to payments not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of, each of the foregoing.

Notwithstanding the foregoing, the Collateral shall not include any assets leased or licensed to any Grantor from any unaffiliated third party if the granting of a security interest therein is prohibited by or otherwise would materially breach the terms of such lease or license (the property covered by such lease or license being hereinafter referred to as " Excluded Assets ").

(b) Subject to the terms of the Guaranty, to secure the prompt and complete payment, performance and observance of the Guaranteed Obligations, each Grantor hereby grants to Collateral Agent, for itself and the benefit of Secured Parties, a right of setoff against the Cash Collateral Account (as defined in the Guaranty).

3. COLLATERAL AGENT'S AND SECURED PARTIES' RIGHTS: LIMITATIONS ON COLLATERAL AGENT'S AND SECURED PARTIES' OBLIGATIONS .

(a) It is expressly agreed by Grantors that, anything herein to the contrary notwithstanding, each Grantor shall remain liable for the Collateral and all aspects of the Collateral. Neither Collateral Agent nor any Secured Party shall have any obligation or liability under any Contract or License by reason of or arising out of this Security Agreement or the granting herein of a security interest or Lien thereon or the receipt by Collateral Agent or any Secured Party of any payment relating to any Contract or License pursuant hereto. Neither Collateral Agent nor any Secured Party shall be required or obligated in any manner to perform or fulfill any of the obligations of any Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Subject to the terms of the Intercreditor Agreements and the limitations set forth in the Guaranty, Collateral Agent may, at any time upon the occurrence and continuance of a Termination Event, upon notice to any Grantor, notify Account Debtors and/or servicers thereof and other Persons obligated on the Collateral that Collateral Agent has a security interest therein, and that payments shall be made directly to Collateral Agent upon the occurrence of a Termination Event. Subject to the terms of the Intercreditor Agreements and the

limitations set forth in the Guaranty, upon the occurrence and during the continuance of a Termination Event, at the request of Collateral Agent, in its reasonable business discretion, each Grantor shall notify Account Debtors and other Persons obligated on the Collateral that Collateral Agent has a first-priority security interest in the Collateral (subject to Permitted Encumbrances). Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, the affected Grantor shall not give any contrary instructions to such Account Debtor or other Person without Collateral Agent's prior written consent.

(c) Subject to the terms of the Intercreditor Agreements and the limitations set forth in the Guaranty, Collateral Agent may at any time in Collateral Agent's own name, in the name of a nominee of Collateral Agent or in the name of any Grantor communicate (by mail, telephone, facsimile or otherwise) with Account Debtors and/or servicers thereof, any parties to Contracts and obligors in respect of Instruments to verify, to Collateral Agent's satisfaction, the existence, amount, terms of, and any other matter relating to, Accounts, payment intangibles, Instruments or Chattel Paper or other Collateral.

4. REPRESENTATIONS AND WARRANTIES . Each Grantor represents and warrants that:

(a) Each Grantor has rights in and the power to transfer each item of the Collateral (other than Excluded Assets) upon which it purports to grant a security interest and Lien hereunder, free and clear of any and all Liens other than Permitted Encumbrances.

(b) No effective security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed (i) by any Grantor in favor of Collateral Agent pursuant to this Security Agreement or the other Transaction Documents, (ii) in connection with any other Permitted Encumbrances, and (iii) financing statements describing a Grantor's purchase or sale of Collateral.

(c) This Security Agreement is effective to create a valid and continuing security interest in and other Lien (as applicable) on the Collateral and, upon the filing of the appropriate financing statements listed on Schedule I attached hereto, a perfected security interest in favor of Collateral Agent, for itself and the benefit of Secured Parties on the Collateral, with respect to which a security interest may be perfected by filing pursuant to the UCC. Such security interest in favor of Collateral Agent, for the benefit of Collateral Agent and Secured Parties, is senior and prior to all other security interests and Liens in the Collateral, except Permitted Encumbrances, and is enforceable as such as against any and all creditors of and purchasers from any Grantor (other than purchasers and lessees of Accounts in the ordinary course of business, non-exclusive licensees of General Intangibles in the ordinary course of business). All action by any Grantor necessary or reasonably desirable to protect and perfect such Lien on each item of the Collateral has been duly taken which can be perfected by filing a UCC financing statement.

(d) Upon the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues) and to the extent that all Senior Indebtedness has been Paid in Full, upon the request of the Collateral Agent, the Grantors shall

prepare a schedule from time to time upon the request of the Collateral Agent listing all Instruments and Chattel Paper of each Grantor. The Lien of Collateral Agent, for the benefit of Collateral Agent and Secured Parties, on the Collateral listed on such schedule is senior and prior to all other Liens, except Permitted Encumbrances, that would be prior to the Liens in favor of Collateral Agent as a matter of law, and is enforceable as such against any and all creditors of and purchasers from any Grantor.

(e) Each Grantor's name as it appears in official filings in the state of its incorporation or other organization, the type of entity of each Grantor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by each Grantor's state of incorporation or organization or a statement that no such number has been issued, each Grantor's state of organization or incorporation, and the location of each Grantor's chief executive office, are set forth on Schedules IIA — IIH , respectively, hereto. Each Grantor has only one state of incorporation or organization.

(f) With respect to Accounts: (i) the Accounts are owned by Grantors, free and clear of all Liens, except for Permitted Encumbrances; and (ii) Grantors have the right to pursue the collection of the Accounts.

5. COVENANTS . Each Grantor, jointly and severally, covenants and agrees with Collateral Agent, for the benefit of Collateral Agent and Secured Parties, that from and after the date of this Security Agreement and until the Guaranteed Obligations have been indefeasibly paid in full:

(a) Further Assurances .

(i) Upon the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues), upon the written request of the Collateral Agent and at the sole expense of Grantors, each Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further actions with respect to any Collateral valued (in accordance with GAAP) at or above twenty-five thousand dollars ($25,000) as Collateral Agent may reasonably deem desirable to obtain the full benefits of this Security Agreement and of the rights and powers herein granted. Each Grantor hereby authorizes Collateral Agent and the Secured Parties to file and record in such public records offices as Collateral Agent and the Secured Parties may reasonably determine such financing statements as Collateral Agent and the Secured Parties may reasonably determine relative to the transactions contemplated by this Security Agreement.

(ii) Each Grantor hereby irrevocably authorizes Collateral Agent and Secured Parties at any time and from time to time to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including whether such Grantor is an organization, the type of organization and any organization identification number issued to such

Grantor. Each Grantor agrees to furnish any such information to Collateral Agent promptly upon request. Each Grantor also ratifies its authorization for Collateral Agent to have filed in any UCC jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(iii) Subject to the terms of the Intercreditor Agreements, upon the occurrence of the Tangible Net Worth Trigger Event, upon the request of the Collateral Agent, each Grantor shall promptly notify Collateral Agent of any material commercial tort claim (as defined in the UCC) acquired by it and unless otherwise consented by Collateral Agent, such Grantor shall enter into a supplement to this Security Agreement, granting to Collateral Agent a Lien in such material commercial tort claim.

(b) Maintenance of Records . Grantors shall keep and maintain, at their own cost and expense, records of the Collateral kept in the ordinary course of business, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral.

(c) Indemnification . Subject to the limitations set forth in the Intercreditor Agreements and the Guaranty, in any suit, proceeding or action brought by Collateral Agent or any Secured Party relating to any Collateral for any sum owing with respect thereto or to enforce any rights or claims with respect thereto, each Grantor will save, indemnify and keep Collateral Agent and Secured Parties harmless from and against all expense (including reasonable attorneys' fees and expenses), loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the Account Debtor or other Person obligated on the Collateral, arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, or in favor of, such obligor or its successors from such Grantor, except in the case of Collateral Agent or any Secured Party, to the extent: (i) such expense, loss, or damage is attributable to the gross negligence or willful misconduct of Collateral Agent or such Secured Party as finally determined by a court of competent jurisdiction, or (ii) of Collateral Agent's or any Secured Party's failure to act in a commercially reasonable manner (as finally determined by a court of competent jurisdiction) such that such failure is determined by a court of competent jurisdiction to be egregious, unconscionable and beyond the standards of experienced commercial lenders in similar circumstances. All such obligations of Grantors shall be and remain enforceable against and only against Grantors and shall not be enforceable against Collateral Agent or any Secured Party.

(d) Compliance with Terms of Accounts, etc. In all material respects, each Grantor will perform and comply with all obligations in respect of the Collateral and all other agreements to which it is a party or by which it is bound relating to the Collateral.

(e) Limitation on Liens on Collateral . No Grantor will create, permit or suffer to exist, and each Grantor will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Encumbrances, and will defend the right, title and interest of Collateral Agent and Secured Parties in and to any of such Grantor's rights under the Collateral against the claims and demands of all Persons whomsoever.

(f) Limitations on Disposition. On or after the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues), no Grantor will sell, license, lease, transfer or otherwise dispose of any of the Collateral, or attempt or contract to do so, except for sales of Accounts and Portfolios in the ordinary course of business, as permitted by the Intercreditor Agreements or as consented to by the Senior Creditor (as defined in the Intercreditor Agreement as of the date hereof or such other definition after the date hereof as is consented to in writing by the Guarantors).

(g) Notices . On or after the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues), Grantors will advise Collateral Agent promptly, in reasonable detail, (i) of Liens in aggregate of $100,000 (other than Permitted Encumbrances) made or asserted against any of the Collateral, and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder or under any other Transaction Document. The Guarantors shall cause the termination of any Liens on the Collateral (other than Permitted Encumbrances) in excess of $100,000 in the aggregate within 30 days after such Liens attach to the Collateral.

(h) No Reincorporation . No Grantor shall reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without giving at least 10 days prior notice to Collateral Agent.

(i) Terminations; Amendments Not Authorized . Except upon delivery of the Letter of Credit in an amount equal to the Aggregate Liability pursuant to Section 2 of the Guaranty or the Guaranteed Obligations are indefeasibly paid in full in cash (in which cases, each Grantor is so authorized), each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of Collateral Agent and agrees that it will not do so without the prior written consent of Collateral Agent.

(j) Tangible Net Worth Trigger Event . The Grantors shall promptly notify the Collateral Agent of the occurrence of a Tangible Net Worth Trigger Event.

6. RESERVED .

7. REMEDIES: RIGHTS UPON DEFAULT .

(a) Subject to the terms of the Intercreditor Agreements and the Guaranty, in addition to all other rights and remedies granted to it under this Security Agreement, the Guaranty, the Transaction Documents and under any other instrument or agreement securing, evidencing or relating to any of the Guaranteed Obligations, if any Termination Event shall have occurred and is continuing, after thirty (30) days written notice to Grantors, and subject to the terms of the Intercreditor Agreements, Collateral Agent may exercise all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, but subject to the terms of the Intercreditor Agreements and the Guaranty and such notice, to the extent permitted by law, each Grantor expressly agrees that in any such event Collateral Agent, without demand of performance or other demand,

advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon such Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the UCC and other applicable law), may forthwith enter upon the premises of such Grantor where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving such Grantor or any other Person notice and opportunity for a hearing on Collateral Agent's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. Subject to the terms of the Intercreditor Agreements, the Guaranty and after such notice, Collateral Agent or any Secured Party shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of Collateral Agent and Secured Parties, the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption each Grantor hereby waives and releases. Such sales may be adjourned and continued from time to time with or without notice. Collateral Agent shall have the right to conduct such sales on any Grantor's premises or elsewhere and shall have the right to use any Grantor's premises without charge for such time or times as Collateral Agent deems necessary or advisable.

Subject to the terms of the Intercreditor Agreements and the Guaranty, if any Termination Event shall have occurred and is continuing, each Grantor further agrees, after such notice, at Collateral Agent's request, to assemble the Collateral and make it available to Collateral Agent at a place or places designated by Collateral Agent which are reasonably convenient to Collateral Agent and such Grantor, whether at such Grantor's premises or elsewhere. Subject to the terms of the Intercreditor Agreements, after such notice, until Collateral Agent is able to effect a sale, lease, or other disposition of Collateral, Collateral Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Collateral Agent. Collateral Agent shall have no obligation to any Grantor to maintain or preserve the rights of such Grantor as against third parties with respect to Collateral while Collateral is in the possession of Collateral Agent. Subject to the terms of the Intercreditor Agreements, Collateral Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Collateral Agent's remedies (for the benefit of Collateral Agent and Secured Parties), with respect to such appointment without prior notice or hearing as to such appointment. Collateral Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale to the Guaranteed Obligations as provided in the Receivables Financing Agreement, and only after so paying over such net proceeds, and after the payment by Collateral Agent of any other amount required by any provision of law, need Collateral Agent account for the surplus, if any, to any Grantor. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages, and demands against Collateral Agent or any Secured Party arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of Collateral Agent or such Secured Party as finally determined by a court of competent jurisdiction. Each Grantor agrees that ten (10) days prior notice by Collateral Agent

of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Grantors shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Guaranteed Obligations, including any attorneys' fees and other expenses incurred by Collateral Agent or any Secured Party to collect such deficiency.

(b) Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

(c) To the extent that applicable law imposes duties on Collateral Agent to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for Collateral Agent (i) to fail to incur expenses reasonably deemed significant by Collateral Agent to prepare Collateral for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as the Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure Collateral Agent against risks of loss, collection or disposition of Collateral or to provide to Collateral Agent a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Collateral Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Collateral Agent in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this Section 7(c) is to provide non-exhaustive indications of what actions or omissions by Collateral Agent would not be commercially unreasonable in Collateral Agent's exercise of remedies against the Collateral and that other actions or omissions by Collateral Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 7(c) . Without limitation upon the foregoing, nothing contained in this Section 7(c) shall be construed to grant any rights to any Grantor or to impose any duties on Collateral Agent that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this Section 7(c) .

(d) Neither Collateral Agent nor the Secured Parties shall be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, any Grantor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of

the Guaranteed Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefore or any direct or indirect guarantee thereof. Neither Collateral Agent nor the Secured Parties shall be required to marshal the Collateral or any guarantee of the Guaranteed Obligations or to resort to the Collateral or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Transaction Document shall be cumulative. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against Collateral Agent or any Secured Party, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Security Agreement, or otherwise.

8. GRANT OF LICENSE TO USE INTELLECTUAL PROPERTY COLLATERAL . For the purpose of enabling Collateral Agent to exercise rights and remedies under Section 7 hereof (including, without limiting the terms of Section 7 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of the Collateral) at such time as Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to Collateral Agent, for the benefit of Collateral Agent and Secured Parties, an irrevocable (until the IDB Termination Date), nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, all without compensation to Grantor.

9. LIMITATION ON COLLATERAL AGENT'S AND SECURED PARTIES' DUTY IN RESPECT OF COLLATERAL . Collateral Agent and each Secured Party shall use reasonable care with respect to the Collateral in its possession or under its control. Neither Collateral Agent nor any Secured Party shall have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of Collateral Agent or such Secured Party, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

10. REINSTATEMENT . This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Guaranteed Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Guaranteed Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Guaranteed Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11. NOTICES . All notices and other communications provided for hereunder shall be in writing or by facsimile and, if to any other party hereto, transmitted or delivered to it, addressed to it at the address specified for it on the signature page hereto or as to any party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall if properly addressed and sent by pre-paid courier service, be deemed given when received; any notice or other communication, if transmitted by facsimile, shall be deemed given when transmitted and receipt thereof has been confirmed by telephone or electronic means.

12. SEVERABILITY . Whenever possible, each provision of this Security Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. This Security Agreement is to be read, construed and applied together with the Receivables Financing Agreement and the other Transaction Documents which, taken together, set forth the complete understanding and agreement of Collateral Agent, Secured Parties and Grantors with respect to the matters referred to herein and therein. Except as otherwise specifically provided, if any provision contained in this Security Agreement or any other Transaction Document conflicts with any provision in the Receivables Financing Agreement, the provision in the Receivables Financing Agreement shall govern and control.

13. NO WAIVER; CUMULATIVE REMEDIES; AMENDMENTS . Neither Collateral Agent nor any Secured Party shall by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by Collateral Agent and then only to the extent therein set forth. A waiver by Collateral Agent or Secured Parties of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Collateral Agent or Secured Parties would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Collateral Agent or any Secured Party, any right, power or privilege hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Collateral Agent and the applicable party to be charged.

14. LIMITATION BY LAW . All rights, remedies and powers provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Security Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

15. CONTINUING SECURITY INTEREST . This Security Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until delivery of the Letter of Credit in an amount equal to the Aggregate Liability pursuant to Section 2 of the Guaranty or payment in full in cash and performance of all the Guaranteed Obligations (other than any indemnification obligations) and a release by Grantors of all claims against the Collateral Agent and Secured Parties under the Guarantor Security Documents, and so long as no suits, actions, proceedings, or claims are pending or threatened asserting any damages, losses or liabilities that are Guaranteed Obligations, in which case the Collateral Agent shall deliver to the Grantors termination statements and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Guaranteed Obligations.

16. SUCCESSORS AND ASSIGNS . This Security Agreement and all obligations of Grantors hereunder shall be binding upon the successors and assigns of each Grantor (including any debtor-in-possession on behalf of such Grantor) and shall, together with the rights and remedies of Collateral Agent, for the benefit of Collateral Agent and Secured Parties, hereunder, inure to the benefit of Collateral Agent and Secured Parties, all future holders of any instrument evidencing any of the Guaranteed Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Guaranteed Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to Collateral Agent, for the benefit of Collateral Agent and Secured Parties, hereunder. No Grantor may assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Security Agreement.

17. COUNTERPARTS . This Security Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement. This Security Agreement may be executed by manual signature, facsimile or, if approved in writing by Collateral Agent, electronic means, all of which shall be equally valid.

18. GOVERNING LAW . EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE TRANSACTION DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS SECURITY AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH GRANTOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN GRANTORS, COLLATERAL AGENT AND SECURED PARTIES PERTAINING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS, PROVIDED , THAT COLLATERAL AGENT, SECURED PARTIES AND GRANTORS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, AND, PROVIDED, FURTHER , NOTHING IN THIS AGREEMENT

SHALL BE DEEMED OR OPERATE TO PRECLUDE COLLATERAL AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE GUARANTEED OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF COLLATERAL AGENT. EACH GRANTOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH GRANTOR HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH GRANTOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH GRANTOR AT THE ADDRESS SET FORTH ON ANNEX I TO THE RECEIVABLES FINANCING AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR FIVE (5) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

19. WAIVER OF JURY TRIAL . BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT DISPUTES ARISING HEREUNDER OR RELATING HERETO BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG COLLATERAL AGENT, SECURED PARTIES, AND GRANTORS ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED IN CONNECTION WITH, THIS SECURITY AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO.

20. SECTION TITLES . The Section titles contained in this Security Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

21. NO STRICT CONSTRUCTION . The parties hereto have participated jointly in the negotiation and drafting of this Security Agreement. In the event an ambiguity or question of intent or interpretation arises, this Security Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Security Agreement.

22. ADVICE OF COUNSEL . Each of the parties represents to each other party hereto that it has discussed this Security Agreement and, specifically, the provisions of Section 18 and Section 19 , with its counsel.

23. BENEFIT OF SECURED PARTIES . All Liens granted or contemplated hereby shall be for the benefit of Collateral Agent, individually, and Secured Parties, and all proceeds or payments realized from the Collateral in accordance herewith shall be applied to the Guaranteed Obligations in accordance with the terms of the Guaranty.

24. NO PETITION . The Grantors agree that they will not institute against, or join or assist any person in instituting against, the Borrower any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other similar proceeding under the laws of any jurisdiction, for one year and one day after the Obligations have been indefeasibly paid in full. The obligations of the Grantors under this Section 24 shall survive any termination of this Security Agreement.

25. ADDITIONAL GRANTORS . The Grantors shall cause each affiliated entity that has executed a security agreement in favor of [IDB] to become party to the Guaranty and this Security Agreement as a Grantor. From time to time subsequent to the date hereof, additional Persons may become parties hereto as additional Grantors (each, an " Additional Grantor "), by executing a counterpart of this Security Agreement substantially in the form of Exhibit A attached hereto. Upon delivery of any such counterpart to Collateral Agent, notice of which is hereby waived by the Grantors, each Additional Grantor shall be a Grantor and shall be as fully a party hereto as if such Additional Grantor were an original signatory hereto. Each Grantor expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Grantor hereunder nor by any election of Collateral Agent not to cause any Credit Party (as defined in the Loan Agreement) or any other Person to become an Additional Grantor hereunder. This Security Agreement shall be fully effective as to any Grantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Grantor hereunder.

26. INTERCREDITOR AGREEMENTS . The terms of this Agreement are subject to the provisions of the Intercreditor Agreements, if any terms of this Agreement or the Junior Lender Intercreditor Agreement conflict with the terms of the Senior Lender Intercreditor Agreement, the terms of the Senior Lender Intercreditor Agreement shall govern and if the terms of this Agreement do not conflict with the terms of the Senior Lender Intercreditor Agreement but do conflict with the terms of the Junior Lender Intercreditor Agreement, the terms of the Junior Lender Intercreditor Agreement shall govern.

[Signature Pages to Follow]

IN WITNESS WHEREOF, each of the undersigned have caused this Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

ASTA FUNDING ACQUISITION II, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES COLLECTION, L.L.C., a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

ASTA FUNDING ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION IV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION II, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

ASTA FUNDING ACQUISITION IV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION V, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION VI, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION VII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION VIII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION IX, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION X, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION XI, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION XII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION XIII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION XIV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION XV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION XVII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

PALISADES ACQUISITION XVIII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Gary Stern
Name: Mitchell Cohen
Title: Manager

SYLVAN ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

ASTA FUNDING, INC., a Delaware corporation

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

COMPUTER FINANCE, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

ASTAFUNDING.COM, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

ASTA COMMERCIAL, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

CITIZENS LENDING GROUP, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

VENTURA SERVICES, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

CLIFFS PORTFOLIO ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

OPTION CARD, LLC, a Colorado limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

VATIV RECOVERY SOLUTIONS, LLC, a Texas limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

By: /s/ Mitchell Cohen
Name: Mitchell Cohen
Title: Manager

BMO CAPITAL MARKETS CORP. , as Collateral Agent

By: /s/ John Pappano
Name: John Pappano
Title: Managing Director

SCHEDULE I
to
SECURITY AGREEMENT

FINANCING STATEMENTS

[to be completed by Grantors]

SCHEDULE IIA
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTA FUNDING ACQUISITION II, LLC

I. Grantor's official name: **ASTA FUNDING ACQUISITION II, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **3017559**

IV. State or Incorporation or Organization of Grantor: **Delaware**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIB
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES COLLECTION, L.L.C.

I. Grantor's official name: **PALISADES COLLECTION, L.L.C.**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **2893130**

IV. State or Incorporation or Organization of Grantor: **Delaware**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIC
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTA FUNDING ACQUISITION I, LLC

I. Grantor's official name: **ASTA FUNDING ACQUISITION I, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **3017556**

IV. State or Incorporation or Organization of Grantor: **Delaware**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IID
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION IV, LLC

I. Grantor's official name: **PALISADES ACQUISITION IV, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **3723655**

IV. State or Incorporation or Organization of Grantor: **Delaware**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIE
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION I, LLC

I. Grantor's official name: **PALISADES ACQUISITION I, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **3495332**

IV. State or Incorporation or Organization of Grantor: **Delaware**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIF
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION II, LLC

I. Grantor's official name: **PALISADES ACQUISITION II, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3550553**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIG
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTA FUNDING ACQUISITION IV, LLC

I. Grantor's official name: **ASTA FUNDING ACQUISITION IV, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3019061**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIH
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION V, LLC

I. Grantor's official name: **PALISADES ACQUISITION V, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3884980**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE II(I)
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION VI, LLC

I. Grantor's official name: **PALISADES ACQUISITION VI, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware** IV. State or Incorporation or Organization of Grantor: **3889322**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIJ
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION VII, LLC

I. Grantor's official name: **PALISADES ACQUISITION VII, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3889323**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIK
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION VIII, LLC

I. Grantor's official name: **PALISADES ACQUISITION VIII, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3889327**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIL
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION IX, LLC

I. Grantor's official name: **PALISADES ACQUISITION IX, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3904513**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIM
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION X, LLC

I. Grantor's official name: **PALISADES ACQUISITION X, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3983453**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIN
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION XI, LLC

I. Grantor's official name: **PALISADES ACQUISITION XI, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4256883**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIO
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION XII, LLC

I. Grantor's official name: **PALISADES ACQUISITION XII, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4256888**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIP
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION XIII, LLC

I. Grantor's official name: **PALISADES ACQUISITION XIII, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4256894**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIQ
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION XIV, LLC

I. Grantor's official name: **PALISADES ACQUISITION XIV, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4256897**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIR
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION XV, LLC

I. Grantor's official name: **PALISADES ACQUISITION XV, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4255348**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIS
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION XVII, LLC

I. Grantor's official name: **PALISADES ACQUISITION XVII, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4575657**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIT
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION XVIII, LLC

I. Grantor's official name: **PALISADES ACQUISITION XVIII, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4575651**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIT
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF SYLVAN ACQUISITION I, LLC

I. Grantor's official name: **SYLVAN ACQUISITION I, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3874794**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIU
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTA FUNDING, INC.

I. Grantor's official name: **ASTA FUNDING, INC.**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Corporation**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **2525976**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIV
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF COMPUTER FINANCE, LLC

I. Grantor's official name: **COMPUTER FINANCE LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3421733**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIW
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTAFUNDING.COM, LLC

I. Grantor's official name: **ASTAFUNDING.COM, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3060358**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIY
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTA COMMERCIAL, LLC

I. Grantor's official name: **ASTA COMMERCIAL, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3222943**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIZ
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF CITIZENS LENDING GROUP, LLC

I. Grantor's official name: **CITIZENS LENDING GROUP LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **4250130**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIAA
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL VENTURA SERVICES, LLC

I. Grantor's official name: **VENTURA SERVICES, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3590448**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIBB
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL CLIFFS PORTFOLIO ACQUISITION I, LLC

I. Grantor's official name: **CLIFFS PORTFOLIO ACQUISITION I, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Delaware**

IV. State or Incorporation or Organization of Grantor: **3741790**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IICC
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OPTION CARD, LLC

I. Grantor's official name: **OPTION CARD, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Colorado**

IV. State or Incorporation or Organization of Grantor: **20021360244**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

SCHEDULE IIDD
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL VATIV RECOVERY SOLUTIONS, LLC

I. Grantor's official name: **VATIV RECOVERY SOLUTIONS, LLC**

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **Limited Liability Company**

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: **Texas**

IV. State or Incorporation or Organization of Grantor: **800394762**

V. Chief Executive Office of business of Grantor: **210 Sylvan Avenue, Englewood Cliffs, NJ 07632**

EXHIBIT A

COUNTERPART TO SECURITY AGREEMENT

This counterpart, dated _____,200___, is delivered pursuant to Section 24 of that certain Security Agreement dated as of _____, 2008 (as from time to time amended, modified or supplemented, the " Security Agreement "; the terms defined therein and not otherwise defined herein being used as therein defined), among ASTA FUNDING ACQUISITION II, LLC, a Delaware limited liability company, PALISADES COLLECTION, L.L.C., a Delaware limited liability company, ASTA FUNDING ACQUISITION I, LLC, a Delaware limited liability company, PALISADES ACQUISITION IV, LLC, a Delaware limited liability company, PALISADES ACQUISITION I, LLC, a Delaware limited liability company, PALISADES ACQUISITION II, LLC, a Delaware limited liability company, CLIFFS PORTFOLIO ACQUISITION I, LLC, a Delaware limited liability company, ASTA FUNDING, INC., a Delaware corporation, [additional Grantors] and BMO Capital Markets Corp., as Collateral Agent. The undersigned hereby agrees (i) that this counterpart may be attached to the Security Agreement, and (ii) that the undersigned will comply with and be subject to, including representations and warranties, all the terms and conditions of the Security Agreement as if it were an original signatory thereto.

[NAME OF ADDITIONAL GRANTOR]

Exhibit 10.23

SUBORDINATED LIMITED RECOURSE GUARANTY AGREEMENT

This Subordinated Limited Recourse Guaranty Agreement (this " Guaranty ") is made and entered into this 20 th day of February, 2009, by and between each signatory hereto identified as a Guarantor (each a " Guarantor " and collectively, the " Guarantors "), in favor of BMO Capital Markets Corp. (" BCM "), as Collateral Agent (the " Collateral Agent ") on behalf of the Secured Parties. Terms used herein and not defined herein have the meaning set forth in the Receivables Financing Agreement (as defined below) or the Security Agreement (as defined below).

BACKGROUND

Whereas, Palisades Acquisition XVI, LLC (the " Borrower ") entered into the Receivables Financing Agreement, dated as of March 2, 2007 (as amended, supplemented or otherwise modified from time to time, the " Receivables Financing Agreement ") among the Borrower, Palisades Collection, L.L.C., as servicer (the " Servicer "), Fairway Finance Company, LLC (the " Lender "), BCM, as administrator, the Collateral Agent and Bank of Montreal (" BMO "), as liquidity agent, pursuant to which the Lender has advanced funds to the Borrower secured by the collateral (the " Borrower Collateral ") identified in the Security Agreement, dated as of March 2, 2007 (as amended supplemented or otherwise modified from time to time, the " Security Agreement ").

Whereas, in order to induce the Lender and the Collateral Agent to enter into the Fourth Amendment to the Receivables Financing Agreement, dated as of the date hereof, the Guarantors have agreed to enter into this Guaranty in favor of the Collateral Agent, with recourse under this Guaranty being limited as set forth in this Guaranty and a subordinated Guarantor Security Agreement dated as of the date hereof among Guarantors and the Collateral Agent, as collateral agent for the Secured Parties, (as amended, modified, supplemented and restated from time to time, the " Guarantor Security Agreement ").

Whereas, to obtain the consent of Guarantors' existing senior secured creditors to enter into the Guaranty and the Guarantor Security Agreement, the Collateral Agent has agreed to enter into the Subordination and Intercreditor Agreement of this date among the Collateral Agent, as collateral agent for the Secured Parties, and Israel Discount Bank of New York, as collateral agent for itself and the senior secured creditors (as amended, modified, supplemented and restated from time to time, the " Intercreditor Agreement "; and, together with this Guaranty and the Guarantor Security Agreement, the " Guarantor Security Documents ").

1. The Guarantors, jointly and severally, hereby unconditionally and irrevocably guarantee payment of the principal and interest on all Loans under the Receivables Financing Agreement and the Lender Note, including, without limitation, all reasonable costs and expenses of enforcement and collection, including attorneys' fees of the Borrower to the Secured Parties under the Receivables Financing Agreement and the other Transaction Documents (the " Guaranteed Obligations "); provided however that the aggregate liability of all of the Guarantors to the Secured Parties under the Guarantor Security Documents, except as set forth in this

Section 1 below, shall not exceed Eight Million and 00/100 Dollars ($8,000,000) (the "Aggregate Liability") and the Secured Parties' sole recourse for any Guaranteed Obligations shall be to the collateral (the " Collateral ") identified in the Guarantor Security Agreement or to the extent provided in paragraph 2 below, a Letter of Credit; provided, further, notwithstanding anything to the contrary in this Guaranty or in any other Transaction Document, so long as the Intercreditor Agreement is in effect or any Senior Indebtedness has not been Paid in Full, the Secured Parties shall not take any action to enforce any of the obligations of any Guarantor (or otherwise seek any remedy or recourse) under any Guarantor Security Document except in accordance with Section 7(a) of the Intercreditor Agreement as in effect on the date hereof (or such revised Section 7(a) after the date hereof that has been consented to by the Guarantors in writing) (the "Standstill"). In addition, to the Aggregate Liability, the Guarantors shall additionally be liable for (a) the reasonable costs and expenses of enforcement and collection under the Guarantor Security Documents (including, without limitation, reasonable attorneys' fees) upon demand that remains unsatisfied in full (subject to the Standstill) after thirty (30) days and (b) if the Collateral Agent has taken action to exercise remedies with respect to the Collateral, any amounts owed the Collateral Agent or the Secured Party pursuant to Section 5(c) of the Guarantor Security Agreement.

For purposes of this Agreement, "Senior Indebtedness" means Senior Indebtedness as defined in the Intercreditor Agreement as in effect on the date hereof or such revised definition after the date hereof that has been consented to by the Guarantors in writing. For purposes of this Agreement, "Paid in Full" means Paid in Full as defined in the Intercreditor Agreement as in effect on the date hereof or such revised definition after the date hereof that has been consented to by the Guarantors in writing.

2. If a Guarantor provides an irrevocable stand-by letter of credit (a " Letter of Credit ") issued by a financial institution with a rating of at least A- by S&P and A3 by Moody's in favor of the Collateral Agent, in form and substance reasonably satisfactory to the Collateral Agent, the Administrator and BMO, pursuant to which the Collateral Agent may draw on such Letter of Credit under the same circumstances it may exercise its rights or remedies under the Guarantor Security Agreement or in accordance with this Section 2, then the recourse to Guarantors hereunder shall be reduced by the amount of such Letter of Credit; provided, further, if such Letter of Credit is in an amount equal to the Aggregate Liability, the guarantee provided hereunder by the Guarantors shall be automatically released and the security interest and lien granted under the Guarantor Security Agreement shall be released as set forth in the Guarantor and Security Agreement; provided, however, that if such Letter of Credit is not replaced at least 10 Business Days (i) prior to the expiration thereof or (ii) after written notice to the Guarantors that the Letter of Credit Provider is downgraded below A- by S&P or A3 by Moody's (the "L/C Downgrade"), then the Collateral Agreement may draw the full amount of such Letter of Credit to be placed in a cash collateral account mutually acceptable to the Collateral Agent and the Guarantors, under the exclusive control of the Collateral Agent and not subject to any other security interest, that permits the investment in Permitted Investments selected by the Collateral Agent (the "Cash Collateral Account"). Notwithstanding the foregoing, if any Guarantor has suffered an Event of Bankruptcy, the Collateral Agent shall not be required to notify the Guarantors of such downgrade of the Letter of Credit Provider before drawing on such Letter of Credit. The Collateral Agent and its directors, officers, agents or employees shall not be liable for any loss incurred with respect to Permitted Investments.

3. Subject to the Intercreditor Agreement and other restrictions set forth herein, Guarantors, jointly and severally, agree that the Guaranteed Obligations shall be due and payable from the Collateral in accordance with the Guarantor Security Agreement when the Guaranteed Obligations or any portion thereof is due to be paid by the Borrower to the Collateral Agent or any Secured Party, whether at stated maturity, by declaration, acceleration or otherwise. Such Collateral Agent shall deposit amounts collected from the disposition of the Collateral into the Collection Account for application in accordance with Section 4.2 of the Receivables Financing Agreement. Notwithstanding the foregoing, Collateral Agent, on behalf of the Secured Parties, shall not pursue any rights or remedies against any Guarantor unless the Collateral Agent, in its sole discretion, has determined that the value of the Borrower Collateral is less than the amount of the Obligations under the Transaction Documents.

4. Each Guarantor warrants to the Collateral Agent that: (i) no other agreement, representation or special condition exists between such Guarantor and the Collateral Agent or any Secured Party regarding the liability of such Guarantor hereunder, nor does any understanding exist between such Guarantor and the Collateral Agent or any Secured Party that the obligations of such Guarantor hereunder are or will be other than as set forth herein; and (ii) as of the date hereof, such Guarantor has no defense whatsoever to any action or proceeding that may be brought to enforce this Guaranty.

5. So long as any Obligations are outstanding (which, for purposes of clarification, means until the Obligations are indefeasibly paid in full in cash), each Guarantor subordinates, in favor of the Collateral Agent, any of the following rights of such Guarantor against the Borrower: (i) any right of such Guarantor to be subrogated in whole or in part to any right or claim with respect to any Obligations or any portion thereof to the Collateral Agent or any Secured Party which might otherwise arise from payment by such Guarantor to the Collateral Agent or any Secured Party on the account of the Obligations or any portion thereof; and (ii) any right of such Guarantor to require the marshalling of assets of the Borrower or any other Person which might otherwise arise from payment by such Guarantor to the Collateral Agent or any Secured Party on account of the Obligations or any portion thereof. If any amount shall be paid to such Guarantor in violation of the preceding sentence, such amount shall be deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Collateral Agent and shall forthwith be paid to the Collateral Agent to be credited and applied upon the Obligations, whether matured or unmatured, in accordance with the terms of the Receivables Financing Agreement. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Receivables Financing Agreement and that the waivers set forth in this Section 5 are knowingly made in contemplation of such benefits.

6. Except as set forth in the last sentence of Section 3 above, each Guarantor waives promptness and diligence by the Collateral Agent or any Secured Party with respect to its rights under the Receivables Financing Agreement or any of the other Transaction Documents, including, but not limited to, this Guaranty.

7. Each Guarantor waives any and all notice with respect to: (i) acceptance by the Collateral Agent or any Secured Party of this Guaranty; (ii) the provisions of any note,

instrument or agreement relating to the Guaranteed Obligations; and (iii) any default in connection with the Guaranteed Obligations.

8. Each Guarantor waives any presentment, demand, notice of dishonor or nonpayment, protest, and notice of protest in connection with the Guaranteed Obligations.

9. Each Guarantor agrees that the Collateral Agent or any Secured Party may from time to time and as many times as the Collateral Agent or any Secured Party, in its sole discretion, deems appropriate, do any of the following without notice to such Guarantor and without adversely affecting the validity or enforceability of this Guaranty: (i) release, surrender, exchange, compromise, or settle the Guaranteed Obligations or any portion thereof; (ii) change, renew, or waive the terms of the Guaranteed Obligations or any portion thereof; (iii) change, renew, or waive the terms, including without limitation, the rate of interest charged to the Borrower or Guarantors, of any note, instrument, or agreement relating to the Guaranteed Obligations or any portion thereof; (iv) grant any extension or indulgence with respect to the payment to the Collateral Agent or any Secured Party of the Guaranteed Obligations or any portion thereof; (v) enter into any agreement of forbearance with respect to the Guaranteed Obligations or any portion thereof; (vi) release, surrender, exchange or compromise any security held by the Collateral Agent or any Secured Party for the Guaranteed Obligations; (vii) release any Person who is a guarantor or surety or who has agreed to purchase the Guaranteed Obligations or any portion thereof; and (viii) release, surrender, exchange or compromise any security or Lien held by the Collateral Agent or any Secured Party for the liabilities of any Person who is a guarantor or surety for the Guaranteed Obligations or any portion thereof. Each Guarantor agrees that the Collateral Agent or any Secured Party may do any of the above as it deems necessary or advisable, in its sole discretion, without giving any notice to Guarantors, and that Guarantors will remain, jointly and severally, liable for full payment to the Collateral Agent of the Guaranteed Obligations.

10. Each Guarantor agrees to be jointly and severally bound by the terms of this Guaranty and jointly and severally liable under this Guaranty subject to the limitations of liability herein. As a result of such liability, each Guarantor acknowledges that the Collateral Agent may, in its sole discretion, elect to enforce this Guaranty for the total Guaranteed Obligations against any Guarantor without any duty or responsibility to pursue any other Guarantor or any other Person (except as set forth in Section 3 above) and that such an election by the Collateral Agent shall not be a defense to any action the Collateral Agent or any Secured Party may elect to take against a Guarantor.

11. Subject to the terms of the Intercreditor Agreement and the limitations set forth in this Guaranty, if any amount owing hereunder shall have become due and payable (by acceleration or otherwise), the Collateral Agent shall have the right, at any time and from time to time to the fullest extent permitted by law, in addition to all other rights and remedies available to it, without prior notice to Guarantors, to set-off against and to appropriate and apply to such due and payable amounts all funds held in the Cash Collateral Account. Subject to the limitations set forth in this Guaranty, such right shall exist whether or not the Collateral Agent or any Secured Party shall have given notice or made any demand hereunder or under any of the Loan Notes or Transaction Documents, and regardless of the existence or adequacy of any collateral, guarantee or any other security, right or remedy available to the Collateral Agent or

any Secured Party. Each Guarantor hereby consents to and confirms the foregoing arrangements, and confirms the Collateral Agent's rights of set-off.

12. Each Guarantor recognizes and agrees that the Borrower, after the date hereof, may incur additional obligations, fees and expenses to the Collateral Agent and each Secured Party under the Receivables Financing Agreement, refinance existing Guaranteed Obligations or pay existing Guaranteed Obligations and subsequently incur additional indebtedness to the Collateral Agent and each Secured Party under the Receivables Financing Agreement, and that in any such transaction, even if such transaction is not now contemplated, the Collateral Agent and each Secured Party will rely in any such case upon this Guaranty and the enforceability thereof against Guarantor and that this Guaranty shall remain in full force and effect with respect to such future indebtedness of the Borrower to the Collateral Agent and each Secured Party and such indebtedness shall for all purposes constitute Guaranteed Obligations.

13. Each Guarantor further agrees that, if at any time all or any part of any payment, from whomever received, theretofore applied by the Collateral Agent or any Secured Party to any of the Guaranteed Obligations is or must be rescinded or returned by the Collateral Agent or any Secured Party for any reason whatsoever including, without limitation, the insolvency, bankruptcy or reorganization of Guarantor, such liability shall, for the purposes of this Guaranty, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to such liabilities, all as though such application had not been made.

14. Each Guarantor agrees that no failure or delay on the part of the Collateral Agent or any Secured Party to exercise any of its rights, powers or privileges under this Guaranty shall be a wavier of such rights, powers or privileges or a waiver of any default, nor shall any single or partial exercise of any of the Collateral Agent's or any Secured Party's rights, powers or privileges preclude other or further exercise thereof or the exercise of any other right, power or privilege or be construed as a waiver of any default. Each Guarantor further agrees that no waiver or modification of any rights of the Collateral Agent or any Secured Party under this Guaranty shall be effective unless in writing and signed by the Collateral Agent. Guarantor further agrees that each written waiver shall extend only to the specific instance actually recited in such written waiver and shall not impair the rights of the Collateral Agent or any Secured Party in any other respect.

15. Subject to the terms of the Intercreditor Agreement and the limitations set forth in this Guaranty, each Guarantor, jointly and severally, unconditionally agrees to pay all costs and expenses, including attorney's fees, incurred by the Collateral Agent or Secured Party in enforcing this Guaranty against any Guarantor.

16. Each Guarantor acknowledges that in addition to binding itself to this Guaranty, at the time of execution of this Guaranty the Collateral Agent offered to such Guarantor a copy of this Guaranty in the form in which it was executed and that by acknowledging this fact such Guarantor may not later be able to claim that a copy of the Guaranty was not received by it.

17. Each Guarantor agrees that this Guaranty shall be binding upon such Guarantor, and its successors and assigns; provided , however , that such Guarantor may not assign or transfer any of its rights and obligations hereunder or any interest herein. Each Guarantor further agrees that (i) this Guaranty is freely assignable and transferable by the Collateral Agent in connection with any assignment or transfer of the Guaranteed Obligations in accordance with the terms of the Receivables Financing Agreement and (ii) this Guaranty shall inure to the benefit of the Collateral Agent and each Secured Party, and their successors and assigns. The Secured Parties shall be third-party beneficiaries hereof (provided, for purposes of clarification, that any obligations and limitations on the rights of the Collateral Agent hereunder shall likewise apply in full to the Secured Parties). No amendment, waiver or other modification of any provision of this Guaranty, and no consent to any departure by any Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Collateral Agent, and then such amendment, waiver, modification or consent shall be effective only in the specific instance and for the specific purpose for which given.

18. Subject to the limitations set forth above in this Guaranty, each Guarantor agrees that if any Guarantor fails to perform any covenant or agreement hereunder or if there occurs a Termination Event under the Receivables Financing Agreement, all or any part of the Guaranteed Obligations may be declared to be forthwith due and payable (and, in the case of a Termination Event described in Section 10.1.4 of the Receivables Financing Agreement, the Guaranteed Obligations shall be immediately due and payable) jointly and severally by the Guarantors, in any case without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

19. Subject to the limitations set forth in the Intercreditor Agreement and above in this Guaranty, each Guarantor agrees that the enumeration of the Collateral Agent's and each Secured Party's rights and remedies set forth in this Guaranty is not intended to be exhaustive and the exercise by the Collateral Agent or any Secured Party of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative and shall be in addition to any other right or remedy given hereunder or under any other agreement among the parties to the Transaction Documents and the Guarantor Security Agreement, dated as of the date hereof, as amended supplemented or otherwise modified from time to time or which may now or hereafter exist at law or in equity or by suit or otherwise.

20. Each Guarantor agrees that all notices, statements, requests, demands and other communications under this Guaranty shall be given to such Guarantor at the address set forth below their respective names on the signature page hereof in the manner provided in Section 15.3 of the Receivables Financing Agreement.

21. (a) Each Guarantor agrees that the provisions of this Guaranty are severable, and in an action or proceeding involving any state or federal bankruptcy, insolvency or other law affecting the rights of creditors generally:

(i) if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any

manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Guaranty in any jurisdiction.

(ii) if this Guaranty would be held or determined to be void, invalid or unenforceable on account of the amount of Guarantor's aggregate liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the aggregate amount of such liability shall, without any further action by the Collateral Agent, any Secured Party, such Guarantor or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable as determined in such action or proceeding.

(b) If the guarantee by a Guarantor of the Guaranteed Obligations is held or determined to be void, invalid or unenforceable, in whole or in part, such holding or determination shall not impair or affect the validity and enforceability of any clause or provision not so held to be void, invalid or unenforceable against such Guarantor.

22. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICT OF LAWS PRINCIPLES OTHER THAN THOSE SET FORTH IN SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

23. EACH GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS GUARANTY, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE COLLATERAL AGENT, ANY SECURED PARTY OR ANY OTHER AFFECTED PARTY. EACH GUARANTOR ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER TRANSACTION DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE OTHER PARTIES ENTERING INTO THIS GUARANTY AND EACH SUCH OTHER TRANSACTION DOCUMENT.

24. Each Guarantor hereby agrees that it will not institute against the Borrower, or join any Person in instituting against the Borrower, any insolvency proceeding (namely, any proceeding of the type referred to in the definition of Event of Bankruptcy) until one year and one day after the date, on which the Loan and all other Obligations have been paid in full. The provisions of this Section 24 shall survive the termination hereof.

25. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS GUARANTY MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FEDERAL COURT SITTING IN NEW YORK, NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS GUARANTY, EACH PARTY HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH PARTY HERETO

IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS GUARANTY OR ANY DOCUMENT RELATED HERETO.

26. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Receivables Financing Agreement.

(signature page follows)

IN WITNESS WHEREOF, Guarantors intending to be legally bound, has executed this Guaranty as of the date first above written with the intention that this Guaranty shall constitute a sealed instrument.

Asta Funding Acquisition I, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Asta Funding Acquisition II, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Asta Funding Acquisition IV, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Collection, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition I, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition II, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition IV, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition V, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition VI, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition VII, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition VIII, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition IX, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition X, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XI, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XII, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XIII, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XIV, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XV, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XVII, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XVIII, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Cliffs Portfolio Acquisition I, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Sylvan Acquisition I, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Asta Funding, Inc., as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Computer Finance, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Astafunding.com, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Asta Commercial, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Citizens Lending Group, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manger

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Ventura Services, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Option Card, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Vativ Recovery Solutions, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Accepted as of the date:

BMO CAPITAL MARKETS CORP.,
as Collateral Agent

By: /s/ John Pappano
Name: John Pappano
Title: Managing Director

EXHIBIT 10.24

SUBORDINATED GUARANTOR SECURITY AGREEMENT

THIS SUBORDINATED GUARANTOR SECURITY AGREEMENT (together with all amendments and other modifications, if any from time to time hereto, this " Security Agreement "), is dated as of February 20, 2009, by and among EACH OF THE GRANTORS SIGNATORY HERETO AND EACH ADDITIONAL PARTY THAT BECOMES A GRANTOR HERETO PURSUANT TO SECTION 23 HEREOF (together with their respective successors and assigns, collectively " Grantors " and each individually " Grantor "), and Asta Group, Incorporated (" Asta Group ").

W I T N E S S E T H :

Whereas, pursuant to two subordinated promissory notes, dated the date hereof, one in the principal amount of $7,526,278 (the "$7.5 Million Note ") and one in the principal amount of $700,000 (the "$700,000 Note ," and with the $7.5 Million Note, the " Notes "), Asta Funding, Inc. (" Asta Funding ") has agreed to pay Asta Group the respective principal amounts of $7,526,278 and $700,000, plus interest thereon;

Whereas, in connection with the fourth amendment to that certain receivables financing agreement, dated as of March 2, 2007 (as amended, supplemented or otherwise modified from time to time, the " Receivables Financing Agreement "), among Palisades Acquisition XVI, LLC (the " Borrower "), Palisades Collection, L.L.C., as servicer, Fairway Finance Company, LLC, BMO Capital Markets Corp., as administrator and collateral agent (the " BMO Collateral Agent "), and Bank of Montreal, Asta Group collaterally assigned the $700,000 Note to the Collateral Agent, as additional security for the obligations of the Borrower under the Receivables Financing Agreement;

Whereas, the Grantors have entered into the Subordinated Limited Recourse Guaranty Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the " Guaranty ") in favor of Asta Group;

WHEREAS, the Grantors have agreed to grant a security interest in certain collateral to Asta Group in order to secure the Grantors' obligations to Asta Group under the Guaranty;

WHEREAS, the senior secured creditors of Grantors have, as a condition to consenting to the Guaranty and this Security Agreement, required that Asta Group subordinate their liens and claims as set forth in the Senior Creditor Intercreditor Agreement;

WHEREAS, the Grantors and Asta Funding have agreed to grant a security interest in certain collateral to the BMO Collateral Agent in order to further secure the Borrower's obligations under the Receivables Financing Agreement; and

WHEREAS, the BMO Collateral Agent and Asta Group have agreed to enter into the Junior Creditor Intercreditor Agreement to provide, among other things, that its liens will be pari pasu .

NOW, THEREFORE, THE PARTIES HERETO FOR GOOD AND VALUABLE CONSIDERATION AGREE AS FOLLOWS:

1. DEFINED TERMS .

(a) Unless otherwise defined herein, terms defined in the Guaranty are used in this Security Agreement (including the recitals hereof) as therein defined. All other terms contained in this Security Agreement, unless the context indicates otherwise or such terms are defined below, have the meanings provided for by the UCC to the extent the same are used or defined therein and, otherwise, as set forth in the Guaranty. In addition, the following terms shall have the following meanings (such meanings to be applicable to both the singular and plural forms of the terms defined):

" Asta Funding " has the meaning set forth in the preamble ; or its permitted successors or assigns.

" Collateral " has the meaning set forth in Section 2 .

" Asta Group " has the meaning set forth in the preamble ; or its permitted successors or assigns.

" Event of Default " has the meaning set forth in either of the Notes.

" Excluded Assets " has the meaning set forth in Section 2(a) .

" Guaranty " has the meaning set forth in the preamble .

" IDB " means Israel Discount Bank of New York, a New York banking corporation, in its capacity as collateral agent, together with its successors and assigns.

" Loan Agreement " means the Fourth Amended and Restated Loan Agreement, entered into as of July 11, 2006, by and among Asta Funding, each of the borrowers party thereto, each of the guarantors party thereto, IDB and Merrill Lynch Capital, as amended, supplemented or otherwise modified from time to time.

" Intercreditor Agreements " means the Senior Lender Intercreditor Agreement and the Junior Lender Intercreditor Agreement.

" Junior Lender Intercreditor Agreement " means the intercreditor agreement, dated as of the date hereof, by and between Asta Group and the BMO Collateral Agent.

" Lien " means any mortgage, lien, pledge, charge, right, claim, security interest or encumbrance of any kind of or on any Person's assets or properties in favor of any other Person (including any UCC financing statement or any similar instrument filed against such Person's assets or properties).

" Permitted Encumbrances " means any "Senior Lien" (as defined in the Senior Lender Intercreditor Agreement), any "Junior Lien" (as defined in the Junior Lender Intercreditor Agreement), Liens permitted under any "Senior Indebtedness" (as defined in the Senior Lender Intercreditor Agreement) or otherwise consented to by the "Senior Agent" (as defined in the Senior Lender Intercreditor Agreement), and purchase money Liens against assets other than Portfolios.

" Portfolio " means each group or pool or consumer loans acquired by any of the Borrowers (as defined in the IDB Loan Agreement) from a single seller (or seller and its affiliates) in a single purchase transaction, which consumer loans are recorded and administered in the books and records of the Borrower acquiring the same as a separate group or pool of consumer loans.

" Portfolio Acquisition Document " means the purchase and other agreements between a Credit Party (as defined in the Loan Agreement) and the seller of each Portfolio, as each may be amended.

" Security Agreement " has the meaning set forth in the preamble .

" Senior Lender Creditor Intercreditor Agreement " means the subordination and intercreditor agreement, dated as of the date hereof, by and between IDB and Asta Group.

" Servicing Agreement " has the meaning set forth in Section 2(a)(xvii) .

" Tangible Net Worth " means, with respect to the Grantors, the aggregate shareholders' equity (or the equivalent thereof) of the Grantors calculated in accordance with GAAP consistently applied after subtracting therefrom the aggregate amount of the Grantors' intangible assets (as determined in accordance with GAAP), including, without limitation, goodwill, franchises, licenses, patents, trademarks, tradenames, copyrights and service marks and after subtracting any equity of the Borrower calculated in accordance with GAAP.

" Tangible Net Worth Trigger Event " means on any date that the Tangible Net Worth is less than $50,000,000.

(b) "UCC jurisdiction" means any jurisdiction that has adopted all or substantially all of Article 9 as contained in the 2000 Official Text of the Uniform Commercial Code, as recommended by the National Conference of Commissioners on Uniform State Laws and the American Law Institute, together with any subsequent amendments or modifications to the Official Text.

2. GRANT OF LIEN .

(a) To secure the prompt and complete payment, performance and observance of all of the Guaranteed Obligations, each Grantor hereby grants, assigns, conveys, mortgages, pledges, hypothecates and transfers to Asta Group, a security interest in and Lien that is prior to any Lien or security interest other than Permitted Encumbrances upon all of its right, title and interest in, to and under all property, including personal property and other assets,

whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor (including under any trade names, styles or derivations thereof), and whether owned or consigned by or to, or leased from or to, such Grantor, and regardless of where located (all of which being hereinafter collectively referred to as the " Collateral "), including, without limitation, the following:

(i) all Accounts;

(ii) all Chattel Paper (including Electronic chattel paper and Tangible chattel paper);

(iii) all Documents;

(iv) all General Intangibles (including Payment intangibles and Software and tax refunds);

(v) all Contracts;

(vi) all Licenses;

(vii) all Goods (including Inventory, Equipment and Fixtures);

(viii) all Consumer Loans;

(ix) all Instruments;

(x) all Investment Property;

(xi) all Intellectual Property;

(xii) all Deposit Accounts and Securities Accounts of any Grantor, and all other bank accounts and all deposits therein;

(xiii) all money, cash or cash equivalents of any Grantor;

(xiv) all Supporting Obligations and Letter-of-credit rights of any Grantor;

(xv) all Commercial tort claims;

(xvi) without limiting any of the foregoing, all Portfolios and Portfolio Acquisition Documents and all accounts receivable, consumer receivables, rights to payment of a monetary obligation, whether or not earned by performance, and other Accounts constituting any or all of the Portfolios;

(xvii) the Collateral (as defined in the Senior Lender Intercreditor Agreement); and

(xviii) all right, title and interest of Grantors in and to all servicing agreements, master servicing agreements, servicing and collection agreements and other similar contracts and agreements relating to any Portfolio (or any portion of a Portfolio) or Account (the " Servicing Agreements ") and any right to payment arising under the Servicing Agreements; and to the extent not otherwise included, all Proceeds, tort claims, insurance claims and other rights to payments not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of, each of the foregoing.

Notwithstanding the foregoing, the Collateral shall not include any assets leased or licensed to any Grantor from any unaffiliated third party if the granting of a security interest therein is prohibited by or otherwise would materially breach the terms of such lease or license (the property covered by such lease or license being hereinafter referred to as " Excluded Assets ").

3. COLLATERAL AGENT'S AND SECURED PARTIES' RIGHTS: LIMITATIONS ON COLLATERAL AGENT'S AND SECURED PARTIES' OBLIGATIONS .

(a) It is expressly agreed by Grantors that, anything herein to the contrary notwithstanding, each Grantor shall remain liable for the Collateral and all aspects of the Collateral. Asta Group shall have no obligation or liability under any Contract or License by reason of or arising out of this Security Agreement or the granting herein of a security interest or Lien thereon or the receipt by Asta Group of any payment relating to any Contract or License pursuant hereto. Asta Group shall not be required or obligated in any manner to perform or fulfill any of the obligations of any Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Subject to the terms of the Intercreditor Agreements and the limitations set forth in the Guaranty, Asta Group may, at any time upon the occurrence and continuance of an Event of Default, upon notice to any Grantor, notify account debtors and/or servicers thereof and other Persons obligated on the Collateral that Asta Group has a security interest therein, and that payments shall be made directly to Asta Group upon the occurrence of an Event of Default. Subject to the terms of the Intercreditor Agreements and the limitations set forth in the Guaranty, upon the occurrence and during the continuance of an Event of Default, at the request of Asta Group, in its reasonable business discretion, each Grantor shall notify account debtors and other Persons obligated on the Collateral that Asta Group has a first-priority security interest in the Collateral (subject to Permitted Encumbrances). Once any such notice has been given to any account debtor or other Person obligated on the Collateral, the affected Grantor shall not give any contrary instructions to such account debtor or other Person without Asta Group's prior written consent.

(c) Subject to the terms of the Intercreditor Agreements and the limitations set forth in the Guaranty, Asta Group may at any time in Asta Group's own name, in the name of a nominee of Asta Group or in the name of any Grantor communicate (by mail, telephone, facsimile or otherwise) with account debtors and/or servicers thereof, any parties to

Contracts and obligors in respect of Instruments to verify, to Asta Group's satisfaction, the existence, amount, terms of, and any other matter relating to, Accounts, payment intangibles, Instruments or Chattel Paper or other Collateral.

4. REPRESENTATIONS AND WARRANTIES . Each Grantor represents and warrants that:

(a) Each Grantor has rights in and the power to transfer each item of the Collateral (other than Excluded Assets) upon which it purports to grant a security interest and Lien hereunder, free and clear of any and all Liens other than Permitted Encumbrances.

(b) No effective security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed (i) by any Grantor in favor of Asta Group pursuant to this Security Agreement or the other Guarantor Security Documents, (ii) in connection with any other Permitted Encumbrances, and (iii) financing statements describing a Grantor's purchase or sale of Collateral.

(c) This Security Agreement is effective to create a valid and continuing security interest in and other Lien (as applicable) on the Collateral and, upon the filing of the appropriate financing statements listed on Schedule I attached hereto, a perfected security interest in favor of Asta Group on the Collateral, with respect to which a security interest may be perfected by filing pursuant to the UCC. Such security interest in favor of Asta Group is senior and prior to all other security interests and Liens in the Collateral, except Permitted Encumbrances, and is enforceable as such as against any and all creditors of and purchasers from any Grantor (other than purchasers and lessees of Accounts in the ordinary course of business and non-exclusive licensees of General Intangibles in the ordinary course of business). All action by any Grantor necessary or reasonably desirable to protect and perfect such Lien on each item of the Collateral has been duly taken which can be perfected by filing a UCC financing statement.

(d) Upon the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues) and to the extent that all Senior Indebtedness has been Paid in Full, upon the request of Asta Group, the Grantors shall prepare a schedule from time to time upon the request of Asta Group listing all Instruments and Chattel Paper of each Grantor. The Lien of Asta Group on the Collateral listed on such schedule is senior and prior to all other Liens, except Permitted Encumbrances, that would be prior to the Liens in favor of Asta Group as a matter of law, and is enforceable as such against any and all creditors of and purchasers from any Grantor.

(e) Each Grantor's name as it appears in official filings in the state of its incorporation or other organization, the type of entity of each Grantor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by each Grantor's state of incorporation or organization or a statement that no such number has been issued, each Grantor's state of organization or incorporation, and the location of each Grantor's chief executive office, are set forth on Schedules [IIA] — [IIG] , respectively, hereto. Each Grantor has only one state of incorporation or organization.

(f) With respect to Accounts: (i) the Accounts are owned by Grantors, free and clear of all Liens, except for Permitted Encumbrances; and (ii) Grantors have the right to pursue the collection of the Accounts.

5. COVENANTS . Each Grantor, jointly and severally, covenants and agrees with Asta Group that from and after the date of this Security Agreement and until the Guaranteed Obligations have been indefeasibly paid in full:

(a) Further Assurances .

(i) Upon the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues), upon the written request of Asta Group and at the sole expense of Grantors, each Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further actions with respect to any Collateral valued (in accordance with GAAP) at or above twenty-five thousand dollars ($25,000) as Asta Group may reasonably deem desirable to obtain the full benefits of this Security Agreement and of the rights and powers herein granted. Each Grantor hereby authorizes Asta Group to file and record in such public records offices as Asta Group may reasonably determine such financing statements as Asta Group may reasonably determine relative to the transactions contemplated by this Security Agreement.

(ii) Each Grantor hereby irrevocably authorizes Asta Group any time and from time to time to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor. Each Grantor agrees to furnish any such information to Asta Group promptly upon request. Each Grantor also ratifies its authorization for Asta Group to have filed in any UCC jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(iii) Subject to the terms of the Intercreditor Agreements, upon the occurrence of the Tangible Net Worth Trigger Event, upon the request of Asta Group, each Grantor shall promptly notify Asta Group of any material commercial tort claim (as defined in the UCC) acquired by it and unless otherwise consented by Asta Group, such Grantor shall enter into a supplement to this Security Agreement, granting to Asta Group a Lien in such material commercial tort claim.

(b) Maintenance of Records . Grantors shall keep and maintain, at their own cost and expense, records of the Collateral kept in the ordinary course of business, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral.

(c) Indemnification . Subject to the limitations set forth in the Intercreditor Agreements and the Guaranty, in any suit, proceeding or action brought by Asta Group relating to any Collateral for any sum owing with respect thereto or to enforce any rights or claims with respect thereto, each Grantor will save, indemnify and keep Asta Group harmless from and against all expense (including reasonable attorneys' fees and expenses), loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the account debtor or other Person obligated on the Collateral, arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, or in favor of, such obligor or its successors from such Grantor, except in the case of Asta Group, to the extent: (i) such expense, loss, or damage is attributable to the gross negligence or willful misconduct of Asta Group as finally determined by a court of competent jurisdiction, or (ii) of Asta Group's failure to act in a commercially reasonable manner (as finally determined by a court of competent jurisdiction) such that such failure is determined by a court of competent jurisdiction to be egregious, unconscionable and beyond the standards of experienced commercial lenders in similar circumstances. All such obligations of Grantors shall be and remain enforceable against and only against Grantors and shall not be enforceable against Asta Group.

(d) Compliance with Terms of Accounts, etc. In all material respects, each Grantor will perform and comply with all obligations in respect of the Collateral and all other agreements to which it is a party or by which it is bound relating to the Collateral.

(e) Limitation on Liens on Collateral . No Grantor will create, permit or suffer to exist, and each Grantor will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Encumbrances, and will defend the right, title and interest of Asta Group in and to any of such Grantor's rights under the Collateral against the claims and demands of all Persons whomsoever.

(f) Limitations on Disposition. On or after the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues), no Grantor will sell, license, lease, transfer or otherwise dispose of any of the Collateral, or attempt or contract to do so, except for sales of Accounts and Portfolios in the ordinary course of business, as permitted by the Intercreditor Agreements or as consented to by the Senior Creditor (as defined in the Intercreditor Agreement as of the date hereof or such other definition after the date hereof as is consented to in writing by the Guarantors).

(g) Notices . On or after the occurrence of the Tangible Net Worth Trigger Event (for so long as the Tangible Net Worth Trigger Event continues), Grantors will advise Asta Group promptly, in reasonable detail, (i) of Liens in aggregate of $100,000 (other than Permitted Encumbrances) made or asserted against any of the Collateral, and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder or under any other Guarantor Security Document. The Guarantors shall cause the termination of any Liens on the Collateral (other than Permitted Encumbrances) in excess of $100,000 in the aggregate within 30 days after such Liens attach to the Collateral.

(h) No Reincorporation . No Grantor shall reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without giving at least 10 days prior notice to Asta Group.

(i) Terminations; Amendments Not Authorized . Except after the Guaranteed Obligations are indefeasibly paid in full in cash (in which case, each Grantor is so authorized), each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of Asta Group and agrees that it will not do so without the prior written consent of Asta Group.

(j) Tangible Net Worth Trigger Event . The Grantors shall promptly notify Asta Group of the occurrence of a Tangible Net Worth Trigger Event.

6. REMEDIES: RIGHTS UPON DEFAULT .

(a) Subject to the terms of the Intercreditor Agreements and the Guaranty, in addition to all other rights and remedies granted to it under this Security Agreement, the Guaranty, the Guarantor Security Documents and under any other instrument or agreement securing, evidencing or relating to any of the Guaranteed Obligations, if any Event of Default shall have occurred and is continuing, after thirty (30) days written notice to Grantors, and subject to the terms of the Intercreditor Agreements, Asta Group may exercise all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, but subject to the terms of the Intercreditor Agreements and the Guaranty and such notice, to the extent permitted by law, each Grantor expressly agrees that in any such event Asta Group, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon such Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the UCC and other applicable law), may forthwith enter upon the premises of such Grantor where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving such Grantor or any other Person notice and opportunity for a hearing on Asta Group's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. Subject to the terms of the Intercreditor Agreements, the Guaranty and after such notice, Asta Group shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of Asta Group, the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption each Grantor hereby waives and releases. Such sales may be adjourned and continued from time to time with or without notice. Asta Group shall have the right to conduct such sales on any Grantor's premises or elsewhere and shall have the right to use any Grantor's premises without charge for such time or times as Asta Group deems necessary or advisable.

Subject to the terms of the Intercreditor Agreements and the Guaranty, if any Event of Default shall have occurred and is continuing, each Grantor further agrees, after such notice, at Asta Group's request, to assemble the Collateral and make it available to Asta Group at a place or places designated by Asta Group which are reasonably convenient to Asta Group and such Grantor, whether at such Grantor's premises or elsewhere. Subject to the terms of the Intercreditor Agreements, after such notice, until Asta Group is able to effect a sale, lease, or other disposition of Collateral, Asta Group shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Asta Group. Asta Group shall have no obligation to any Grantor to maintain or preserve the rights of such Grantor as against third parties with respect to Collateral while Collateral is in the possession of Asta Group. Subject to the terms of the Intercreditor Agreements, Asta Group may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Asta Group's remedies (for the benefit of Asta Group), with respect to such appointment without prior notice or hearing as to such appointment. Asta Group shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale to the Guaranteed Obligations as provided in the Notes, and only after so paying over such net proceeds, and after the payment by Asta Group of any other amount required by any provision of law, need Asta Group account for the surplus, if any, to any Grantor. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages, and demands against Asta Group arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of Asta Group as finally determined by a court of competent jurisdiction. Each Grantor agrees that ten (10) days prior notice by Asta Group of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Grantors shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Guaranteed Obligations, including any attorneys' fees and other expenses incurred by Asta Group to collect such deficiency.

(b) Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

(c) To the extent that applicable law imposes duties on Asta Group to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for Asta Group (i) to fail to incur expenses reasonably deemed significant by Asta Group to prepare Collateral for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as the Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers

to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure Asta Group against risks of loss, collection or disposition of Collateral or to provide to Asta Group a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Asta Group, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Asta Group in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this Section 6(c) is to provide non-exhaustive indications of what actions or omissions by Asta Group would not be commercially unreasonable in Asta Group's exercise of remedies against the Collateral and that other actions or omissions by Asta Group shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 6(c) . Without limitation upon the foregoing, nothing contained in this Section 6(c) shall be construed to grant any rights to any Grantor or to impose any duties on Asta Group that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this Section 6(c) .

(d) Asta Group shall not be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, any Grantor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Guaranteed Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefore or any direct or indirect guarantee thereof. Asta Group shall not be required to marshal the Collateral or any guarantee of the Guaranteed Obligations or to resort to the Collateral or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Guarantor Security Document shall be cumulative. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against Asta Group, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Security Agreement, or otherwise.

7. GRANT OF LICENSE TO USE INTELLECTUAL PROPERTY COLLATERAL . For the purpose of enabling Asta Group to exercise rights and remedies under Section 6 hereof (including, without limiting the terms of Section 6 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of the Collateral) at such time as Asta Group shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to Asta Group an irrevocable (until payment in full in cash and performance of all the Guaranteed Obligations (other than any indemnification obligations), nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, all without compensation to Grantor.

8. LIMITATION ON COLLATERAL AGENT'S AND SECURED PARTIES' DUTY IN RESPECT OF COLLATERAL . Asta Group shall use reasonable care with respect to the Collateral in its possession or under its control. Asta Group shall not have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of Asta Group, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

9. REINSTATEMENT . This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Guaranteed Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Guaranteed Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Guaranteed Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

10. NOTICES . All notices and other communications provided for hereunder shall be in writing or by facsimile and, if to any other party hereto, transmitted or delivered to it, addressed to it at the address specified for it on the signature page hereto or as to any party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall if properly addressed and sent by pre-paid courier service, be deemed given when received; any notice or other communication, if transmitted by facsimile, shall be deemed given when transmitted and receipt thereof has been confirmed by telephone or electronic means.

11. SEVERABILITY . Whenever possible, each provision of this Security Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. This Security Agreement is to be read, construed and applied together with the Guarantor Security Documents which, taken together, set forth the complete understanding and agreement of Asta Group and Grantors with respect to the matters referred to herein and therein. Except as otherwise specifically provided, if any provision contained in this Security Agreement or any other Guarantor Security Document conflicts with any provision in the Notes, the provision in the Notes shall govern and control.

12. NO WAIVER; CUMULATIVE REMEDIES; AMENDMENTS . Asta Group shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by Asta Group and then only to the extent therein set forth. A waiver by Asta Group of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy

which Asta Group would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Asta Group, any right, power or privilege hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Asta Group and the applicable party to be charged.

13. LIMITATION BY LAW . All rights, remedies and powers provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Security Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

14. CONTINUING SECURITY INTEREST . This Security Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until payment in full in cash and performance of all the Guaranteed Obligations (other than any indemnification obligations) and a release by Grantors of all claims against Asta Group under the Guarantor Security Documents, and so long as no suits, actions, proceedings, or claims are pending or threatened asserting any damages, losses or liabilities that are Guaranteed Obligations, in which case Asta Group shall deliver to the Grantors termination statements and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Guaranteed Obligations.

15. SUCCESSORS AND ASSIGNS . This Security Agreement and all obligations of Grantors hereunder shall be binding upon the successors and assigns of each Grantor (including any debtor-in-possession on behalf of such Grantor) and shall, together with the rights and remedies of Asta Group hereunder, inure to the benefit of Asta Group, all future holders of any instrument evidencing any of the Guaranteed Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Guaranteed Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to Asta Group hereunder. No Grantor may assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Security Agreement.

16. COUNTERPARTS . This Security Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement. This Security Agreement may be executed by manual signature, facsimile or, if approved in writing by Asta Group, electronic means, all of which shall be equally valid.

17. GOVERNING LAW . EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE GUARANTOR SECURITY DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND

PERFORMANCE, THIS SECURITY AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH GRANTOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN GRANTORS AND ASTA GROUP PERTAINING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER GUARANTOR SECURITY DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER GUARANTOR SECURITY DOCUMENTS, PROVIDED , THAT ASTA GROUP AND GRANTORS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, AND, PROVIDED, FURTHER , NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE ASTA GROUP FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE GUARANTEED OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF ASTA GROUP. EACH GRANTOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH GRANTOR HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH GRANTOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH GRANTOR AT THE ADDRESS SET FORTH ON ANNEX I TO THE RECEIVABLES FINANCING AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR FIVE (5) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

18. WAIVER OF JURY TRIAL . BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT DISPUTES ARISING HEREUNDER OR RELATING HERETO BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG ASTA GROUP AND GRANTORS ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED IN CONNECTION WITH, THIS SECURITY AGREEMENT OR ANY OF

THE OTHER GUARANTOR SECURITY DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO.

19. SECTION TITLES . The Section titles contained in this Security Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

20. NO STRICT CONSTRUCTION . The parties hereto have participated jointly in the negotiation and drafting of this Security Agreement. In the event an ambiguity or question of intent or interpretation arises, this Security Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Security Agreement.

21. ADVICE OF COUNSEL . Each of the parties represents to each other party hereto that it has discussed this Security Agreement and, specifically, the provisions of Section 17 and Section 18 , with its counsel.

22. BENEFIT OF SECURED PARTIES . All Liens granted or contemplated hereby shall be for the benefit of Asta Group, and all proceeds or payments realized from the Collateral in accordance herewith shall be applied to the Guaranteed Obligations in accordance with the terms of the Guaranty.

23. ADDITIONAL GRANTORS . The Grantors shall cause each affiliated entity that has executed a security agreement in favor of IDB to become party to the Guaranty and this Security Agreement as a Grantor. From time to time subsequent to the date hereof, additional Persons may become parties hereto as additional Grantors (each, an " Additional Grantor "), by executing a counterpart of this Security Agreement substantially in the form of Exhibit A attached hereto. Upon delivery of any such counterpart to Asta Group, notice of which is hereby waived by the Grantors, each Additional Grantor shall be a Grantor and shall be as fully a party hereto as if such Additional Grantor were an original signatory hereto. Each Grantor expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Grantor hereunder nor by any election of Asta Group not to cause any Credit Party (as defined in the Loan Agreement) or any other Person to become an Additional Grantor hereunder. This Security Agreement shall be fully effective as to any Grantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Grantor hereunder.

24. INTERCREDITOR AGREEMENTS . The terms of this Agreement are subject to the provisions of the Intercreditor Agreements, if any terms of this Agreement or the Junior Lender Intercreditor Agreement conflict with the terms of the Senior Lender Intercreditor Agreement, the terms of the Senior Lender Intercreditor Agreement shall govern and if the terms of this Agreement do not conflict with the terms of the Senior Lender Intercreditor Agreement but do conflict with the terms of the Junior Lender Intercreditor Agreement, the terms of the Junior Lender Intercreditor Agreement shall govern.

[Signature Pages to Follow]

IN WITNESS WHEREOF, each of the undersigned have caused this Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

ASTA FUNDING ACQUISITION II, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES COLLECTION, L.L.C., a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

ASTA FUNDING ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION IV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION II, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

ASTA FUNDING ACQUISITION IV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION V, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION VI, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION VII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION VIII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION IX, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION X, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION XI, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION XII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION XIII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION XIV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION XV, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION XVII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

PALISADES ACQUISITION XVIII, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

SYLVAN ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

COMPUTER FINANCE, LLC, a Delaware limited liability company

By: /s/ Stern Stern
Name: Gary Stern
Title: Manager

ASTAFUNDING.COM, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

ASTA COMMERCIAL, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

CITIZENS LENDING GROUP, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

VENTURA SERVICES, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

CLIFFS PORTFOLIO ACQUISITION I, LLC, a Delaware limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

OPTION CARD, LLC, a Colorado limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

VATIV RECOVERY SOLUTIONS, LLC, a Texas limited liability company

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

ASTA GROUP

By: /s/ Gary Stern
Name: Gary Stern
Title: President

SCHEDULE I
to
SECURITY AGREEMENT

FINANCING STATEMENTS

[to be completed by Grantors]

SCHEDULE IIA
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTA FUNDING ACQUISITION II, LLC

I. Grantor's official name: ASTA FUNDING ACQUISITION II, LLC

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of Grantor:

V. Chief Executive Office of Grantor:

[to be completed by Grantor]

SCHEDULE IIB
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES COLLECTION, L.L.C.

I. Grantor's official name: PALISADES COLLECTION, L.L.C.

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of Grantor:

V. Chief Executive Office of Grantor:

[to be completed by Grantor]

SCHEDULE IIC
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF ASTA FUNDING ACQUISITION I, LLC

I. Grantor's official name: ASTA FUNDING ACQUISITION I, LLC

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of Grantor:

V. Chief Executive Office of Grantor:

[to be completed by Grantor]

SCHEDULE IID
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION IV, LLC

I. Grantor's official name: PALISADES ACQUISITION IV, LLC

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of Grantor:

V. Chief Executive Office of Grantor:

[to be completed by Grantor]

SCHEDULE IIE
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION I, LLC

I. Grantor's official name: PALISADES ACQUISITION I, LLC

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of Grantor:

V. Chief Executive Office of Grantor:

[to be completed by Grantor]

SCHEDULE IIF
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF PALISADES ACQUISITION II, LLC

I. Grantor's official name: PALISADES ACQUISITION II, LLC

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of Grantor:

V. Chief Executive Office of Grantor:

[to be completed by Grantor]

SCHEDULE IIG
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL OF CLIFFS PORTFOLIO ACQUISITION I, LLC

I. Grantor's official name: CLIFFS PORTFOLIO ACQUISITION I, LLC

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of Grantor:

V. Chief Executive Office of Grantor:

[to be completed by Grantor]

EXHIBIT A

COUNTERPART TO SECURITY AGREEMENT

This counterpart, dated _____,200___, is delivered pursuant to Section 23 of that certain Security Agreement dated as of _____ _____, 2009 (as from time to time amended, modified or supplemented, the " Security Agreement "; the terms defined therein and not otherwise defined herein being used as therein defined), among the grantors signatory thereto, [additional Grantors] and Asta Group. The undersigned hereby agrees (i) that this counterpart may be attached to the Security Agreement, and (ii) that the undersigned will comply with and be subject to, including representations and warranties, all the terms and conditions of the Security Agreement as if it were an original signatory thereto.

[NAME OF ADDITIONAL GRANTOR]

Exhibit 10.25

SUBORDINATED LIMITED RECOURSE GUARANTY AGREEMENT

This Subordinated Limited Recourse Guaranty Agreement (this " Guaranty ") is made and entered into this 20th day of February, 2009, by and between each signatory hereto identified as a Guarantor (each a " Guarantor " and collectively, the " Guarantors "), in favor of Asta Group, Incorporated (" Asta Group "). Terms used herein and not defined herein have the meaning set forth in the Guarantor Security Agreement (as defined below).

BACKGROUND

Whereas, pursuant to two subordinated promissory notes, dated the date hereof, one in the principal amount of $7,526,278 (the "$7.5 Million Note ") and one in the principal amount of $700,000 (the "$700,000 Note ," and with the $7.5 Million Note, the " Notes "), Asta Funding, Inc. (" Asta Funding ") has agreed to pay Asta Group the respective principal amounts of $7,526,278 and $700,000, plus interest thereon;

Whereas, in connection with the fourth amendment to that certain receivables financing agreement, dated as of March 2, 2007 (as amended, supplemented or otherwise modified from time to time, the " Receivables Financing Agreement "), among Palisades Acquisition XVI, LLC (the " Borrower "), Palisades Collection, L.L.C., as servicer, Fairway Finance Company, LLC, BMO Capital Markets Corp., as administrator and collateral agent (the " Collateral Agent "), and Bank of Montreal, Asta Group collaterally assigned the $700,000 Note to the Collateral Agent, as additional security for the obligations of the Borrower under the Receivables Financing Agreement (the " Collateral Assignment ");

Whereas, in order to induce Asta Group to enter into such Collateral Assignment, the Guarantors have agreed to enter into this Guaranty in favor of Asta Group, with recourse under this Guaranty being limited as set forth in this Guaranty and a subordinated Guarantor Security Agreement dated as of the date hereof among Guarantors and Asta Group (as amended, modified, supplemented and restated from time to time, the " Guarantor Security Agreement "); and

Whereas, to obtain the consent of Guarantors' existing senior secured creditors to enter into the Guaranty and the Guarantor Security Agreement, Asta Group has agreed to enter into the Subordination and Intercreditor Agreement of this date between Asta Group and Israel Discount Bank of New York, as collateral agent for itself and the senior secured creditors (as amended, modified, supplemented and restated from time to time, the " Intercreditor Agreement "; and, together with this Guaranty and the Guarantor Security Agreement, the " Guarantor Security Documents ").

1. The Guarantors, jointly and severally, hereby unconditionally and irrevocably guarantee payment of the principal and interest on the Notes, including, without limitation, all reasonable costs and expenses of enforcement and collection, including attorneys' fees of Asta Group (the " Guaranteed Obligations "); provided however notwithstanding anything to the

contrary in this Guaranty or in any other Guarantor Security Document, so long as the Intercreditor Agreement is in effect or any Senior Indebtedness has not been Paid in Full, Asta Group shall not take any action to enforce any of the obligations of any Guarantor (or otherwise seek any remedy or recourse) under any Guarantor Security Document except in accordance with Section 7(a) of the Intercreditor Agreement as in effect on the date hereof (or such revised Section 7(a) after the date hereof that has been consented to by the Guarantors in writing) (the "Standstill").

For purposes of this Agreement, "Senior Indebtedness" means Senior Indebtedness as defined in the Intercreditor Agreement as in effect on the date hereof or such revised definition after the date hereof that has been consented to by the Guarantors in writing. For purposes of this Agreement, "Paid in Full" means Paid in Full as defined in the Intercreditor Agreement as in effect on the date hereof or such revised definition after the date hereof that has been consented to by the Guarantors in writing.

2. Subject to the Intercreditor Agreement and other restrictions set forth herein, Guarantors, jointly and severally, agree that the Guaranteed Obligations shall be due and payable from the Collateral (as defined in the Guarantor Security Agreement) in accordance with the Guarantor Security Agreement when the Guaranteed Obligations or any portion thereof is due to be paid by Asta Funding to Asta Group, whether at stated maturity, by declaration, acceleration or otherwise.

3. Each Guarantor warrants to Asta Group that: (i) no other agreement, representation or special condition exists between such Guarantor and Asta Group regarding the liability of such Guarantor hereunder, nor does any understanding exist between such Guarantor and Asta Group that the obligations of such Guarantor hereunder are or will be other than as set forth herein; and (ii) as of the date hereof, such Guarantor has no defense whatsoever to any action or proceeding that may be brought to enforce this Guaranty.

4. So long as any Guaranteed Obligations are outstanding (which, for purposes of clarification, means until the Guaranteed Obligations are indefeasibly paid in full in cash), each Guarantor subordinates, in favor of Asta Group, any of the following rights of such Guarantor against Asta Funding: (i) any right of such Guarantor to be subrogated in whole or in part to any right or claim with respect to any Guaranteed Obligations or any portion thereof to Asta Group which might otherwise arise from payment by such Guarantor to Asta Group on the account of the Guaranteed Obligations or any portion thereof; and (ii) any right of such Guarantor to require the marshalling of assets of Asta Funding or any other Person which might otherwise arise from payment by such Guarantor to Asta Group on account of the Guaranteed Obligations or any portion thereof. If any amount shall be paid to such Guarantor in violation of the preceding sentence, such amount shall be deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, Asta Group and shall forthwith be paid to Asta Group to be credited and applied upon the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Notes. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Notes, the Receivables Financing Agreement and the Guarantor Security Documents and that the waivers set forth in this Section 4 are knowingly made in contemplation of such benefits.

5. Except as set forth in the last sentence of Section 2 above, each Guarantor waives promptness and diligence by Asta Group with respect to its rights under any of the Guarantor Security Documents, including, but not limited to, this Guaranty.

6. Each Guarantor waives any and all notice with respect to: (i) acceptance by Asta Group of this Guaranty; (ii) the provisions of any note, instrument or agreement relating to the Guaranteed Obligations; and (iii) any default in connection with the Guaranteed Obligations.

7. Each Guarantor waives any presentment, demand, notice of dishonor or nonpayment, protest, and notice of protest in connection with the Guaranteed Obligations.

8. Each Guarantor agrees that Asta Group may from time to time and as many times as Asta Group, in its sole discretion, deems appropriate, do any of the following without notice to such Guarantor and without adversely affecting the validity or enforceability of this Guaranty: (i) release, surrender, exchange, compromise, or settle the Guaranteed Obligations or any portion thereof; (ii) change, renew, or waive the terms of the Guaranteed Obligations or any portion thereof; (iii) change, renew, or waive the terms, including without limitation, the rate of interest charged to Asta Funding or Guarantors, of any note, instrument, or agreement relating to the Guaranteed Obligations or any portion thereof; (iv) grant any extension or indulgence with respect to the payment to Asta Group of the Guaranteed Obligations or any portion thereof; (v) enter into any agreement of forbearance with respect to the Guaranteed Obligations or any portion thereof; (vi) release, surrender, exchange or compromise any security held by Asta Group for the Guaranteed Obligations; (vii) release any Person who is a guarantor or surety or who has agreed to purchase the Guaranteed Obligations or any portion thereof; and (viii) release, surrender, exchange or compromise any security or Lien held by Asta Group for the liabilities of any Person who is a guarantor or surety for the Guaranteed Obligations or any portion thereof. Each Guarantor agrees that Asta Group may do any of the above as it deems necessary or advisable, in its sole discretion, without giving any notice to Guarantors, and that Guarantors will remain, jointly and severally, liable for full payment to Asta Group of the Guaranteed Obligations.

9. Each Guarantor agrees to be jointly and severally bound by the terms of this Guaranty and jointly and severally liable under this Guaranty subject to the limitations of liability herein. As a result of such liability, each Guarantor acknowledges that Asta Group may, in its sole discretion, elect to enforce this Guaranty for the total Guaranteed Obligations against any Guarantor without any duty or responsibility to pursue any other Guarantor or any other Person (except as set forth in Section 2 above) and that such an election by Asta Group shall not be a defense to any action Asta Group may elect to take against a Guarantor.

10. Each Guarantor recognizes and agrees that Asta Funding, after the date hereof, may refinance existing Guaranteed Obligations, and that in any such transaction, even if such transaction is not now contemplated, Asta Group will rely in any such case upon this Guaranty and the enforceability thereof against Guarantor and that this Guaranty shall remain in full force and effect with respect to such future indebtedness of Asta Funding to Asta Group and such indebtedness shall for all purposes constitute Guaranteed Obligations.

11. Each Guarantor further agrees that, if at any time all or any part of any payment, from whomever received, theretofore applied by Asta Group to any of the Guaranteed Obligations is or must be rescinded or returned by Asta Group for any reason whatsoever including, without limitation, the insolvency, bankruptcy or reorganization of Guarantor, such liability shall, for the purposes of this Guaranty, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to such liabilities, all as though such application had not been made.

12. Each Guarantor agrees that no failure or delay on the part of Asta Group to exercise any of its rights, powers or privileges under this Guaranty shall be a wavier of such rights, powers or privileges or a waiver of any default, nor shall any single or partial exercise of any of Asta Group's rights, powers or privileges preclude other or further exercise thereof or the exercise of any other right, power or privilege or be construed as a waiver of any default. Each Guarantor further agrees that no waiver or modification of any rights of Asta Group under this Guaranty shall be effective unless in writing and signed by Asta Group. Guarantor further agrees that each written waiver shall extend only to the specific instance actually recited in such written waiver and shall not impair the rights of Asta Group in any other respect.

13. Subject to the terms of the Intercreditor Agreement and the limitations set forth in this Guaranty, each Guarantor, jointly and severally, unconditionally agrees to pay all costs and expenses, including attorney's fees, incurred by Asta Group in enforcing this Guaranty against any Guarantor.

14. Each Guarantor acknowledges that in addition to binding itself to this Guaranty, at the time of execution of this Guaranty Asta Group offered to such Guarantor a copy of this Guaranty in the form in which it was executed and that by acknowledging this fact such Guarantor may not later be able to claim that a copy of the Guaranty was not received by it.

15. Each Guarantor agrees that this Guaranty shall be binding upon such Guarantor, and its successors and assigns; provided , however , that such Guarantor may not assign or transfer any of its rights and obligations hereunder or any interest herein. Each Guarantor further agrees that this Guaranty shall inure to the benefit of Asta Group and its successors and assigns. No amendment, waiver or other modification of any provision of this Guaranty, and no consent to any departure by any Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by Asta Group, and then such amendment, waiver, modification or consent shall be effective only in the specific instance and for the specific purpose for which given.

16. Subject to the limitations set forth above in this Guaranty, each Guarantor agrees that if any Guarantor fails to perform any covenant or agreement hereunder or if there occurs an Event of Default under either of the Notes, all or any part of the Guaranteed Obligations may be declared to be forthwith due and payable, in any case without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

17. Subject to the limitations set forth in the Intercreditor Agreement and above in this Guaranty, each Guarantor agrees that the enumeration of Asta Group's rights and remedies set forth in this Guaranty is not intended to be exhaustive and the exercise by Asta Group of any

right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative and shall be in addition to any other right or remedy given hereunder or under any other agreement among the parties to the Guarantor Security Documents or which may now or hereafter exist at law or in equity or by suit or otherwise.

18. Each Guarantor agrees that all notices, statements, requests, demands and other communications under this Guaranty shall be given to such Guarantor at the address set forth below their respective names on the signature page hereof in the manner provided in the Guarantor Security Agreement.

19. (a) Each Guarantor agrees that the provisions of this Guaranty are severable, and in an action or proceeding involving any state or federal bankruptcy, insolvency or other law affecting the rights of creditors generally:

(i) if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Guaranty in any jurisdiction.

(ii) if this Guaranty would be held or determined to be void, invalid or unenforceable on account of the amount of Guarantor's aggregate liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the aggregate amount of such liability shall, without any further action by Asta Group, such Guarantor or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable as determined in such action or proceeding.

(b) If the guarantee by a Guarantor of the Guaranteed Obligations is held or determined to be void, invalid or unenforceable, in whole or in part, such holding or determination shall not impair or affect the validity and enforceability of any clause or provision not so held to be void, invalid or unenforceable against such Guarantor.

20. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICT OF LAWS PRINCIPLES OTHER THAN THOSE SET FORTH IN SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

21. EACH GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS GUARANTY, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ASTA GROUP OR ANY OTHER AFFECTED PARTY. EACH GUARANTOR ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER TRANSACTION DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS

PROVISION IS A MATERIAL INDUCEMENT FOR THE OTHER PARTIES ENTERING INTO THIS GUARANTY AND EACH SUCH OTHER TRANSACTION DOCUMENT.

22. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS GUARANTY MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FEDERAL COURT SITTING IN NEW YORK, NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS GUARANTY, EACH PARTY HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS GUARANTY OR ANY DOCUMENT RELATED HERETO.

(signature page follows)

IN WITNESS WHEREOF, Guarantors intending to be legally bound, have executed this Guaranty as of the date first above written with the intention that this Guaranty shall constitute a sealed instrument.

Asta Funding Acquisition I, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Asta Funding Acquisition II, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Asta Funding Acquisition IV, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manger

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Collection, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition I, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition II, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition IV, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition V, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition VI, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition VII, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition VIII, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title:

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition IX, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

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Palisades Acquisition X, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

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Palisades Acquisition XI, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
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Englewood Cliffs, NJ 07632

Palisades Acquisition XII, LLC, as a
Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
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Englewood Cliffs, NJ 07632

Palisades Acquisition XIII, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
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Englewood Cliffs, NJ 07632

Palisades Acquisition XIV, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

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Palisades Acquisition XV, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
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Englewood Cliffs, NJ 07632

Palisades Acquisition XVII, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Palisades Acquisition XVIII, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Cliffs Portfolio Acquisition I, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Sylvan Acquisition I, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Computer Finance, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Astafunding.com, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Asta Commercial, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Citizens Lending Group, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Ventura Services, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Option Card, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Vativ Recovery Solutions, LLC, as a Guarantor

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Address for Notices:
210 Sylvan Avenue
Englewood Cliffs, NJ 07632

Accepted as of the date:

ASTA GROUP, INCORPORATED

By: /s/ Gary Stern
Name: Gary Stern
Title: President

Exhibit 10.26

FORM OF

SUBORDINATION AND INTERCREDITOR AGREEMENT

THIS SUBORDINATION AND INTERCREDITOR AGREEMENT (the " Agreement ") is made and entered into as of the ___ day of _____, 200_, by and among _____, a Delaware corporation, as collateral agent for itself and the lenders under the Junior Loan Agreement defined below (the " Junior Agent "), and _____, a New York banking corporation, as collateral agent for itself and the lenders under the Senior Loan Agreement defined below, and as administrative agent under the Senior Loan Agreement (the " Senior Agent ").

Pursuant to a certain Fourth Amended and Restated Loan Agreement dated as of July 11, 2006, as amended (as the same may from time to time be amended, restated, supplemented, modified, substituted, replaced, renewed or refinanced, the "IDB Loan Agreement "), among Israel Discount Bank of New York, a New York banking corporation, as collateral agent for itself and the lenders signatory hereto from time to time, as administrative agent (the " Senior Agent "), and as co-lead arranger, Middle Market Finance, a division of Merrill Lynch Business Financial Services Inc., as co-lead arranger and as co-administrative agent, and the lenders signatory thereto from time to time (the " Senior Lenders "), Asta Funding Acquisition I, LLC, a Delaware limited liability company, Asta Funding Acquisition II, LLC, a Delaware limited liability company, Palisades Collection L.L.C., a Delaware limited liability company, Palisades Acquisition I, LLC, a Delaware limited liability company, Palisades Acquisition II, LLC, a Delaware limited liability company, Palisades Acquisition IV, LLC, a Delaware limited liability company, Palisades Acquisition V, LLC, a Delaware limited liability company, Palisades Acquisition VI, LLC, a Delaware limited liability company, Palisades Acquisition VII, LLC, a Delaware limited liability company, Palisades Acquisition VIII, LLC, a Delaware limited liability company, Palisades Acquisition IX, LLC, a Delaware limited liability company, Palisades Acquisition X, LLC, a Delaware limited liability company, Cliffs Portfolio Acquisition I, LLC, a Delaware limited liability company, Sylvan Acquisition I, LLC, a Delaware limited liability company, and Option Card, LLC, a Colorado limited liability company (collectively and individually, " Borrowers "); Asta Funding, Inc., a Delaware corporation, Computer Finance, LLC, a Delaware limited liability company, AstaFunding.com, LLC, a Delaware limited liability company, Asta Commercial, LLC, a Delaware limited liability company, Vativ Recovery Solutions, LLC, a Texas limited liability company, Asta Funding Acquisition IV, LLC, a Delaware limited liability company, Palisades Acquisition XI, LLC, a Delaware limited liability company, Palisades Acquisition XII, LLC **,** a Delaware limited liability company, Palisades Acquisition XIII, LLC, a Delaware limited liability company, Palisades Acquisition XIV, LLC, a Delaware limited liability company, Palisades Acquisition XV, LLC, a Delaware limited liability company, Palisades Acquisition XVII, LLC, a Delaware limited liability company, Palisades Acquisition XVIII, LLC, a Delaware limited liability company, Citizens Lending Group LLC, a Delaware limited liability company and Ventura Services, LLC, a Delaware limited liability company (collectively and individually, " Guarantors ") (the Borrowers and the Guarantors are, together with any future borrowers or guarantors, collectively and individually referred to as the " IDB Credit Parties " and are sometimes individually referred to as a " IDB Credit Party "), the Senior Lenders have agreed to make loans and otherwise extend credit to or for the benefit of the Credit Parties.

The obligations of the Credit Parties under the Senior Loan Agreement and the other Senior Loan Documents (as such term is defined below) are secured on a first-priority basis by security interests and liens on substantially all of its current and future acquired assets and properties of any Credit Parties (the " IDB Collateral "), including, without limitation, all "Collateral" as defined in the IDB Loan Agreement.

Pursuant to a certain _____Agreement _____.

The Junior Creditors have requested that the Credit Parties guarantee, _____of the obligations of _____ pursuant to the Junior Guaranty Agreement.

To secure that _____indebtedness, the Junior Creditors have requested that the Credit Parties grant junior security interests in and junior liens upon certain Collateral, pursuant to the Junior Security Agreement.

It is a condition precedent to the Senior Lenders' agreement to permit the Credit Parties to grant the Junior Liens that the Credit Parties and the Junior Creditors enter into this Agreement to confirm their agreement, among other things, that the Junior Indebtedness shall, at all times, be subordinated to the Senior Indebtedness and that the Senior Liens (as such term is defined below) shall at all times be senior to the Junior Liens (as such term is defined below).

To induce the Senior Lenders to permit the Credit Parties to grant the Junior Liens, the Junior Creditors and the Credit Parties have agreed to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the mutual agreements herein contained and other good valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions . The following terms as used in this Agreement shall have the meanings hereinafter provided:

" Agreement " means this Subordination and Intercreditor Agreement, as the same may be modified, amended, supplemented or restated from time to time.

" Collateral " means any existing and future assets of any Credit Parties including, without limitation, the IDB Collateral.

" Credit Parties " means, collectively and individually, any borrower, guarantor, credit party or other obligor under any existing or future Senior Indebtedness, including, without limitation, any IDB Credit Parties. It is agreed and understood that Palisades Acquisition XVI is not a Credit Party.

" Enforcement Action " means, _____.

" Junior Agent " means _____.

" Junior Creditors " means _____.

" Junior Guaranty Agreement ": means that certain Subordinated Limited Recourse Guaranty Agreement of even date herewith by and among the Credit Parties in favor of the

Junior Agent on behalf of the Junior Creditors, in each case as the same may from time to time be amended, restated, supplemented, modified, substituted, replaced, renewed or refinanced to the extent expressly permitted herein.

" Junior Indebtedness ": means all loans, advances, debts, liabilities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Junior Creditors, and any lender under the Junior Loan Documents, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, whether arising under the Junior Loan Documents or otherwise. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), fees, charges, expenses, attorneys' fees and any other sum chargeable to any Credit Party under any of the Junior Loan Documents.

" Junior Liens ": means any and all security interests, liens, claims, rights and/or interests of the Junior Creditors in or on any or all of the property or assets of the Credit Parties (including, without limitation, the Collateral), including, without limitation, the liens and security interests on the Collateral created under the Junior Loan Documents, whether now or hereafter arising and howsoever existing, and all replacements, renewals and other modifications of such security interests, liens, claims and/or rights.

" Junior Loan Documents ": means any and all documents, instruments, writings or agreements by and among the Junior Creditors and the Credit Parties, including, without limitation, the Junior Guaranty Agreement and the Junior Security Agreement (but excluding the Securitization Documents), in each case as the same may from time to time be amended, restated, supplemented, modified, substituted, replaced, renewed or refinanced to the extent expressly permitted herein.

" Junior Security Agreement ": means that certain Subordinated Guarantor Security Agreement of even date herewith by and among the Credit Parties and the Junior Creditors, in each case as the same may from time to time be amended, restated, supplemented, modified, substituted, replaced, renewed or refinanced to the extent expressly permitted herein.

" Paid in Full " or " Payment in Full ": means with respect to any Senior Indebtedness, that (a) such Senior Indebtedness has been paid in full in cash and (b) any commitment or agreement of the Senior Lenders to extend any financial accommodations to or for the benefit of any Credit Party has been terminated.

" Securitization Documents ": means the " _____.

" Senior Agent " means any administrative agent with respect to any Senior Indebtedness.

" Senior Creditors ": means collectively and individually, the Senior Agent, the other agents under the Senior Loan Documents, and the Senior Lenders, together with any and all agents and/or lenders as successors, assigns, transferees, replacements, or substitutions of, or in addition to, the foregoing (including one or more other lenders and one or more agents or similar contractual representatives for one or more lenders that at any time succeeds to or refinances,

replaces or substitutes for any or all of the Senior Indebtedness at any time and from time to time).

" Senior Indebtedness ": means all loans, advances, debts, liabilities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Senior Creditors, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, whether arising under the Senior Loan Agreement or any of the other Senior Loan Documents or otherwise (including without limitation, under all interest rate caps, swaps or collar agreements, or similar agreements or arrangements to provide protection against fluctuations in interest rates). This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), fees, charges, expenses, attorneys' fees and any other sum chargeable to any Credit Party under the Senior Loan Agreement or any of the other Senior Loan Documents, and all replacements, renewals, substitutions, refinancing and other modifications of the foregoing. Without limiting the foregoing, Senior Indebtedness shall include any loans, advances, debts, liabilities and obligations of any kind in connection with any refinancing, replacement financing, successor financing or substitute financing involving any Credit Parties, whether or not provided by any of the current Senior Creditors or the amounts, conditions, collateral or other terms of such financing are comparable to those set forth in the IDB Loan Agreement.

" Senior Liens ": means any and all security interests, liens, claims, rights and/or interests of the Senior Creditors in or on any or all of the property or assets of the Credit Parties (including, without limitation, the Collateral), including, without limitation, the liens and security interests on the Collateral created under the Senior Loan Documents, whether now or hereafter arising and howsoever existing, and all replacements, renewals and other modifications of such security interests, liens, claims and/or rights.

" Senior Lenders " means any lenders with respect to any Senior Indebtedness.

" Senior Loan Agreement " means the IDB Loan Agreement and any other loan or credit agreement reflecting the terms of existing or future Senior Indebtedness (as the same may from time to time be amended, restated, supplemented, modified, substituted, replaced, renewed or refinanced.

" Senior Loan Documents ": means any and all documents, instruments, writings and agreements by and among any of the Senior Agent, the Senior Creditors and any Credit Parties, including, without limitation, the Senior Loan Agreement, in each case as the same may from time to time be amended, restated, supplemented, modified, substituted, replaced, renewed or refinanced.

2. No Third Party Beneficiaries . All undertakings, agreements, representations and warranties contained herein are solely for the benefit of the Junior Creditors, the Senior Creditors, and any agents and/or lenders as successors or assigns of, or substitutions or replacements for, any one or more of the Junior Creditors and the Senior Creditors, and the Credit Parties (to the extent set forth in Section 5 hereof) and there are no other parties who are intended to be benefited in any way by this Agreement.

3. Reservation of Security Interests as Against Third Parties . Nothing contained herein is intended to affect or limit in any way the Senior Liens or the Junior Liens insofar as the Credit Parties and third parties are concerned. The parties hereto specifically reserve the Senior Liens and the Junior Liens, as applicable, and rights to assert the same as against the Credit Parties and third parties.

4. Junior Creditors' Subordination . The Junior Creditors covenant and agree with the Senior Agent and the Senior Lenders that:

No payments due or to become due on the Junior Indebtedness shall be paid, and no payment on account thereof shall be received, accepted or retained unless and until the Senior Indebtedness has been Paid in Full; provided , however , Junior Creditor may accept payments under the Junior Guaranty Agreement (but not realized from any Collateral) so long as no Event of Default has occurred and is continuing or would result from any such payments under the Senior Loan Agreement.

5. Consent to Junior Guaranty Agreement and Junior Liens . Senior Creditors hereby consent to the Junior Indebtedness and Junior Liens, provided, however, that the aggregate principal amount of the Junior Indebtedness secured by the Junior Liens on the Collateral shall not exceed an aggregate amount of $ _____and the Junior Liens shall secure no indebtedness other than the Junior Indebtedness.

6. Priority of Security Interests . Irrespective of:

(a) the time, order, manner or method of creation, attachment or perfection of Senior Liens or the Junior Liens;

(b) the time or manner of the filing of their respective financing statements;

(c) whether the Junior Creditors or the Senior Creditors or any bailee or agent thereof holds possession of any or all of the property or assets of the Credit Parties, including, without limitation, the Collateral;

(d) the dating, execution or delivery of any document, instrument, writing or agreement granting the Senior Liens or the Junior Liens;

(e) the giving or failure to give notice of the acquisition or expected acquisition of any purchase money or other security interests; and

(f) any provision of the Uniform Commercial Code of the applicable state(s) or any law to the contrary;

the Junior Liens shall be and hereby are subordinated to the Senior Liens on the terms hereinafter set forth. The subordination hereunder applies regardless of the legality, validity or enforceability of the Senior Indebtedness or the Senior Loan Documents, or the legality, validity, enforceability or perfection of the Senior Liens.

7. No Action . (a) The Junior Creditors will not assert a claim or make a demand against any Credit Party with respect to Junior Indebtedness, will not commence any action or proceeding against any Credit Party to recover all or any part of the Junior Indebtedness, will not

commence any action or proceeding with respect to the Collateral (whether by judicial or non-judicial foreclosure, notification to any Credit Party's account debtors, the seeking of the appointment of a receiver for any portion of any Credit Party's property or assets, including, without limitation, the Collateral, or otherwise), will not (whether directly or indirectly) join with any creditor in bringing, solicit any person to bring, or cause (directly or indirectly) the commencement of, any proceeding against any Credit Party under any bankruptcy, reorganization, readjustment of debt, arrangement of debt receivership, liquidation or insolvency law or statute of the federal or any state government, will not take possession of, sell or dispose of, or otherwise deal with, the Collateral, and will not exercise or enforce any other right or remedy which may be available to Junior Creditors against any Credit Party or with respect to the Collateral until the Senior Indebtedness shall have been Paid in Full. Notwithstanding the prior sentence, after February___, 2014 Junior Agent may with at least 180 days written prior notice to the Senior Agent and the IDB Credit Parties (which may be delivered at any time), exercise its rights and remedies under the Junior Loan Documents, provided, however, that neither Junior Agent nor any Junior Creditor may exercise such rights and remedies during an Enforcement Action. For purposes of the foregoing allocation of priorities, any claim of a right of setoff shall be treated in all respects as a security interest and no claimed right of setoff shall be asserted to defeat or diminish the rights or priorities provided for herein. If the Junior Creditors, in contravention of the terms of this Agreement, shall commence, prosecute or participate in any suit, action or proceeding against any Credit Party, then such Credit Party may interpose as a defense or plea the making of this Agreement, and the Senior Creditors may intervene and interpose such defense or plea in its name or in the name of such Credit Party. If the Junior Creditors, in contravention of this Agreement, shall attempt to collect any of the Junior Indebtedness, execute on any Collateral, or enforce any of the Junior Loan Documents or otherwise violate this Agreement, then the Senior Creditors or any Credit Party may, by virtue of this Agreement, restrain the enforcement thereof or such other action and Senior Creditors may seek such restraint in its name or in the name of the Credit Party.

(b) Notwithstanding clause (a) of this Section 7, the Junior Creditors may:

(i) take the actions permitted by Section 8(c);

(ii) file a claim or statement of interest with respect to the Junior Indebtedness; provided that an insolvency proceeding has been commenced by or against any Credit Party;

(iii) take any action in order to create, perfect or preserve any Lien held by or on behalf of the Junior Creditors on the Collateral;

(iv) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims of the Junior Creditors, including any claims secured by the Collateral;

(v) vote on any plan of reorganization, file any proof of claim, make other filings and make any arguments and motions that are, in each case, not prohibited by the terms of this Agreement, with respect to the Junior Indebtedness and the Collateral; and

(vi) receive any remaining proceeds of Collateral after the Senior Indebtedness has been Paid in Full.

8. Waiver and Consent; Bankruptcy .

(a) Except as set forth herein or as required by law, the Senior Creditors shall have no obligation to the Junior Creditors with respect to the Collateral or the Senior Indebtedness. The Senior Creditors may (i) exercise collection rights, (ii) take possession of, sell or dispose of, and otherwise deal with, all or any portion of the Collateral, (iii) in the Senior Creditors' name, the Junior Creditors' name or in the Credit Parties' name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the Senior Indebtedness (including collateral obligations) of any account debtor or other obligor of the Credit Parties, (iv) prosecute, settle and receive proceeds on any insurance claims relating to the Collateral, and (v) exercise and enforce any right or remedy available to Senior Creditors with respect to the Credit Parties and/or the Collateral, whether available before or after the occurrence of any Default or Event of Default under the Senior Loan Documents; all without consent of Junior Creditors and without notice to Junior Creditors except any notice as specifically required by law. To the extent it is legally permitted to do so, Senior Creditors shall apply the proceeds of the Collateral against the Senior Indebtedness in any order of application it deems appropriate, and to the extent there is any excess remaining after such application, then to Junior Creditors for payment of the Junior Indebtedness, or to any other party legally entitled to such proceeds. Junior Creditors hereby waive any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or agreement.

(b) In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, whether or not pursuant to bankruptcy law, the sale of all or substantially all of the assets of the Credit Parties, dissolution, liquidation or any other marshalling of the assets or liabilities of the Credit Parties, Junior Creditors will file all claims, proofs of claim or other instruments of similar character necessary to enforce the obligations of the Credit Parties in respect of the Junior Indebtedness and will hold in trust for Senior Creditors and promptly pay over to Senior Creditors in the form received (except for the endorsement of Junior Creditors where necessary) for application to the then-existing Senior Indebtedness, any and all moneys, dividends or other assets received in any such proceedings on account of the Junior Indebtedness, unless and until the Senior Indebtedness has been Paid in Full. If Junior Creditors shall fail to take any such action, Senior Creditors, as attorney-in-fact for Junior Creditors, may take such action on Junior Creditors' behalf.

(c) If any one or more Credit Party or such Credit Party or Credit Parties' estate become the subject of proceedings under Title 11 of the United States Code (11 U.S.C. § 101 *et seq* .), as amended, (the " Bankruptcy Code "), and if Senior Creditors desire to permit the use of cash collateral or to provide post-petition financing to the Credit Parties, Junior Creditors shall not object to the same or assert that its interests are not being adequately protected and agrees that adequate notice of such financing to Junior Creditors shall have been provided if Junior Creditors receive written notice in accordance with the Bankruptcy Code. The Junior Creditors shall not (i) take any action or vote in any way so as to directly or indirectly challenge or contest (A) the validity or the enforceability of any of the Senior Loan Documents or the liens and security interests granted to Senior Agent with respect to the Senior Indebtedness, (B) the

rights and duties of Senior Agent established in the Senior Loan Documents, or (C) the validity or enforceability of this Agreement; (ii) seek, or acquiesce in any request, to dismiss any insolvency or other proceeding or to convert an insolvency or other proceeding under Chapter 11 of the Bankruptcy Code to a case under Chapter 7 of the Bankruptcy Code; (iii) seek, or acquiesce in any request for, the appointment of a trustee or examiner with expanded powers for the Credit Parties; (iv) propose, vote in favor of or otherwise approve a plan of reorganization, arrangement or liquidation, or file any motion or pleading in support of any plan of reorganization, arrangement or liquidation in any bankruptcy case where any Credit Party is a debtor, unless it provides that the Senior Indebtedness is Paid in Full or unless Senior Agent has approved of the treatment of its claims with respect to the Senior Indebtedness under such plan; (v) object to the treatment under a plan of reorganization or arrangement of the claims with respect to the Senior Indebtedness; (vi) seek relief from the automatic stay of Section 362 of the Bankruptcy Code or any other stay in any insolvency or other proceeding in respect of any portion of the Collateral, provided , however , that the Junior Creditors shall be permitted to join in any motion or proceeding filed or commenced by the Senior Agent or any Senior Creditor to seek relief from the automatic stay, provided that, notwithstanding the granting of such relief from the stay as to the Junior Creditors, the Junior Creditors shall be bound by all of the provisions of this Agreement and shall be prevented from exercising any rights or remedies with respect to the Collateral, to the extent otherwise provided in this Agreement, until such time as the Senior Indebtedness has been Paid in Full; or (vii) directly or indirectly oppose any relief requested or supported by Senior Agent, including any sale or other disposition of property free and clear of the liens and security interests of Junior Creditors under Section 363(f) of the Bankruptcy Code or any other similar provision of applicable law. Junior Creditors waive any claim they may now or hereafter have arising out of Senior Agent's election, in any proceeding instituted under Chapter 11 of the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, and/or any borrowing or a Lien under Section 364 of the Bankruptcy Code by Credit Parties, as debtor-in-possession; provided that, notwithstanding the foregoing, if in any insolvency proceeding wherein any Credit Party is a debtor, the Senior Creditors (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any use of cash collateral or financing under Section 364 of the Bankruptcy Code, then the Junior Creditors may seek or request adequate protection in the form of a Lien on such additional collateral, which Lien will be subordinated to the Senior Liens on the same basis as the other Liens securing the Junior Liens are so subordinated to the Senior Liens under this Agreement. To the extent that Senior Agent receives payments on or proceeds of Collateral which are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law, or equitable cause, then, to the extent of such payment or proceeds received, the Senior Indebtedness, or part thereof, intended to be satisfied shall be revived and continue in full force and effect as if such payments or proceeds had not been received by Senior Agent. Notwithstanding anything in this Section 8(c) to the contrary, as to any matters not provided for in this Section 8(c) arising in any proceeding instituted under Chapter 11 of the Bankruptcy Code by or against the Credit Parties, the Junior Creditors shall be permitted to vote the portion of their claim that are secured and unsecured.

9. [Preservation of Bankruptcy Remoteness.

Notwithstanding anything to the contrary in this Agreement or any other Senior Loan Documents, each of the Senior Agent and each Senior Creditor hereby agrees that it shall not:

(a) institute or join any Person in instituting against _____, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other proceedings under any federal or state bankruptcy or similar law;

(b) contest or challenge, or join any other Person in contesting or challenging, the transfers of the assets of _____to _____contemplated by the _____Agreement (as defined in the _____Agreement) or any other documents or instruments related thereto, whether on the grounds that such transfers were disguised financings, preferential transfers, fraudulent conveyances or otherwise or a transfer other than a "true sale" or a "true contribution";

(c) (i) assert that any Person and _____should be substantively consolidated or that _____is not or was not a limited liability company separate and distinct from any Credit Party or any other Person, or (ii) challenge the valuation of any of the assets of _____;

(d) transfer any of its interest in _____or any interest therein, unless the assignee of such interest shall have agreed in writing to be bound by the terms of this Agreement, to any Person;

(e) exercise any voting rights under _____limited liability company agreement;

(f) attempt to prohibit or restrict any sale or other transfer of the assets of _____or interfere in any manner with the transactions contemplated under the ___Credit Agreement and the documents related thereto; or

(g) alter or cause the alteration of the independent director provisions of ___ limited liability company agreement or attempt to remove or replace any serving independent director of _____.]

10. Distribution of Collateral and Proceeds Thereof; Release of Collateral.

(a) Except as permitted under Section 7(a), the Junior Creditors agree that they will not ask for, demand, sue for, take or receive from the Credit Parties or any successor or assign of the Credit Parties, including, without limitation, a receiver, trustee or debtor in possession, whether by setoff or in any other manner, the whole or any part of the Junior Indebtedness from any of the Collateral or any income or proceeds thereof, unless and until all of the Senior Indebtedness has been Paid in Full. The Junior Creditors acknowledge and agree that the terms and provisions of this Agreement do not violate any term or provision of any of the Junior Loan Documents; and to the extent any of the terms or provisions of this Agreement are inconsistent with any of the terms or provisions of the Junior Loan Documents, the provisions of the Junior Loan Documents shall be deemed to have been superseded by this Agreement.

(b) The Junior Creditors agree that any collection, sale or other disposition of any or all of the Collateral by the Senior Creditors (whether pursuant to the Uniform Commercial Code of the applicable state(s) or otherwise) shall be free and clear of the Junior Liens in such Collateral if the Senior Creditors are releasing all Senior Liens on the applicable Collateral (other than proceeds thereof and after the Senior Indebtedness has been Paid in Full). At the request of

the Senior Creditors, the Junior Creditors shall promptly provide the Senior Creditors with any necessary or appropriate releases to permit the collection, sale or other disposition of any or all of the Collateral by the Senior Creditors free and clear of the Junior Liens. In addition, at the request of the Senior Creditors, the Junior Creditors shall promptly release and Senior Creditors are hereby authorized to release or terminate any and all Junior Liens on the applicable Collateral to facilitate the collection, sale or other disposition of such Collateral by the Credit Parties and/or Senior Creditors.

(c) Until the Senior Indebtedness has been Paid in Full, notwithstanding any provision to the contrary contained in any Junior Loan Documents, only Senior Agent and/or the Senior Creditors shall have the right to restrict or permit, or approve or disapprove, the sale, transfer or other disposition of any Collateral, whether or not a default has occurred under any Senior Indebtedness or Junior Indebtedness. The Junior Creditors agree that prior to Payment in Full of all Senior Indebtedness, any collection, sale or other disposition of any Collateral by any Credit Party in the ordinary course of its business and if permitted under the Senior Loan Documents or as permitted by the Senior Creditors, shall be free and clear of the Junior Liens in such Collateral (other than proceeds thereof and after the Senior Indebtedness has been Paid in Full) and, notwithstanding any provision of this Agreement to the contrary, any buyer or transferee of any Collateral shall be entitled to rely on this provision. In addition, at the request of the Senior Creditors, if the Senior Creditors are releasing all Senior Liens on the applicable Collateral, the Junior Creditors shall promptly release and Senior Creditors are hereby authorized to release or terminate any and all Junior Liens on the applicable Collateral (other than proceeds thereof and after the Senior Indebtedness has been Paid in Full) to facilitate the collection, sale or other disposition of such Collateral by the Credit Parties and/or Senior Creditors.

11. Turnover of the Senior Creditors' Collateral Received by the Junior Creditors . In the event any payment or distribution to the Junior Creditors is made from any of the Collateral, or any proceeds thereof, upon or with respect to any of the Junior Indebtedness prior to Payment in Full of the Senior Indebtedness, the Junior Creditors shall receive and hold same in trust, as trustee, for the benefit of the Senior Creditors and shall forthwith deliver the same to the Senior Creditors in precisely the form received (except for the endorsement or assignment of the Junior Creditors where necessary) for application against the Senior Indebtedness, whether due or not due, until so delivered, the same shall be held in trust by the Junior Creditors as the property of the Senior Creditors.

12. Representations and Agreements of the Junior Creditors . The Junior Creditors represent and warrant to, and covenant and agree with, the Senior Creditors that:

(a) as of the date hereof the principal amount of the Junior Indebtedness is limited to _____, in no event shall the principal amount of the Junior Indebtedness exceed an aggregate amount of _____and in no event shall the Junior Liens secure any indebtedness or obligations other than the Junior Indebtedness;

(b) the Junior Creditors will provide the Senior Creditors with written notice of the declaration by the Junior Creditors of any default or event of default under the Junior Loan Documents simultaneously with any such notice to the Credit Parties;

(c) except as permitted under Section 7(a), if a default or event of default shall occur under or within the meaning of any of the Junior Loan Documents, the Junior Creditors

will not accelerate or demand payment of any of the Junior Indebtedness or exercise any other rights or remedies under any of the Junior Loan Documents (other than sending a notice of default to the Credit Parties);

(d) the Junior Creditors agree not to oppose, interfere with or otherwise attempt to prevent the Senior Creditors from enforcing the Senior Liens or otherwise realizing upon any of the Collateral;

(e) the Junior Creditors agree that none of the Junior Loan Documents or any other document, instrument, or agreement evidencing all or any part of the Junior Indebtedness may be amended, restated, supplemented or otherwise modified without the prior written consent of Senior Creditors; and

(f) the Junior Agent represents and warrants to the Senior Creditors that it is authorized to execute and deliver this Agreement on behalf of the Junior Creditors and to bind the Junior Creditors to the terms of this Agreement.

13. Insurance Proceeds . In the event of the occurrence of any casualty with respect to any of the Collateral, the Junior Creditors and the Senior Creditors agree that the Senior Creditors shall have the sole and exclusive right to adjust, compromise or settle any such loss with the insurer thereof, and to collect and receive the proceeds from such insurer. Any insurer shall be fully protected if it acts in reliance on the provisions of this Section.

14. Waiver of Certain Rights . The Junior Creditors hereby waive any and all rights to:

(a) require the Senior Creditors to marshal any property or assets of the Credit Parties or to resort to any of the property or assets of the Credit Parties in any particular order or manner;

(b) require the Senior Creditors to enforce any guaranty or any security interest or lien given by any person or entity other than the Credit Parties to secure the payment of any or all of the Senior Indebtedness as a condition precedent or concurrent to taking any action against or with respect to the Collateral;

(c) commence any proceedings (whether through the filing of an involuntary petition against the Credit Parties or otherwise) under any bankruptcy, insolvency, reorganization, receivership or similar laws for arrangement of debts of the Credit Parties and/or;

(d) bring any action to contest the validity, legality, enforceability, perfection, priority or avoidability of any of the Senior Indebtedness, any of the Senior Loan Documents or any of the Senior Liens.

15. Effect of Bankruptcy of Credit Parties . This Agreement shall remain in full force and effect notwithstanding the filing of a petition for relief by or against any one or more Credit Parties under the United States Bankruptcy Code and shall apply with full force and effect with respect to all of the Collateral acquired by a Credit Party, and to all additional Senior Indebtedness incurred by the Credit Parties, subsequent to the date of said petition.

16. Assignment of the Junior Indebtedness . The Junior Creditors represent and warrant to the Senior Creditors that they have not previously assigned any interest in any of the Junior Indebtedness, that no other party owns an interest in any of the Junior Indebtedness other than the Junior Creditors (whether as joint holders of the Junior Indebtedness, as participants or otherwise) and that the entire Junior Indebtedness is owed only to the Junior Creditors. The Junior Creditors covenant and agree with the Senior Creditors that the entire Junior Indebtedness shall continue to be owing only to the Junior Creditors, unless such indebtedness is assigned expressly subject to the terms, provisions and conditions of this Agreement, the assignee of such indebtedness agrees in writing to be bound by the terms, provisions and conditions of this Agreement and the Junior Agent shall have delivered such executed assignment and assumption agreements to the Senior Agent.

17. Term . This Agreement shall remain in full force and effect until all of the Senior Indebtedness has been Paid in Full. This is a continuing agreement of subordination and the Senior Creditors may continue to extend credit or other financial accommodations and loan monies to or for the benefit of the Credit Parties, on the faith hereof, under the Senior Loan Documents or otherwise, without notice to the Junior Creditors.

18. Amendment of the Senior Indebtedness; Release of the Collateral . The Senior Creditors may at any time and from time to time:

(a) enter into such agreements with the Credit Parties as the Senior Creditors may deem proper (i) increasing or decreasing the principal amount of, extending time of payment of and/or renewing or otherwise amending or altering the terms (including, without limitation, the interest rates, fees and maturity date) of any or all of the Senior Indebtedness, (ii) amending, modifying or otherwise altering the terms of the Senior Loan Documents, and/or (iii) adding or replacing lenders under the Senior Loan Documents; and

(b) exchange, sell, release, surrender or otherwise deal with any or all of the Collateral, all without in any way compromising or affecting this Agreement.

19. Reliance by the Senior Creditors; Waiver of Notices; No Representations by the Senior Creditors; Management of Credit Facilities by the Senior Creditors . All of the Senior Indebtedness shall be deemed to have been made or incurred in reliance upon this Agreement. The Junior Creditors expressly waive all notice of acceptance by the Senior Creditors of the provisions of this Agreement and all other notices not specifically required pursuant to the terms of this Agreement. The Junior Creditors agree that the Senior Creditors have not made any representation or warranty with respect to the due execution, legality, validity, completeness or enforceability of any of the Senior Loan Documents or the collectibility of any of the Senior Indebtedness. The Senior Creditors shall be entitled to manage and supervise their credit facilities with the Credit Parties in accordance with applicable law and their usual business practices, modified from time to time as they deem appropriate under the circumstances, without regard to the existence of any rights that the Junior Creditors may have now or hereafter in or to any of the property or assets of the Credit Parties, and the Senior Creditors shall have no liability to the Junior Creditors for any loss, claim or damage suffered or allegedly suffered by the Junior Creditors in any proceeding by the Senior Creditors to foreclose or otherwise enforce any of the Senior Liens.

20. Financial Condition of the Credit Parties . The Junior Creditors hereby assume responsibility for keeping themselves informed of the financial condition of the Credit Parties and any and all guarantors of the Junior Indebtedness and of all other circumstances bearing upon the risk of nonpayment of the Junior Indebtedness that diligent inquiry would reveal and the Junior Creditors hereby agree that the Senior Creditors shall have no duty to advise the Junior Creditors of any information regarding such condition or any such circumstances.

21. Agent for Perfection . The Senior Agent, for and on behalf of itself and each Senior Lender, agrees to hold all Collateral in its possession, custody or control (or in the possession, custody or control of agents or bailees for Senior Agent) as agent for the Junior Agent solely for the purpose of perfecting the security interest granted to the Junior Agent in such Collateral under the Junior Loan Documents that is not otherwise capable of being perfected by the Junior Agent by virtue of the filing of a UCC financing statement in the applicable jurisdiction, subject to the terms and conditions of this Agreement. The Senior Agent shall not have any obligation whatsoever to the Junior Agent or any Junior Lender to assure that the Collateral is genuine or owned by any Credit Party or any other person or to preserve rights or benefits of any person. The duties or responsibilities of the Senior Agent under this Section 21 are and shall be limited, at all times, solely to holding or maintaining control of the Collateral as agent for the Junior Agent for purposes of perfecting the Junior Liens in such Collateral. The Senior Agent is not and shall not be deemed to be a fiduciary of any kind for the Junior Agent or any other person.

22. Notices . Any notice, request, demand, consent or other communication hereunder shall be in writing and delivered in person or sent by telecopy or registered or certified mail, return receipt requested and postage prepaid, to the applicable party at its address or telecopy number set forth on the signature pages hereof, or at such other address or telecopy number as any party hereto may designate as its address for communications hereunder by notice so given. Such notices shall be deemed effective on the day on which delivered or sent if delivered in person or sent by telecopy, or on the third (3rd) business day after the day on which mailed, if sent by registered or certified mail.

23. UCC Notices . If the Senior Creditors shall be required by the Uniform Commercial Code of any applicable state or any other applicable law to give notice to the Junior Creditors of any action taken or to be taken by the Senior Creditors against or with respect to any or all of the Collateral, such notice shall be given in accordance with Section 22 above, and ten (10) days' notice shall be conclusively deemed to be commercially reasonable.

24. Further Assurances.

(a) The Junior Creditors hereby covenant and agree to take any and all additional actions and execute, deliver, file and/or record any and all additional agreements, documents and instruments as may be necessary or as the Senior Creditors may from time to time reasonably request to effect the subordination and other provisions of this Agreement.

(b) In the event that the Junior Creditors shall obtain or negotiate to obtain any additional documents, instruments, writings or agreements guarantying, confirming or perfecting any of the Junior Liens other than the filing of UCC financing statements against the Credit Parties with respect to the Junior Indebtedness, the Junior Creditors shall (i) promptly notify the Senior Creditors that such document, instrument, writing or agreement has been

obtained or that it is negotiating to obtain such document, instrument, writing or agreement and (ii) cause each such document, instrument, writing or agreement to reflect the relative priorities of the Junior Creditors and the Senior Creditors with respect to the Collateral affected by such document, instrument, writing or agreement and the relative rights of the Junior Creditors and the Senior Creditors with respect to the taking of any action, granting of any waivers and/or other similar matters affecting any of the Collateral.

25. Amendments and Waivers . Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in a writing signed by the Junior Creditors and the Senior Creditors.

26. Severability . Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

27. Successors and Assigns . This Agreement shall be immediately binding upon the Junior Creditors and the Senior Creditors and their respective successors and assigns and shall inure to the benefit of the successors and assigns of the Junior Creditors and the Senior Creditors.

28. Governing Law; Consent to Jurisdiction; WAIVER OF JURY TRIAL; Attorney's Fees and Expenses.

(a) This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York.

(b) Each party consents to the personal jurisdiction of the state and federal courts located in the State of New York in connection with any controversy related to this Agreement, waives any argument that venue in any such forum is not convenient, and agrees that any litigation initiated by either of them in connection with this Agreement may be venued in either the state or federal courts located in New York County, New York.

(c) **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.**

(d) In the event of any dispute concerning the meaning or interpretation of this Agreement or the enforcement hereof, the prevailing party shall be entitled to recover from the non-prevailing party, in addition to its other damages, its reasonable attorneys' fees and expenses and any other actual costs incurred.

29. Equitable Remedies . Each party to this Agreement acknowledges that the breach by it of any of the provisions of this Agreement is likely to cause irreparable damage to the other party. Therefore, the relief to which any party shall be entitled in the event of any such breach or threatened breach shall include, but not be limited to, a mandatory injunction for specific performance, injunctive or other judicial relief to prevent a violation of any of the provisions of this Agreement, damages and any other relief to which it may be entitled at law or in equity.

30. Counterparts . This Agreement may be executed in counterparts, each of which when so executed and delivered (whether by telecopier or otherwise) shall be an original, but all of which together shall constitute one and the same instrument. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against which enforcement is sought.

31. Existing Rights . Notwithstanding anything herein to the contrary, this Agreement shall not limit (i) any rights the Junior Agent or any Junior Creditor may have under or with respect to the Securitization Documents or any obligations thereunder or (ii) the ability to take any action, commence any proceeding, exercise any right or make any claim or demand with respect thereto.

32. Binding Agreement . The parties hereto agree that the Junior Agent, on behalf of the Junior Creditors has negotiated this Agreement with the Senior Agent, on behalf of the Senior Creditors and that both the Junior Agent and Senior Agent represent to each other that they have the power and authority to bind the Junior Creditors and Senior Creditors, respectively, to the terms hereof by virtue of each of the Junior Agent and Senior Agent's execution and delivery of this Agreement.

[Signature pages follow]

IN WITNESS WHEREOF, this Agreement has been executed as of the date written above.

JUNIOR AGENT:

_____

By: _____
Name: _____
Title: _____

Address for Notices:

_____
_____
_____
_____

SENIOR AGENT:

_____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Address for Notices:

AGREED AND ACKNOWLEDGED:

BORROWERS :

ASTA FUNDING ACQUISITION I, LLC
ASTA FUNDING ACQUISITION II, LLC
PALISADES COLLECTION, L.L.C.
CLIFFS PORTFOLIO ACQUISITION I, LLC
PALISADES ACQUISITION I, LLC
PALISADES ACQUISITION II, LLC
PALISADES ACQUISITION IV, LLC
PALISADES ACQUISITION V, LLC
PALISADES ACQUISITION VI, LLC
PALISADES ACQUISITION VII, LLC
PALISADES ACQUISITION VIII, LLC
PALISADES ACQUISITION IX, LLC
PALISADES ACQUISITION X, LLC
SYLVAN ACQUISITION I, LLC
OPTION CARD, LLC

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

GUARANTORS :

ASTA FUNDING, INC .

By: /s/ Gary Stern
Name: Gary Stern
Title: President and Chief Executive Officer

COMPUTER FINANCE, LLC
ASTAFUNDING.COM, LLC
ASTA COMMERCIAL, LLC
VATIV RECOVERY SOLUTIONS, LLC
ASTA FUNDING ACQUISITION IV, LLC
PALISADES ACQUISITION XI, LLC
PALISADES ACQUISITION XII, LLC
PALISADES ACQUISITION XIII, LLC
PALISADES ACQUISITION XIV, LLC
PALISADES ACQUISITION XV, LLC
PALISADES ACQUISITION XVII, LLC
PALISADES ACQUISITION XVIII, LLC
CITIZENS LENDING GROUP LLC
VENTURA SERVICES, LLC

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

Exhibit 10.27

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED AS TO CERTAIN PORTIONS OF THIS DOCUMENT. EACH SUCH PORTION, WHICH HAS BEEN OMITTED HEREIN AND REPLACED WITH AN ASTERISK [*], HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

[*]

AMENDED AND RESTATED MANAGEMENT AGREEMENT

AMENDED AND RESTATED MANAGEMENT AGREEMENT (this "Agreement"), dated as of January 16, 2009, by and among PALISADES COLLECTION, L.L.C., a Delaware limited liability company, with offices at 210 Sylvan Avenue, Englewood Cliffs, New Jersey 07632 ("Palisades") and [*], an Ohio corporation, with offices at [*] (the "Manager").

Introduction. This Agreement is intended to amend and restate in its entirety the existing Management Agreement dated March 28, 2008 between Palisades and Manager. This Agreement sets forth the terms by which Manager will provide management services, and as of March 5, 2007 shall have been deemed to have been providing management services, related to all of the consumer receivables that are owned by Palisades Acquisition XVI, LLC ("Owner"), an affiliate of Palisades and are being serviced by Palisades. Palisades hereby appoints Manager to provide management services related to all of the Receivables (as defined below) which Owner purchased from [*] (collectively referred to as "[*]") on or about March 5, 2007 pursuant to a purchase agreement dated February 5, 2007 between Palisades Acquisition XV, LLC and [*], all of which accounts were assigned to Owner by Palisades Acquisition XV, LLC (the purchase agreement and the assignment from Palisades Acquisition XV, LLC to Owner shall be collectively referred to as the "[*]Purchase Agreement"). Contemporaneously herewith, the parties shall be entering into a Master Servicing Agreement (the "Master Servicing Agreement") related to the servicing by Manager of certain of the receivables owned by Owner and placed with Palisades for servicing.

This Agreement sets forth the terms on which Manager will provide certain services to Palisades. Those terms are as follows:

1. **Engagement of Manager .** Subject to the terms and conditions of this Agreement, on the effective date of this Agreement, Palisades shall be deemed to have retained Manager to provide management services for all of the accounts receivables ("Receivables") of debtors ("Debtors") which are owned by Palisades pursuant to the [*]Purchase Agreement, other than those Receivables which Palisades or one of its affiliates elects to service on its own behalf.

2. **Manager Services.** Manager agrees to use its reasonable efforts to provide management services for the Receivables as requested from time to time by Palisades. Such management services shall include services which Manager currently customarily provides to other owners of consumer receivables (including affiliates of Manager) in the ordinary course of Manager's business. Such services may include, but not be limited to, strategic planning related to the servicing of the Receivables, skip tracing, asset searching and determination of suit worthiness of the Receivables, litigation tracking and monitoring of all Receivables placed for legal collection, IT management and analytical services, and such other services as Manager is reasonably capable of providing to Palisades.

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* Confidential

3. **Compensation .** Subject to the terms of this Section 3, compensation for the services rendered by Manager hereunder shall be the fees (the "Fees") set forth on the fee schedule attached hereto as Exhibit 1 (the "Fee Schedule"). As of April 1, 2008, such fees shall be payable solely out of collections on the

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* Confidential

Receivables serviced pursuant to the Master Servicing Agreement. Manager is responsible, and not permitted to be reimbursed, for any of Manager's costs or expenses, except as specifically provided herein or in the Fee Schedule.

4. **Representations and Warranties of Manager .** Manager represents and warrants to Palisades as follows:

a) Manager is engaged in the receivables servicing business and has obtained all material licenses, permits, or registrations necessary or desirable for the conduct of the servicing of receivables. Manager further agrees to submit to Palisades proof of such licenses, permits, and registrations at such times as Palisades may require.

b) Manager will conduct its business and all services performed under this Agreement in full compliance with all Requirements of Law (as defined in Exhibit B to the Master Servicing Agreement).

c) This Agreement constitutes the legal, valid and binding obligation of Manager, enforceable against Manager in accordance with its terms.

5. **Representations and Warranties of Palisades .**

a) Palisades shall furnish to Manager by the 12 th day of each month, a monthly liquidation report which shall include detailed information concerning any payments received by Palisades related to the collection or sale of any Receivable directly by Palisades or by any third party on behalf of Palisades and shall include information related to any repurchases by any prior owners of the accounts. Such monthly report shall be in a form as attached hereto as Exhibit 2.

b) Palisades is the owner of all of the accounts purchased by Palisades or any affiliate of Palisades from [*] under the [*] Purchase Agreement.

c) Palisades shall not sell, transfer or assign any Receivable to any affiliate or to any third party except on terms and conditions that are commercially reasonable and consistent with arms-length transactions entered into by Palisades for the sale, transfer or assignment of similar receivables.

c) This Agreement constitutes the legal, valid and binding obligation of Palisades, enforceable against Palisades in accordance with its terms.

d) Palisades has full power and authority to place the Receivables with Servicer pursuant to the Servicing Agreement between Palisades and Owner dated as of March 2, 2007, as amended, supplemented or otherwise modified from time to time (the "Placement Agreement"). None of the terms and conditions of this Agreement (including, but not limited to terms and conditions related to payment of fees) are prohibited or in any way impaired by the terms and conditions of the Placement Agreement.

e) Palisades represents and warrants that, to the best of its knowledge: (a) Palisades and the Owner are in compliance in all material respects with their obligations under the Servicing Agreement, dated as of March 2, 2007, among [*]., Palisades and Owner, as the same may be amended, supplemented or otherwise modified from time to time (the "[*] Servicing Agreement") and the Receivables Financing Agreement dated as of March 2, 2007, among Palisades, Owner, [*]., as administrative agent for the lender and [*], as collateral agent and as liquidity agent, as the same may be amended, supplemented or otherwise modified from time to time (the "[*] Receivables Financing Agreement"); (b) no event has occurred which, with the passage of time, could become a Servicer Termination Event under the [*] Servicing Agreement or a Termination Event under the [*] Receivables Financing Agreement; (c) neither Palisades nor Owner has received any notice of any kind, in writing or orally, from [*] or any other Person that either Palisades or Owner is in default under either the [*] Servicing Agreement or the [*] Receivables Financing Agreement;

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* Confidential

and (d) neither Palisades nor Owner has received any notice of any kind, in writing or orally, from [*] or any other Person that a Servicer Termination Event has occurred under the [*] Servicing Agreement or that a Termination Event has occurred under the [*] Receivables Financing Agreement.

6. **Term and Termination** .

a) This Agreement shall be deemed entered into as of the date first written above, and unless terminated as set forth herein, shall continue until terminated by mutual written agreement of termination executed and delivered by the Manager and Palisades. This Agreement may be terminated by Palisades if Palisades terminates the Master Servicing Agreement as a result of a Servicer Event of Default (as defined on Exhibit B to the Master Servicing Agreement) ("Termination").

b) Notwithstanding any termination of this Agreement, (i) each party shall remain liable to the other in respect of any breach of this Agreement occurring prior to the date of termination, and (ii) all amounts payable to Manager pursuant to section 3 hereof and the Fee Schedule that are accrued and earned as of the date of Termination shall be paid by Palisades to Manager.

7. **Notices .** Any notice, request, consent or other communication to any party hereto must be in writing and shall be deemed effective when (i) delivered in person, or (ii) sent by facsimile, if promptly confirmed in writing, or (iii) on the fourth day from the date posted by certified mail, returned receipt requested, with postage prepaid, or (iv) on the next business day from the day posted with a recognized national overnight carrier, addressed as follows:

If to Palisades:

Palisades Collection XVI, L.L.C.
210 Sylvan Avenue
Englewood Cliffs, New Jersey 07632
Fax #: (201) 569-4595
Attention: Gary Stern, Manager

with a copy to:

Palisades Collection, L.L.C.
210 Sylvan Avenue
Englewood Cliffs, New Jersey 07632
Fax #: 201-567-2203
Attention: Seth C. Berman, Esq.

If to Manager: [*]

with a copy to:

[*]

Either party may at any time change the address or facsimile number to which notices or other communications are to be sent by a notice to the other party given in accordance with this Section.

8. **Governing Law .** This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws. The parties hereto agree to submit to the exclusive jurisdiction of the state and federal courts located in Delaware.

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* Confidential

9. **Entire Agreement .** This Agreement constitutes the entire agreement between the parties as to the provision of management services related to the Receivables and may not be amended, changed or modified except by a writing signed by both parties and the Secured Lender (who is hereby made a third party beneficiary hereto and shall have the right to enforce any rights and benefits granted to it hereunder). This Agreement supersedes all prior written or oral agreements between Palisades and Manager as to the provision of management services related to the Receivables.

10. **Successors and Assigns .** This Agreement may not be assigned, in whole or in part, by either party without the prior written consent of the other party. Notwithstanding anything contained herein, upon the occurrence of a Servicer Termination Event (as defined in the [*] Servicing Agreement) or a Termination Event (as defined in the [*] Receivables Financing Agreement), the Secured Lender may (i) without the written consent of the parties hereto or any other Person, but upon five (5) business days prior written notice to the parties hereto, either (x) assume the rights of Palisades and the Owner hereunder, or (y) assign the rights of Palisades, the Owner and the Secured Lender hereunder to an assignee who has agreed to be bound by the terms and conditions of this Agreement and to assume Palisades' duties and obligations hereunder, other than any obligations of Palisades existing on or prior to the date of assumption or any indemnity obligations of Palisades existing at any time; or (ii) after assuming the Agreement as provided in subsection (i)(x) above, upon 30 days' notice to Manager, terminate this Agreement. No assignment or termination of this Agreement shall relieve (a) Palisades of its obligation to make payment of the Fees required to be paid to Manager under this Agreement and accrued prior to such assignment or termination. Any assignee of Palisades or subsequent assignee shall pay the Fees accrued during the applicable period that it has assumed the obligations of Palisades hereunder to Manager; provided such payment shall only be made from collections on the Receivables. No termination of this Agreement shall relieve the most recent assignee to make payment of the Fees required to be paid to Manager under this Agreement. Palisades acknowledges that, as of the date of this amendment and restatement to the Agreement, Manager has fully performed all of its obligations under this Agreement and that all of the Fees required to be paid to Manager under this Agreement have been fully earned by Manager and are due and owing to Manager as of the date of this amendment and restatement. Notwithstanding any termination or any assignment or series of assignments of this Agreement Palisades shall remain liable for all of its obligations hereunder, including, but not limited to, any obligations of Palisades existing on or prior to the date of assumption by any assignee and any indemnity obligations of Palisades existing at any time. Copies of this Agreement may be provided to the Secured Lender and its assigns pursuant to the Confidentiality Agreement dated as of January 16, 2009 between Secured Lender and Manager. For purposes of this Section, an assignment shall be deemed to occur upon any "Change in Control" of Palisades or any related entity or Manager. A "Change in Control" shall be deemed to occur upon (i) the merger or consolidation of Palisades or any related entity or Manager with another corporation or other entity, whether or not Palisades or the related entity or Manager is a surviving corporation, (ii) the liquidation of Palisades or a related entity or Manager or a sale or other disposition of substantially all of the assets of Palisades or any related entity or Manager, or (iii) any change in the beneficial ownership or control of the stock or other equity securities of Palisades or any related entity or Manager representing greater than 50% of the combined voting power of Palisades' or such related entity's or Manager's then outstanding securities. This Agreement shall inure to the benefit of and be binding upon Palisades and the Manager and their respective successors and permitted assigns.

11. **Severability .** If any provision of this Agreement or any part hereof is held invalid, illegal, void or unenforceable by reason of any rule of law, administrative or judicial provision or public policy, such provision shall be ineffective only to the extent invalid, illegal, void or unenforceable, and the remainder of such provision and all other provisions of this Agreement shall nevertheless remain in full force and effect.

12. **Independent Contractor .** Nothing contained in this Agreement shall be deemed to constitute Palisades and Manager as partners, joint venturers, principal and servant, or employer and employees.

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* Confidential

Manager is solely responsible for maintaining its own business insurance and worker's compensation policy and paying all its applicable taxes, assessments, fees, costs and expenses. Except as specifically provided herein, nothing in this Agreement shall constitute or authorize Manager to bind Palisades to any obligations, or to assume or create any responsibility for or on behalf of Palisades to any third party.

13. **Facsimile and Counterparts .** This Agreement may be executed and delivered by facsimile and/or in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

14. **Insurance.** Palisades shall obtain and maintain during the term of this Agreement insurance, with financially sound and reputable insurance companies, customary in Palisades' business, including, but not limited to, policies covering errors and omissions and general liability, including coverage for breach of contract and with policy limits of at least $10,000,000 for the general liability policy and at least $3,000,000 for the errors and omissions liability policy. All such policies of insurance shall name Manager as additional insured and shall require that the insurers provide thirty (30) days written notice of any cancellation, termination or changes of any kind in terms or conditions of such policies to Manager. Palisades shall provide Manager with certificates of insurance evidencing compliance with the above requirements and shall, upon Manager's request therefore, permit Manager to review any applicable policies of insurance.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PALISADES COLLECTION, L.L.C.

By: /s/ Gary Stern
Name: Gary Stern
Title: Manager

[*]

By: _____

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* Confidential

Exhibit 1

FEE SCHEDULE

[*] .

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* Confidential

Exhibit 2

Monthly Gross Receipts Report

Exhibit 10.28

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED AS TO CERTAIN PORTIONS OF THIS DOCUMENT. EACH SUCH PORTION, WHICH HAS BEEN OMITTED HEREIN AND REPLACED WITH AN ASTERISK [*], HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

[*]

AMENDED AND RESTATED MASTER SERVICING AGREEMENT

AMENDED AND RESTATED MASTER SERVICING AGREEMENT (this "Agreement"), dated as of January 16, 2009, between PALISADES COLLECTION, L.L.C., a Delaware limited liability company ("Palisades"), with offices at 210 Sylvan Avenue, Englewood Cliffs, New Jersey 07632 (Palisades shall be referred to herein as "Client") and [*], a New York general partnership, with offices at [*] (the "Servicer").

Introduction. This Agreement is intended to amend and restate in its entirety the existing Master Servicing Agreement dated March 28, 2008 between Palisades and Servicer. This Agreement sets forth the terms by which Servicer will be servicing, and as of March 5, 2007 shall have been deemed to be servicing, Portfolios (as defined below) of consumer receivables that are owned by Palisades Acquisition XVI, LLC ("Owner"), an affiliate of Client and are being serviced by Client. By placing a portfolio with Servicer, whether pursuant to an executed Addendum or not, Client hereby irrevocably appoints Servicer to act as its agent for all purposes as to that Portfolio with respect to this Agreement (subject to the terms of this Agreement) and agrees to be bound by the terms of this Agreement as to such Portfolio. Client shall appoint Servicer to service only Portfolios which Owner purchased from [*] and related entities (collectively referred to as "[*]") on or about March 5, 2007, pursuant to a purchase agreement dated February 5, 2007 between Palisades Acquisition XV, LLC and [*], all of which accounts were assigned to Owner by Palisades Acquisition XV, LLC (the purchase agreement and the assignment from Palisades Acquisition XV, LLC to Palisades shall be collectively referred to as the "[*]") and all of which were placed with Client for servicing.

This Agreement sets forth the terms on which Servicer will provide certain services to Client. Those terms are as follows:

1. **Engagement of Servicer .** Subject to the terms and conditions of this Agreement, on each applicable Placement Date (as defined below), Client shall be deemed to have retained Servicer to service all accounts receivable ("Receivables") of debtors ("Debtors") which are part of a portfolio (each portfolio placed with Servicer by Client under this Agreement being hereinafter referred to as a "Portfolio") described on an addendum (each, a "Portfolio Addendum") in the form attached hereto as Exhibit A executed by Client and Servicer during the term of this Agreement or placed by Client with Servicer without execution of a Portfolio Addendum. Client and Servicer recognize that certain Portfolios have been placed by Client with Servicer under this Agreement without execution of Addendum A. The failure of Client and Servicer to have executed a Portfolio Addendum with respect to any such Portfolios shall not be deemed to preclude the Portfolio from the provisions of this Agreement. Notwithstanding the foregoing, Servicer acknowledges that Client may elect to service on its own behalf certain Receivables purchased pursuant to the [*] Purchase Agreement, and that such Receivables shall not be subject to this Agreement. The Receivables which are subject to this Agreement are on the list attached hereto as Exhibit A-1. Servicer agrees to use its reasonable efforts to service each of the Receivables through the use of servicing activities as outlined herein, provided such activities shall, insofar as practical, maintain the Debtors' goodwill toward Client and be serviced in a manner consistent with Client's ownership of the Receivables.

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* Confidential

2. **Servicer Services.**

a) Servicer shall take such action as is reasonably necessary to service the Receivables, using such methods and services as may be reasonably determined to maximize the recovery of the Receivables in Servicer's reasonable discretion, recognizing that many of the Receivables may have little if any value as a result of their age, chain of title, geographic location, originator or other characteristics. Such services may include, but shall not be limited to, (i) servicing of the Receivables by the Servicer, including, without limitation, performance of data mining with respect to the Receivables on an ongoing basis in a commercially reasonable manner consistent with Servicer's past practices and as approved by Client, and providing weekly updated information regarding the results of the data mining and/or (ii) with respect to Receivables placed with Servicer for collection, the selection and engagement of appropriate and reputable non-affiliated third party attorneys at Servicer's expense, provided that Servicer provides Client with prior written notice of the referral of Receivables to such non-affiliated third party attorneys. Servicer shall not be obligated to disclose to Client the particular non-affiliated third party attorneys that it uses to service any Receivables, unless a Servicer Event of Default has occurred. Servicer shall, however, provide to a law firm designated by Client a list of non-affiliated third party attorneys (and attorney code numbers) that are identified by code on the reports of the Receivables provided by Servicer to Client provided that such law firm agrees to hold those codes in escrow pursuant to the escrow letter attached as Exhibit G. Servicer shall update that list every six months and, after a Servicer Event of Default, upon demand. Servicer shall service the Receivables with at least the same diligence, methods, practices, effort and manpower that it services similar receivables owned by Servicer or its affiliates and as is customary in the industry. Servicer shall take such action as it deems reasonably appropriate to ensure the servicing of the Receivables, provided, however, that any and all such actions are (i) ethical, professional, prudent and generally accepted procedures in the business of servicing receivables, and (ii) in compliance with all applicable federal, state and local laws, rules and regulations, including, without limitation, the Fair Debt Collection Practices Act (collectively, "Requirements of Law").

b) Servicer is authorized to settle and/or compromise any Receivable balance without Client's consent for such percentage of the outstanding charged-off balance as Servicer deems appropriate in its reasonable discretion and in a manner consistent with Servicer's past practices. The Servicer may in its judgment, without first receiving Client's consent, agree to delayed or installment payments.

c) Servicer shall maintain on its electronic system of record, data on the Receivables containing complete notes and documentation of all payments, credits, and any other servicing activities. Servicer shall follow all reasonable instructions of Client with respect to the transmission and delivery of the above described records, data, agreements and files to Client upon termination of Servicer's engagement as to any Portfolio. Client and Secured Lender shall have the right from time to time in its discretion to inspect all files, documents and other records relating to any Receivables and to obtain possession of all copies of original document files in Servicer's possession. Except after a Servicer Event of Default, the total aggregate number of inspections by Client and Secured Lender shall be limited to one per quarter per Person.

d) Based on information received from Client, Servicer shall accurately and timely code all Receivables for status on Servicer's system of record, and timely notify Client of the correct status codes upon return of the Receivables and upon Client's request. The coding shall be kept according to customary industry practices and Servicer's regular business practices (e.g. bankruptcy, deceased, incarceration, disputes, settlements in full, payment arrangements, judgments, cease communications, attorney involvement, etc). Unless otherwise agreed by Client in writing as to any particular, or specified group of, Receivables, Servicer shall name Owner as the owner of such Receivables in Servicer's records and,

except as otherwise provided in clause (e) of this Section 2, in each lawsuit and judgment with respect to a Receivable.

e) If authorized by Client with respect to certain Receivables, Servicer shall be permitted to bring collection actions in its name with respect to those Receivables, provided that any judgment that is obtained shall be either in the name of Owner or promptly assigned to Owner. To the extent that any assignment shall be necessary to implement this paragraph, that assignment shall have been deemed to be made for collection purposes only and Owner shall retain all of its right, title and interest in and to such Receivables.

3. **Audits .** Servicer shall maintain all necessary records for the Receivables and shall cooperate with Client and the Secured Lender in connection with any review of the Receivables, revenue paid or received and all other pertinent information relating to the Receivables. Client and the Secured Lender shall also be entitled to make periodic audits of the records of the Servicer with respect to all Receivables referred to the Servicer for servicing and the Servicer agrees to cooperate fully by providing reasonable access to its premises for Client's representatives or agents during regular business hours and by making, and reasonably attempting to cause all third-party collectors to make, all files and records relating to the Receivables available to them to permit the audits to be completed promptly and efficiently. In the absence of a Servicer Event of Default, Client shall not conduct an audit more frequently than quarterly, but shall be permitted to visit Servicer on a monthly basis at such times as may be mutually agreed to by Servicer and Client and in a manner which shall not unreasonably interfere with the normal conduct of business for Servicer or Servicer's employees. Notwithstanding the foregoing, Client and the Secured Lender shall not be permitted to audit the expenses of the Servicer, including but not limited to any information related to vendors or providers of services to the Servicer, unless (a) a Servicer Event of Default has occurred and is continuing or (b) Client and the Secured Lender employs a third-party auditor reasonably acceptable to Servicer who signs a confidentiality agreement that provides that the auditor will not identify specific vendors to Client and the Secured Lender by name unless a Servicer Event of Default has occurred or the auditor demonstrates that there are material improprieties in the accounting of such expenses.

4. **Compensation .** Subject to the terms of this Section 4, compensation for the services rendered by Servicer hereunder shall be the fees (the "Fees") set forth on the Fee Schedule which is attached hereto as Exhibit D (the "Fee Schedule"). The Servicer shall not be entitled to any compensation based on proceeds received by Client from any source other than Servicer's servicing of the Receivables, including, without limitation, proceeds received by Client pursuant to any insurance (unless related to a claim made by Servicer against Client under this Agreement) or any repurchases by [*] under the [*] Purchase Agreement. Client shall notify Servicer of any Receivables repurchased by [*] under the [*] Purchase Agreement. Servicer is responsible, and not permitted to be reimbursed, for any of Servicer's fees or costs, except as specifically provided in the Fee Schedule and the Distribution Schedule which is a part of the Fee Schedule (the "Distribution Schedule").

5. **Receipts and Distributions .**

a) The Servicer agrees that it will post and code the proceeds of the Receivables ("Proceeds") on Servicer's record system as owned by Owner (as distinguished from other collections and proceeds) on the day of receipt or as soon as practicable thereafter. The Proceeds shall be deposited by Servicer: (i) immediately into the bank account ("Initial Deposit Account") of Servicer into which only proceeds of third-party accounts, (and not material amounts of Servicer's own accounts) are deposited and (ii) within three (3) business days of Servicer's receipt, into bank account Number [*], ABA Routing # [*] or such other account designated by the Secured Lender from time to time ("Client Proceeds Account").

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b) The Proceeds of each separate Portfolio, whether through collection or repurchase by a prior owner, shall be distributed by the Servicer from the Client Proceeds Account to Bank Account Number [*], ABA Routing # [*] or such other account designated by the Secured Lender from time to time on a weekly basis by Wednesday for the prior week ending on Sunday pursuant to the Distribution Schedule. Client represents and warrants that Secured Lender has designated the bank account to which Proceeds are currently being deposited as the bank account for that purpose. Notwithstanding anything in this Agreement to the contrary, the Servicer shall not, without the prior written consent of the Secured Lender or its designee, follow the instructions of Client or any other Person with respect to the depositing of collections which are contrary to the terms of this Agreement. Servicer shall make no changes in procedures with respect to the depositing of collections without the written consent of Secured Lender or its designee.

c) Notwithstanding clause (a) of this section, if a Collection Account Event (as defined in Exhibit B hereto) occurs: Servicer will: (i) within two (2) business days of receipt by Servicer, remit all Proceeds on any Receivables into the Client Proceeds Account (which shall be a Collection Account), or any other Collection Account designated by Secured Lender, on a daily basis and (ii) cause the purchaser of any Receivables to wire the proceeds directly to the Client Proceeds Account or such other Collection Account designated by Secured Lender.

d) In all events, Servicer shall hold all Proceeds less any amounts payable to Servicer under the Fee Schedule and the Distribution Schedule in trust for the benefit of Owner.

e) To the extent that any sums distributed to Client under this Agreement are paid by Client to any Debtors (including without limitation to any trustee, receiver, representative, attorney or agent of any Debtors) or any other person due to a claim by or on behalf of such Debtors, Client shall be reimbursed from future Proceeds prior to any further distributions under this Agreement.

f) Servicer agrees that the Initial Deposit Account will not be subject to any lien or encumbrance, or to any account control agreement or other agreement that gives any bank, lender or anyone else a lien against, the right to control, restrict, block or otherwise direct the withdrawal, distribution or release of, the sums on deposit in the Initial Deposit Account.

6. **Representations and Warranties of Servicer .** Servicer represents and warrants to Client as follows:

a) Servicer is engaged in the receivables servicing business and has obtained all material licenses, permits, or registrations necessary or desirable for the conduct of the servicing of receivables. Servicer further agrees to submit to Client proof of such licenses, permits, and registrations at such times as Client may require.

b) Servicer will conduct its business and all services performed under this Agreement in full compliance with all Requirements of Law.

c) This Agreement constitutes the legal, valid and binding obligation of Servicer, enforceable against Servicer in accordance with its terms.

d) To the best of Servicer's knowledge, the information contained in Exhibit H regarding the Receivables identified therein is true and accurate in all material respects. In making the foregoing representation, Servicer is relying on the accuracy of the information provided by Client to Servicer related to the Receivables and the Debtors associated with those Receivables. In compiling the information contained in Exhibit H, Servicer relied, in part on information obtained from public records and from third party information providers. As such, Servicer's representation is based, in part, on the assumption that the

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information derived from those sources is, generally, true and accurate. In addition, the information contained on Exhibit H is based on information that, to the best of Servicer's knowledge, was true and accurate at the time it was collected, but may not be true and accurate in the future.

7. **Representations and Warranties of Client .**

a) Client represents and warrants to Servicer that with respect to each Receivable assigned to Servicer, Client will furnish copies of pertinent records in its possession accurately showing the total amounts of the unpaid balance with respect to each account. Client does not make any representation or warranty as to any minimum number, dollar amount or proportion of accounts receivable which will be referred to Servicer or the collectibility of same. Client will also provide copies of all pertinent records available to Client showing the chain of title of ownership of each Receivable and the agreements under which Client and its predecessors in interest acquired the Receivables and such other documents that Servicer may reasonably request which are in the possession of Client or which Client has the right to, and may reasonably, obtain from third parties.

b) Client shall make good faith commercially reasonable efforts to cause any third parties with documents and information concerning the Receivables to provide all such documents and information to Servicer. Such information may include the information described in sub-paragraph a) above as well as information related to collection and legal activities related to the Receivables and any other information that Servicer reasonably believes will enhance Servicer's ability to provide services under this Agreement.

c) Upon request from Servicer, Client shall promptly provide Servicer with documents and information in its possession related to the Receivables. In addition, upon request from Servicer, Client shall promptly provide Servicer with such other assistance (including, but not limited to, assistance in completing seller surveys for potential buyers, review of sales and marketing materials, response to account level questions related to paid prior, debtor and co-debtor information, signing affidavits, discovery requests and other documentation which may be required for pursuing litigation in the name of Client, processing recall notices, etc.) as may be reasonably requested by Servicer as required for Servicer to provide services under this Agreement.

d) Any in-bound calls received by Client or any affiliate related to the Receivables shall be directed to Servicer.

e) Servicer shall not have the obligation to provide any funds in order to permit Servicer to pursue legal collection of Receivables. Client hereby instructs Servicer to withhold funds from payments Servicer would otherwise make to Client under this Agreement for reimbursement of any funds Servicer may provide in order to permit Servicer to pursue legal collections of Receivables, with such funds to be reimbursed to Servicer in accordance with the Distribution Schedule. Client acknowledges and agrees that if Client does not provide funds to Servicer as requested by Servicer in order to permit Servicer to pursue legal collection of Receivables, Servicer's ability to provide the Services required of Servicer under this Agreement may be substantially impaired and Servicer shall have no liability to Client or Owner for any reductions in collections arising as a result of the failure of Client to provide such funds.

f) This Agreement constitutes the legal, valid and binding obligation of Client, enforceable against Client in accordance with its terms.

g) Client has full power and authority to place the Receivables with Servicer pursuant to the Servicing Agreement between Client and Owner dated as of March 2, 2007 (The "Placement Agreement"). None of the terms and conditions of this Agreement (including, but not limited to terms and conditions

related to payment of fees) are prohibited or in any way impaired by the terms and conditions of the Placement Agreement.

h) Client represents and warrants that, to the best of its knowledge: (a) Client and the Owner are in compliance in all material respects with their obligations under the Servicing Agreement, dated as of March 2, 2007, among [*]., Client and Owner, as the same may be amended, supplemented or otherwise modified from time to time (the "[*] Servicing Agreement") and the Receivables Financing Agreement dated as of March 2, 2007, among Client, Owner, [*]., as administrative agent for the lender and [*], as collateral agent and as liquidity agent, as the same may be amended, supplemented or otherwise modified from time to time (the "[*] Receivables Financing Agreement"); (b) no event has occurred which, with the passage of time, could become a Servicer Termination Event under the [*] Servicing Agreement or a Termination Event under the [*] Receivables Financing Agreement; (c) neither Client nor Owner has received any notice of any kind, in writing or orally, from [*] or any other Person that either Client or Owner is in default under either the [*] Servicing Agreement or the [*] Receivables Financing Agreement; and (d) neither Client nor Owner has received any notice of any kind, in writing or orally, from [*] or any other Person that a Servicer Termination Event has occurred under the [*]Servicing Agreement or that a Termination Event has occurred under the [*] Receivables Financing Agreement.

8. **Servicer Reports** :

a) Servicer shall furnish to Client, by the 12th of each month, the Monthly Collections Report, as well as a current Master File for each Portfolio for the prior month. "Master File" means a summary of account level data of the Receivables for each Portfolio, in digital field format on CD-ROM, containing such data and fields as Servicer may have on its system of record. "Monthly Collections Report" means a report by Servicer to Client in a form mutually agreed to by Servicer and Client. If requested by the Secured Lender, Servicer shall provide copies of each of the items in this paragraph to the Secured Lender, provided that the Secured Lender shall indicate in its request that Client has failed to provide such items as required in its agreements with the Secured Lender.

b) Upon request from Client, Servicer shall deliver to Client each of the following: 1) within 150 days of the end of each fiscal year, (i) annual audited financial statements for Servicer and its consolidated subsidiaries in a form mutually agreed to by Client and Servicer, which financial statements shall be prepared in accordance with generally accepted accounting principles, consistently applied, and certified without qualification, by an independent certified public accounting firm of national standing or otherwise reasonably acceptable to Client, together with the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, and (ii) unaudited quarterly financial statements. Client agrees to keep confidential all financial statements received from Servicer provided that Client may make those financial statements available to its Secured Lender and to investment bankers provided that they agree to keep those financial statements confidential.

9. **Changes of Status.** Servicer will correct its records to reflect any information Servicer receives relating to inaccurate data including without limitation phone numbers, or any change of phone numbers, promptly after the making of the determination that its information is incorrect.

10. **Servicer Inquiries .** Upon Servicer receiving any information concerning a Debtor's employment status, Servicer will record in its records and, if requested by Client, advise Client as to the status as part of its Monthly Collections Report.

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11. **Indemnification By Servicer .** Servicer agrees to indemnify, defend and hold Client and each of its affiliates, and their respective officers, directors, managers, attorneys, partners, employees and assignees (each of the foregoing is referred to as a "Client Indemnified Person") harmless from and against any and all liability, losses, damages, costs, penalties and expenses (including without limitation, reasonable attorneys' fees) (collectively "Losses") arising out of or relating to (i) any and all claims or complaints of any person or entity with respect to any of the methods, procedures, devices or communications employed or made by Servicer relating to the servicing of the Receivables, (ii) Servicer's failure to comply with any applicable Requirements of Law in relation to servicing of the Receivables, (iii) negligent or willful misconduct by Servicer or its agents (or their respective employees) in connection with the servicing of the Receivables, and (iv) Servicer's failure to comply with any of the terms and conditions of this Agreement. Client and Servicer shall each promptly provide the other with written notice of any claim, suit or action which may give rise to a right of indemnification for a Client Indemnified Person. The failure of Client to give prompt notice shall not relieve Servicer of its obligations to indemnify hereunder except to the extent Servicer is prejudiced by such failure. If any such claim, suit or action of any kind is commenced against a Client Indemnified Person, Servicer will assume at Servicer's expense the defense (with counsel selected by Servicer and reasonably acceptable to a Client Indemnified Person) of such claim, suit or action and Servicer shall be liable for the reasonable costs and expenses thereof, including, without limitation, attorney's fees and disbursements. Notwithstanding the previous sentence, Servicer, as the indemnifying party, may settle any such claim, suit or action provided that (a) Servicer has consulted with the Client Indemnified Person, (b) the settlement does not otherwise adversely affect the rights of such Client Indemnified Person and (c) the Client Indemnified Person receives a full and unconditional release from such claim, suit or action reasonably satisfactory to such Client Indemnified Person. In the event that Servicer fails to assume the defense then each Client Indemnified Person may retain its own counsel and defend such claim, suit or action at Servicer's cost and expense. Servicer will cooperate fully with each Client Indemnified Person and its counsel in any claim, suit or action.

12. **Indemnification By Client.** Client agrees to indemnify, defend and hold Servicer, and each of its affiliates, and their respective officers, directors, managers, attorneys, partners, employees, and assignees (each of the foregoing is referred to as a "[*] Indemnified Person") harmless from and against any and all Losses arising out of or relating to (except to the extent any such failure is due to a breach by Servicer of any of its obligations under this Agreement): (i) any and all claims or complaints of any person or entity with respect to any of the methods, procedures, devices or communications employed or made by Client or any Predecessor in Interest of Client (or any of their employees or past servicers or collectors) in relation to the collection of the Receivables, (ii) the failure or the claim of failure of Client or any Predecessor in Interest of Client (or any of their employees or past servicers or collectors) to comply with any applicable federal, state or local law, rule or regulation in relation to the Receivables, (iii) negligent or willful misconduct by Client or any Predecessor in Interest of Client (or any of their employees or past servicers or collectors) in connection with the collection or enforcement against any Debtor, (iv) the failure of Client to provide Servicer, when requested by Servicer, with a copy of any document reasonably required to establish a complete chain of title from the original issuer of a Receivable through and to Client, (v) the failure of Client to provide Servicer, when requested by Servicer, with a copy of any purchase and sale agreement (or similar document containing the rights and obligations between the seller and buyer of any Receivable) for the purchase and sale of any Receivable, including the purchase and sale agreement between the original issuer of the Receivable and the purchaser from the original issuer and any purchase and sale agreement between/and or among any other Predecessors in Interest of any Receivable, (vi) any inaccuracy of any information provided to Servicer by Client (or any third party at the request of Client) related to any Receivable (including, but not limited to information related to account balances and the principal and interest and fees included as a part of account balances, charge-off, last pay, first delinquency and other dates, debtor names, addresses, telephone numbers, social security numbers, places of employment and

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other personal identifying information related to debtors, issuing entity, private label or affinity, type of paper, collection/litigation status, cease and desist requests, attorney contact requests, payments received from debtors by Client or any Predecessor in Interest (or any of their employees or past servicers or collectors), etc.), (vii) failure by Client to provide Servicer with information related to a Receivable which would materially affect its collectibility or saleability (including, but not limited to, pending or prior class actions, mass settlement offers, etc.), (viii) failure of Client or any Predecessor in Interest to have good and marketable title to any Receivable, (ix) failure of Client or any Predecessor in Interest (or any of their employees or past servicers or collectors) to forward any payments submitted by debtors in a timely fashion, (x) any repurchase obligations under any agreements by which Client or Servicer on behalf of Client sold or leased any of the Receivables, (xi) any fees (contingent or otherwise) which a third party (including, but not limited to, any law firm or collection agency) claims is owed to it with respect to any Receivable and (xii) Client's failure to comply with any of the terms and conditions of this Agreement. Client and Servicer shall each promptly provide the other with written notice of any claim, suit or action which may give rise to a right of indemnification for a [*] Indemnified Person. The failure of Servicer to give prompt notice shall not relieve Client of its obligations to indemnify hereunder except to the extent Client is prejudiced by such failure. If any claim, suit or action of any kind is commenced against a [*] Indemnified Person, Client will assume, at Client's expense, the defense (with counsel selected by Client and reasonably acceptable to a [*] Indemnified Person) of such claim, suit or action and Client shall be liable for the costs and expenses thereof, including, without limitation, reasonable attorney's fees and disbursements. Notwithstanding the previous sentence, Client, as the indemnifying parties, may settle any such claim, suit or action provided that (a) Client has consulted with the [*] Indemnified Person, (b) the settlement does not otherwise adversely affect the rights of such [*] Indemnified Person and (c) the [*] Indemnified Person receives a full and unconditional release from such claim, suit or action reasonably satisfactory to such [*] Indemnified Person. In the event that Client fails to assume the defense, then a [*] Indemnified person may retain its own counsel and defend such claim, suit or action at Client's cost and expense. Client will cooperate fully with each [*] Indemnified Person and its counsel in any claim, suit or action.

13. **Term and Termination** .

a) This Agreement shall be deemed entered into as of the date first written above, and unless terminated as set forth herein, shall continue until terminated by mutual written agreement of termination executed and delivered by the Servicer and Client. This Agreement and the services with respect to any Receivable (except as to Receivables which have been referred to attorneys employed by Servicer or contracted to other third parties which shall maintain a lien by virtue of law unless Client or its successors agree to be bound by that lien) (the "Released Receivables") may be terminated by Client if a Servicer Event of Default (as defined on Exhibit B hereto) shall occur ("Termination").

b) Servicer and all agencies and attorneys to whom it has referred Client's accounts shall immediately cease services with respect to any Released Receivable upon the effective date of Termination, and thereafter shall refer all Debtor inquiries and forward correspondence with respect to such Released Receivables account to Client or Client's designee. Within five (5) business days of the effective date of Termination, or cessation of any services with respect to a Released Receivable, Servicer shall (i) return to Client all written information with respect to such Released Receivable (including, without limitation, documents furnished by and documents pertaining to any suit, action or proceeding), (ii) provide a report identifying the payment, if any, received with respect to such Released Receivable and the status of any suit, action or proceeding with respect to such Released Receivable and (iii) transmit to Client or its designee all data relating to such Released Receivables in a format reasonably acceptable to Client. Any Termination pursuant to this section shall not be effective as to any Receivables which are not Released Receivables, which Receivables shall continue to be serviced by Servicer until liquidated in full or returned to Client by Servicer.

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c) Notwithstanding any termination of this Agreement, (i) each party shall remain liable to the other in respect of any breach with this Agreement occurring prior to the date of termination, (ii) each party shall remain liable to the other in respect of the obligations contained in sections 3, 11, 12, 13, 16 and 18 of this Agreement (all of which shall survive Termination), (iii) Servicer agrees to cooperate with Client with respect to any Receivables serviced by Servicer prior to the date of Termination, and (iv) all amounts payable to Servicer pursuant to section 5 hereof that are accrued and earned as of the date of Termination shall be paid by Client to Servicer. All amounts held by Servicer at the date of Termination of this Agreement or received by Servicer after the date of such Termination, with respect to any Released Receivable, shall be immediately remitted to Client, less any amounts payable to Servicer pursuant to Section 5 hereof accrued and earned prior to the date of Termination. Until the remittance thereof, such amounts (less any amounts payable to Servicer) shall be held by Servicer in trust for the benefit of Client.

14. **Notices .** Any notice, request, consent or other communication to any party hereto must be in writing and shall be deemed effective when (i) delivered in person, or (ii) sent by facsimile, if promptly confirmed in writing, or (iii) on the fourth day from the date posted by certified mail, returned receipt requested, with postage prepaid, or (iv) on the next business day from the day posted with a recognized national overnight carrier, addressed as follows:

If to Client:

Palisades Collection, L.L.C.
210 Sylvan Avenue
Englewood Cliffs, New Jersey 07632
Fax #: (201) 308-9435
Attention: Gary Stern, Manager

with a copy to:

Palisades Collection, L.L.C.
210 Sylvan Avenue
Englewood Cliffs, New Jersey 07632
Fax #: 201-308-9430
Attention: Seth C. Berman, Esq.

If to Servicer: [*]

with a copy to:

[*]

Either party may at any time change the address or facsimile number to which notices or other communications are to be sent by a notice to the other party given in accordance with this Section.

15. **No Solicitation.** Neither Client nor any affiliate of Client will solicit any Servicer Customers (as defined below in this section) for the purchase or lease of any of Client's (or its affiliates') accounts that are not serviced by Servicer other than customers that Client identifies within two (2) business days of identification (as provided below) of the customer as a Servicer Customer as being existing or past purchasers of accounts of Client (or its affiliates). If requested by Servicer, Client shall provide reasonable evidence to support its claim that a Servicer Customer falls into the categories that is to be excluded from the application of this provision. The term "Servicer Customer" means any customer of Servicer identified by Servicer to Client as being proprietary through a written list or otherwise communicated to Client, unless

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Client has a preexisting business relationship with such customer or independently establishes a business relationship with such customer .

16. **Confidentiality.** Simultaneously with the execution and delivery of this Agreement, Client and Servicer agree to enter into the Confidentiality Agreement in the form attached as Exhibit E. In addition, Servicer agrees (i) to deliver such information with respect to the Receivables as is reasonably requested by the Secured Lender and (ii) to provide the Secured Lender with the same audit and inspection rights provided to Client pursuant to Section 3 hereunder. Copies of this Agreement may be provided to the Secured Lender and its assigns pursuant to the Confidentiality Agreement dated January 16, 2009 between Secured Lender and Servicer.

17. **Waiver .** No failure or delay on the part of Servicer or Client to exercise any of their respective rights, powers or privileges under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege by Servicer or Client under the terms of this Agreement, nor will any such waiver operate or be construed as a future waiver of such right, power or privilege under this Agreement.

18. **Governing Law .** This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws. The parties hereto agree to submit to the exclusive jurisdiction of the state and federal courts located in Delaware.

19. **Entire Agreement .** This Agreement constitutes the entire agreement between the parties as to the servicing of the Receivables and may not be amended, changed or modified except by a writing signed by both parties and the Secured Lender (who is hereby made a third party beneficiary hereto and shall have the right to enforce any rights and benefits granted to it hereunder). This Agreement supersedes all prior written or oral agreements between Client and Servicer as to the servicing of the Receivables, and governs the servicing of all Receivables referred to Servicer by Client prior to the effective date of this Agreement.

20. **Successors and Assigns .** This Agreement may not be assigned, in whole or in part, by either party without the prior written consent of the other party. Notwithstanding anything contained herein, upon the occurrence of a Servicer Termination Event (as defined in the [*] Servicing Agreement) or a Termination Event (as defined in the [*] Receivables Financing Agreement), the Secured Lender may (i) without the written consent of the parties hereto or any other Person, but upon five (5) business days' prior written notice to the parties hereto, either (x) assume the rights of Client and the Owner hereunder, provided that, notwithstanding anything in this Agreement to the contrary, Servicer shall have the right to continue to service those Receivables in connection with which either Servicer or a non-affiliated third party attorney has filed a lawsuit or which have been identified by Servicer as suitable for placement with collection counsel for purposes of filing a lawsuit (the "Exempted Receivables") pursuant to the terms and conditions of this Agreement or (y) assign the rights of Client, the Owner and the Secured Lender hereunder to an assignee who has agreed to be bound by the terms and conditions of this Agreement and to assume Palisades' duties and obligations hereunder, other than any obligations of Client existing on or prior to the date of assumption or any indemnity obligations of Client existing at any time, provided that, notwithstanding anything in this Agreement to the contrary, such assignee shall agree that Servicer shall have the right to continue to service the Exempted Receivables pursuant to the terms and conditions of this Agreement; or (ii) after assuming the Agreement as provided in subsection (i)(x) above, upon thirty (30) days' prior written notice to Servicer, terminate this Agreement. No assignment or termination of this Agreement shall relieve (a) Palisades of its obligation to make payment of the Fees required to be paid to Servicer under this Agreement and accrued prior to such assignment or termination, or (b) any assignee of Palisades or any

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subsequent assignee of its or their obligations to make payment of the Fees from Collections on the Receivables required to be paid to Servicer under this Agreement that accrue on or after such assignment or termination and Palisades, any such assignee of Palisades or any subsequent assignee shall make, from Collections received on the Receivables, payment of such Fees to Servicer based on the provisions in Section 4 of this Agreement and in the Fee Schedule whether or not this Agreement has been terminated and/or Servicer is servicing the Exempted Receivables at the time the Fees are generated. Notwithstanding any termination or any assignment or series of assignments of this Agreement, Palisades shall remain liable for all of its obligations hereunder, including, but not limited to, any obligations of Palisades existing on or prior to the date of assumption by any assignee and any indemnity obligations of Palisades existing at any time. Notwithstanding any other provision of this Agreement, the indemnification obligations of the parties and their assignees contained in Sections 11 and 12 hereto shall survive any termination of this Agreement. For purposes of this Section 20, an assignment shall be deemed to occur upon any "Change in Control" of Client or any related entity. A "Change in Control" shall be deemed to occur upon (i) the merger or consolidation of Client or any related entity (including, but not limited to, Asta) with another corporation or other entity, whether or not Client or the related entity is a surviving corporation, (ii) the liquidation of Client or a related entity (including, but not limited to, Asta) or a sale or other disposition of substantially all of the assets of Client or a related entity (including, but not limited to, Asta), or (iii) any change in the beneficial ownership or control of the stock or other equity securities of Client or a related entity (including, but not limited to, Asta) representing greater than 50% of the combined voting power of Client's or such related entity's then outstanding securities. This Agreement shall inure to the benefit of and be binding upon Client and the Servicer and their respective successors and permitted assigns.

21. **Severability .** If any provision of this Agreement or any party hereof is held invalid, illegal, void or unenforceable by reason of any rule of law, administrative or judicial provision or public policy, such provision shall be ineffective only to the extent invalid, illegal, void or unenforceable, and the remainder of such provision and all other provisions of this Agreement shall nevertheless remain in full force and effect.

22. **Independent Contractor .** Nothing contained in this Agreement shall be deemed to constitute Client and Servicer as partners, joint venturers, principal and servant, or employer and employees. Servicer is solely responsible for maintaining its own business insurance and worker's compensation policy and paying all its applicable taxes, assessments, fees, costs and expenses. Except as specifically provided herein, nothing in this Agreement shall constitute or authorize Servicer to bind Client to any obligations, or to assume or create any responsibility for or on behalf of Client to any third party. Any arrangements made by Servicer with outside servicers or attorneys shall be Servicer's sole responsibility and shall in no way constitute or imply any additional obligation on the part of Client, whose obligation is limited to payment to Servicer of compensation earned in accordance with this agreement.

23. **Facsimile and Counterparts .** This Agreement may be executed and delivered by facsimile and/or in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

24. **Title to Accounts .** Receivables referred to Servicer hereunder are referred for the purpose of servicing the Receivables. Nothing herein shall be deemed to convey to Servicer any right, title or ownership interest in such accounts.

25. **Use of Name.** In the reasonable exercise of its discretion in providing services under this Agreement, Servicer may use the name of Client or any affiliate of Client (including, but not limited to Asta) where Servicer believes the use of such name by Servicer will enhance Servicer's ability to provide services under this Agreement.

26. **Exclusivity .** The Agreement is a non-exclusive contract as to Servicer. Servicer may provide similar services to other businesses. Subject to the exception in the following sentence, this contract is an exclusive contract as to Client. Except as provided in Section 1 and to be provided in a writing by Client, Client agrees to use Servicer as the exclusive servicer for all of the accounts purchased by Client and its affiliates under the Great Seneca Purchase Agreement.

27. **Quantum Meruit .** In the event of a dispute between Client and Servicer relating to the performance required hereunder, Servicer agrees to waive its rights to pursue any legal action for payment pursuant to or based upon the equitable remedy of quantum meruit.

28. **Conditions Precedent.** The parties agree that as part of the consideration for entering into this Agreement the parties have agreed to enter into the Management Agreement of even date herewith. Neither party hereto shall be obligated to enter into this agreement unless the parties have each duly executed the Management Agreement.

29. **Insurance.** Client shall obtain and maintain during the term of this Agreement insurance, with financially sound and reputable insurance companies, customary in Client's business, including, but not limited to, policies covering errors and omissions and general liability, including coverage for breach of contract and with policy limits of at least $10,000,000 for the general liability policy and at least $3,000,000 for the errors and omissions liability policy. All such policies of insurance shall name Servicer as additional insured and shall require that the insurers provide thirty (30) days written notice of any cancellation, termination or changes of any kind in terms or conditions of such policies to Servicer. Palisades shall provide Servicer with certificates of insurance evidencing compliance with the above requirements and shall, upon Servicer's request therefore, permit Servicer to review any applicable policies of insurance.

(Signature Page Follows)

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PALISADES COLLECTION, L.L.C.

By: /s/ Gary Stern
Name: GARY STERN
Title: MANAGER

[*]

By: _____
Name: _____
Title: _____

* Confidential

Exhibit A

MASTER SERVICING AGREEMENT
PORTFOLIO ADDENDUM NO. _____

Dated: _____, 200___.

The Master Servicing Agreement (the "Agreement") between [*] (the "Servicer") and ___, L.L.C. ("Client") dated as of ___200___, previously executed, is previously executed, is hereby amended to include this Portfolio Addendum as follows:

1. Owner:
2. Portfolio name:
3. Purchase Date: _____
4. Original Creditor:
5. Seller:
6. Purchase Agreement: *[Title of Agreement, Date and Parties]*
7. Face Value Purchased:
8. Number of Receivables:
9. Fees To Servicer Pursuant To Distribution Schedule under the Agreement:
   (a) Base Servicing Fee: See Distribution Schedule to the Fee Schedule

OTHER VARIATIONS FROM THE AGREEMENT FOR THIS PORTFOLIO:
None. _____
_____
_____ *[If none, write none.]*

[*] _____ **, L.L.C.**

By: _____ By: _____
Name: Name:
Title: Title:

_____

* Confidential

EXHIBIT A-1

[LIST OF RECEIVABLES PLACED WITH [*]]

* Confidential

Exhibit B

ADDITIONAL DEFINITIONS

"Asta" shall mean Asta Funding, Inc., or any successor in interest to Asta Funding, Inc.

"Collection Account" shall mean a deposit account under the control of Secured Lender, to Secured Lender's or its designee's satisfaction maintained with a bank, and pursuant to an account control agreement acceptable to Secured Lender or its designee.

"Collection Account Event" shall mean for purposes of this Agreement, any one or all of the following:

a) any Servicer Event of Default shall occur and Servicer has not been terminated as the Servicer with respect to any Portfolio;

b) a material adverse change has occurred in the financial condition, business or operations of Servicer or a Servicer Affiliate; or

c) Servicer shall be in default under a material agreement to which it is a party, including, without limitation, any financing facilities to which it is a party.

"Distribution Schedule" means the Distribution Schedule attached to the Fee Schedule attached hereto.

"Fee Schedule" means the Fee Schedule attached to this Agreement as Exhibit D.

"Predecessor in Interest" shall mean any and all prior owners of any Receivable from the original issuer of the Receivable through and to the person or entity which assigned/sold the Receivable to Client.

"Purchase Date" means, for each Portfolio, the date of purchase by Client , as indicated on the Portfolio Addendum for that Portfolio.

"Secured Lender" shall mean the primary lenders, or the agent for the primary lenders, that provide financing to Client or its affiliates that is secured by a lien on any Receivables or Proceeds. Client and the Servicer hereby agree that [*] Capital Markets Corp., together with its affiliates, shall be considered the Secured Lender for all purposes under this Agreement. Any notice, request, consent or other communication to Secured Lender may be given in accordance with Section 14 of this Agreement addressed as follows:

[*]

Attention: [*]

Telephone: [*]

Facsimile: [*]

Servicer shall not be required to recognize any other party as a successor Secured Lender for purposes of this Agreement unless Servicer receives notice, in accordance with Section 14 of this Agreement, from [*] Capital Markets Corp. which identifies the name and provides the reasonable contact information for such successor Secured Lender.

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* Confidential

"Servicer Affiliate" shall mean any person that controls, is controlled by, or is under common control with Servicer.

"Servicer Event of Default" shall mean any one or all of the following:

(a) any failure by the Servicer to make any material payment, transfer or deposit later than one business day following the date such payment, transfer or deposit is required to be made under this Agreement provided that Servicer shall have the right to cure any such default that was due to ministerial error within two business days of the earlier of Servicer's discovery of the error or within two business days that written notice of such failure is received by Servicer from Client;

b) default in the performance, or breach of any material covenant, representation or warranty of the Servicer in this Agreement (that is not specified in any other clause of this definition) and, if the default or breach is capable of cure, continuance of such default or breach for a period of 30 days after the date on which written notice, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder shall have been given to the Servicer by Client, provided that if Servicer demonstrates that it is diligently pursuing that cure within that 30 day period and further delay will not materially prejudice Client, Servicer shall have an additional 30 day period to diligently pursue and complete that cure;

c) the entry of a decree or order by a court or agency or supervisor authority having jurisdiction in the premises for the appointment of a trustee in bankruptcy, conservator, receiver or liquidator for the Servicer, or any Servicer Affiliate that would have a material adverse effect on the ability of Servicer to perform its duties under the Agreement, in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding up or liquidation of their respective affairs, and the continuance of any such decree or order unstayed and in effect for a period of 30 consecutive days;

d) the commencement by the Servicer, or the commencement by a Servicer Affiliate that would have a material adverse effect on the ability of Servicer to perform its duties under the Agreement, of a voluntary case under the federal bankruptcy laws, as now or hereafter in effect, or any other present or future federal or state bankruptcy, insolvency or similar law, or the making by the Servicer, or the making by a Servicer Affiliate that would have a material effect on the ability of Service to perform its duties under the Agreement, or an assignment for the benefit of creditors or the failure by the Servicer, or the failure by a Servicer Affiliate that would have a material adverse effect on the ability of Service to perform its duties under the Agreement, generally to pay its debts as such debts become due;

e) the Servicer shall fail to notify Client in writing of any Servicer Event of Default that it discovers within three Business Days of such discovery;

f) (i) the Servicer has failed to service the Receivables using practices and resource levels at least of the same level as those applied by Servicer to similar receivables serviced by Servicer on behalf of Client or its affiliates and as is customary in the industry, and (ii) such failure has resulted in a pattern of recovery rates with respect to the Receivables which is significantly below the historical recovery rates on other similar receivables owned by Servicer or its affiliates, recognizing, however, that the many of the Receivables may have little if any value as a result of their age, chain of title, geographic location, originator or other characteristics; provided, however, that a Servicer Event of Default under this clause shall not be effective until after the expiration of a thirty-day period for the Servicer to implement, to Client's reasonable satisfaction, commercially reasonable alternative servicing strategies as suggested by Client;

g) the Servicer engages in fraud, theft, willful misconduct or malfeasance, or

h) the failure by * to control more than *% of the voting equity of Servicer or to be actively involved in the senior management of the Servicer.

Exhibit C
Intentionally Omitted

EXHIBIT D

FEE SCHEDULE – [*] ACCOUNTS

The following shall be the Fees applicable to each Portfolio that was purchased by Client from [*] or an affiliate of [*]:

I. " Base Fee "

(a) [*]:

(i) [*]

(a) Non-Legal [*]

(b) Legal [*]

(ii) Servicer's Contracted Collections with Third-Party Attorneys

(a) Non-Legal [*]

(b) Legal [*]

* Confidential

DISTRIBUTION SCHEDULE

Proceeds (" Proceeds ") of the Receivables of each separate Portfolio, whether through collection or repurchase by a prior owner, shall be paid to an account of Servicer and shall be distributed by the Servicer on a weekly basis by Wednesday for the prior week ending on Sunday as follows:

I. first to Servicer for reimbursement for reasonable court costs advanced by Servicer for legal actions instituted to collect Receivables pursuant to the terms of the Agreement; II. second, to Servicer to pay the Base Fee (as indicated in the Fee Schedule); III, third to Servicer to pay any fees due to Servicer related to the Management Agreement entered into between Servicer and Client effective on March 7, 2007 (the "Management Agreement"); IV,. fourth, the remainder to Client.

The Servicer hereby waives its right to withhold, or setoff against: (i) collections on the Receivables any sums owing or claimed to be owing to Servicer or its affiliates in connection with other receivables serviced by Servicer or its affiliates on behalf of Client or its affiliates; and (ii) collections on other receivables serviced by Servicer or its affiliates on behalf of Client or its affiliates any sums owing or claimed to be owing to Servicer or its affiliates in connection with the Receivables.

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* Confidential

Exhibit E

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT is entered into this ___day of April, 2007, by and between [*], a New York general partnership, with officers at [*], and between PALISADES COLLECTION, L.L.C., a Delaware limited liability company ("Palisades"), with offices at 210 Sylvan Avenue, Englewood Cliffs, New Jersey 07632 (hereinafter "Client").

The parties to this Agreement desire to enter into a Master Servicing Agreement whereby [*] will provide servicing of certain receivables owned by Client (the "Agreement"). The purpose of this Confidentiality Agreement is to establish the responsibilities of the parties hereto to keep matters confidential in connection with transactions that are governed by the Agreement. Each of the parties hereto understand, acknowledge and agree that during the term o the Agreement, [*] may reveal certain confidential and secret information about itself to Client and desires by this Agreement to protect the confidentiality of the information to be revealed by it in the course of the Agreement. Accordingly, Client and [*] agree as follows:

[*] has, will, or shall furnish Client with certain information which is either non-public, confidential or proprietary in nature to assist Client during the term of the Agreement (the "Confidential Information").

As consideration for [*] furnishing Client with Confidential Information, Client agrees, as set forth below, to treat confidentially such information, including without limitation, all lists of purchase of receivables, all methods of servicing the receivables, all vendors of services used in analyzing the receivables, identifying account debtors' locations, phone numbers, employment, assets, etc., together with analyses, compilations, studies or other documents or records prepared by [*] or other parties, their respective affiliates, directors, partners, officers, employees, counsel, accountants, representatives and other persons with whom either party may consult in working with the Confidential Information (such persons with respect to either party are collectively referred to as "representatives") with contain, or otherwise reflect, or are generated from, such Confidential Information and shall collectively become part of the Confidential Information.

Client agrees that, the Confidential Information will not be used other than in connection with the purpose described above and, after a "Servicer Event of Default" under the Agreement has occurred, in connection with the collection or realization of the Receivables that are at any time subject to the Agreement, and that such Confidential Information will be kept confidential; provided, however, that (1) any such Confidential Information may be disclosed to Client's representatives (which shall include, not be limited to, attorneys, accountants, bankers, lenders, partners or affiliates), but only if the need to know the Confidential Information for the purpose described above (it being understood that any such representatives shall be informed of the confidential and proprietary nature of the Confidential Information and shall not be directed to treat the Confidential Information confidentially and not use it other than for the purpose described above and shall agree to be bound by the terms of this Agreement), and (2) any such Confidential Information may be disclosed with [*]'s prior written consent, provided that such consent shall not be required if a "Servicing Event of Default" under the agreement has occurred. Client agrees to make all reasonable, necessary and appropriate efforts to safeguard the Confidential Information from disclosure to anyone other than as permitted hereby.

Notwithstanding anything contained herein to the contrary, to the extent the Confidential Information is given by Client to a third party in accordance with the terms of this Agreement, such third party shall execute and deliver to [*] a confidentiality agreement for the benefit of [*] whereby such third

party agrees not to use the Confidential Information for any purposes other than those set forth in this Agreement nor to disclose the Confidential Information to any other third party.

Without the prior written consent of [*] to the extent required above, Client will not, and will direct its representatives not to, disclose to any person the fact that the Confidential Information has been made available. The term “person” as used in this agreement shall be broadly interpreted to include, without limitation, any corporation, company, partnership or individual.

Notwithstanding the foregoing, the following will not constitute Confidential Information for the purposes of this agreement: (i) Confidential Information which is filed with any governmental agency on a non-confidential basis or which is or becomes generally available to the public other than as a result of a wrongful disclosure by Client or its representatives, (ii) Confidential Information which was available on a non-confidential basis prior to its disclosure, (iii) Confidential Information which becomes available on a non-confidential basis from a source other than the parties hereto or their respective representatives, provided that such source is not known by the receiving party to be subject to any prohibition against transmitting the Confidential Information or (iv) Confidential Information already in our possession or given to Servicer by Client or its affiliates. The fact that Confidential Information included in the Confidential Information is or becomes otherwise available under clauses (ii) or (iii) shall not release Client or other respective representatives of the confidentiality obligations of it with respect to other Confidential Information from the other prohibitions set forth in this agreement.

Written Confidential Information will be returned to [*] immediately upon request. That portion of the Confidential Information that may be found in analyses, compilations, studies or other documents prepared by or for a part, oral Confidential Information and written Confidential Information no so requested or returned will be held by Client and kept subject to the terms of this agreement for a period of two years after the expiration of the term of the Agreement or destroyed.

In the event Client is required by subpoena, civil investigative demand or similar process to disclose any Confidential Information, [*] shall be promptly notified of such request or requirement so that an appropriate protective order may be sought. Client will exercise its best efforts to assist [*] in obtaining a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information. In the absence of such a protective order or assurance, Client may disclose that portion of the Confidential Information subject to such subpoena, demand or process if in the opinion of its counsel failure to do so would likely result in censure or other penalty. In the event disclosure of Confidential Information or the fact that negotiations are taking place and/or the status thereof is required under federal or state or similar laws, Client may make the legally required disclosures.

If a party breaches, or threatens to commit a breach, of any of the provisions of this Agreement, the other party shall have the right and remedy to have the breaching party’s obligations specifically enforced by any court having equity jurisdiction, including, without limitation, the right to restraining orders and injunctions against violations, threatened or actual, and whether or not then continuing, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the non-breaching party and that money damages will not provide an adequate remedy.

Client shall take effective precautions, contractual and otherwise, reasonably calculated to prevent disclosure or misuse of such confidential Information by any of its employees or by any other person having access to such Confidential Information.

This Agreement shall be binding upon and inure to the benefits of the parties hereto and their respective successors, assigns, heirs, legal representatives and/or personal representatives.

The terms and conditions herein contained shall survive any breach of this Agreement for any reason whatsoever.

If any one or more of the provisions of this Agreement shall be adjudged or declared invalid, illegal or unenforceable by a court of competent jurisdiction, it shall not in any way affect or impair the validity or enforceability of all or any other provision of this Agreement, and this Agreement shall be construed as if it did not contain the particular provision(s) so adjudged or declared invalid, illegal or unenforceable, and the rights and obligations of the parties shall be construed and enforced accordingly.

This Agreement may be executed and delivered by facsimile and/or in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

The parties have caused this Agreement to be duly executed on the date first appearing above.

PALISADES COLLECTION, L.L.C.

By: /s/ Gary Stern

Name: GARY STERN

Title: MANAGER

[*]

By: _____

Name: _____

Title: _____

Exhibit F
Intentionally Omitted

EXHIBIT G

[Escrow Letter]

Exhibit H
Portfolio Status

Exhibit 10.29

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED AS TO CERTAIN PORTIONS OF THIS DOCUMENT. EACH SUCH PORTION, WHICH HAS BEEN OMITTED HEREIN AND REPLACED WITH AN ASTERISK [*], HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

FIRST AMENDMENT TO AMENDED AND RESTATED MASTER SERVICING AGREEMENT

This FIRST AMENDMENT TO AMENDED AND RESTATED MASTER SERVICING AGREEMENT (this "Amendment") is dated as of [*], between PALISADES COLLECTION, L.L.C., a Delaware limited liability company, with offices at 210 Sylvan Avenue, Englewood Cliffs, New Jersey 07632 ("Palisades") and [*], a New York partnership, and [*], a limited liability company, each with offices at [*] ("Servicer").

Introduction. This Amendment is intended to amend certain provisions of the existing Amended and Restated Master Servicing Agreement ("Existing Agreement") dated May 11, 2004 between Palisades and [*] and the Fee Letter of that same date between Palisades and [*]. Capitalized terms in this Amendment shall be defined as in the Existing Agreement unless such terms are otherwise defined in this Amendment.

For good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Parties.** "Clients" consent to the addition of [*], a newly formed entity with identical ownership to "Servicer," as a party to this Amendment. Clients further agree to allow Servicer the ability to transfer to [*], Servicer's interests in the "Fee Premium" as defined in Schedule 1 and Schedule 2 attached to this Amendment.

2. **Separate Pool for New Portfolios** . Section 1 "Engagement of Servicer" is hereby amended to add the following additional sentence at the end of the paragraph:

> Effective with the date of this Amendment, Client consents to the placement of all Portfolios assigned by Client to Servicer into a separate pool from all prior serviced and assigned Portfolios for the purpose of cross-collateralization of principal and interest recoveries.

3. **Compensation .** The "Fee Schedule" referenced in section 4 of the Existing Agreement and attached to the Fee Letter as Schedule 1 is hereby replaced by Schedule 1 attached to this Amendment. The last sentence of section 4 of the Existing Agreement is hereby deleted and replaced by the following sentence:

> Servicer is responsible, and not permitted to be reimbursed, for any of Servicer's fees or costs, except as specifically provided in the Distribution Schedule.

4. **Distributions .** The "Distribution Schedule" referenced in Section 5(b) of the Existing Agreement and attached to the Fee Letter as Schedule 2 is hereby replaced by Schedule 2 attached to this Amendment.

*** Confidential**

5. **Advances For Court Costs .** Servicer shall make advances for court costs of attorneys who are retained by Servicer to collect any Receivables. Servicer shall be entitled to reimbursement for those expenses by deducting 50% of the advanced court costs from the weekly remittance to Palisades.

6. **Servicer Reports** : Section 4 of the Existing Agreement is hereby replaced in its entirety by the following:

(a) Servicer shall furnish to Palisades, by the 12th of each month, the Monthly Collections Report, as well as a current Master, File for each Portfolio. "Master File" means a summary of account level data of the Receivables for each Portfolio, in digital field format on CD-ROM, containing such data and fields as Servicer may have on its system of record. "Monthly Collections Report" means a report by Servicer to Palisades showing the following data for the immediately previous calendar month, as well as totals for year to date and Portfolio lifetime: (i) collections, (ii) Proceeds from sales or leases, (iii) cost of funds calculations, (iv) amounts distributed pursuant to each clause of the Distribution Schedule. If requested by the Secured Lender, Servicer shall provide copies of each of the items in this paragraph to the Secured Lender, provided that the Secured Lender shall indicate in its request that Palisades has failed to provide such items as required in its agreements with the Secured Lender.

(b) Servicer shall deliver to Palisades each of the following: 1) within 150 days of the end of each fiscal year, (i) annual audited financial statements for Servicer and its consolidated subsidiaries, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous fiscal year, which financial statements shall be prepared in accordance with generally accepted accounting principles, consistently applied, and certified without qualification, by an independent certified public accounting firm of national standing or otherwise reasonably acceptable to Palisades, together with the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, (ii) an annual audit in accordance with the Statement On Auditing Standards (SAS) No. 70 certified without qualification by such accounting firm containing such auditor's opinion that Servicer's description of its controls presents fairly, in all material respects, the relevant aspects of its controls that had been in place during the last fiscal year, that the controls were suitably designed to achieve the specified control objectives and that the controls that were tested were operating with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved during that fiscal year and (iii) promptly after request by Client, unaudited quarterly financial statements. Client agrees to keep confidential all financial statements received from Servicer provided that Client may make those financial statements available to its Secured Lender and to investment bankers provided that they agree to keep those financial statements confidential.

7. **Notices** . Section 14 of the Existing Agreement is hereby modified such that the notice addresses shall be replaced in their entirety by the following:

If to Servicer: [*]

with a copy to:

[*]

*** Confidential**

If to Clients: Palisades Collection, LLC
210 Sylvan Avenue
Englewood Cliffs, New Jersey 07632
Fax #: (201) 569-4595
Attention: Gary Stern, Manager

And Cliffs Portfolio Acquisition I, LLC
210 Sylvan Avenue
Englewood Cliffs, New Jersey 07632
Fax #: 201-567-2203
Attention: Seth C. Berman, Esq.

8. **Escrow of Names and Codes** . Section 15(b) of the Existing Agreement is hereby deleted in its entirety and replaced by the following:

Servicer shall not be obligated to disclose to Client or Palisades the particular law firms and collectors that it uses to collect any Receivables, unless a Servicer Event of Default has occurred. Servicer shall, however, provide to a law firm designated by Palisades a list of law firms and collectors (and law firm and collector code numbers) that are identified by code on the reports of the Receivables provided by Servicer to Palisades provided that such law firm agrees to hold those codes in escrow pursuant to the escrow letter attached as Exhibit D. Servicer shall update that list each six months and, after a Servicer Event of Default, upon demand.

9. **Escrow Letter.** The Escrow Letter referenced in referenced in Section 15(b) of the Existing Agreement and attached to the Existing Agreement as Exhibit D is hereby deleted and replaced by Exhibit D attached to this Amendment.

10. **Successors and Assigns.** Section 20 of the Existing Agreement is hereby deleted and replaced by the following:

This Agreement may not be assigned, in whole or in part, by either party without the prior written consent of the other party. For purposes of this Section 20, an assignment shall be deemed to occur upon any "Change in Control" of any Client. A "Change in Control" shall be deemed to occur upon (i) the merger or consolidation of any Client with another corporation or other entity, whether or not the Client is a surviving corporation, (ii) the liquidation of a Client or a sale or other disposition of substantially all of the assets of a Client, or (ii) any change in the beneficial ownership or control of the stock or other equity securities of a Client representing greater than 50% of the combined voting power of such Client's then outstanding securities.

11. **Full force and Effect.** . Except for the modifications described above, all terms and conditions of the Existing Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

PALISADES COLLECTION, L.L.C.

By: /s/ Gray Stern
Title: Manager

[*]

By: _____
Title: _____

[*]

By: _____
Title: _____

*** Confidential**

EXHIBIT D

ESCROW LETTER
(Amended and Restated)

As of _____, 200_

Lowenstein Sandler PC

65 Livingston Avenue

Roseland, NJ 07068

Attention: Daniel J. Barkin, Esq.

Ladies and Gentlemen:

Palisades Collection, LLC ("Palisades") and [*] ("Servicer") (collectively, the "Parties") have executed a certain Amended and Restated Master Servicing Agreement dated as of May 11, 2004, as amended and as may be further amended from time to time (the "Agreement") whereby Palisades or a wholly-owned subsidiary of Palisades (each, a "Client") will own consumer receivables to be serviced by Servicer. All capitalized terms contained herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

Pursuant to Section 15(b) of the Agreement, Servicer is obligated to provide to Lowenstein Sandler PC (the "Escrow Agent") a list of law firms, collectors and law firm and collector code numbers (the "Names and Codes") that are identified by code on the reports of the Receivables provided by Servicer to Palisades. Servicer agrees to update the Names and Codes each six months hereafter, and after a Servicer Event of Default, upon demand by Palisades or its Permitted Assignees (as defined below).

Servicer desires to protect the confidentiality of the Names and Codes (the "Confidential Information") to be revealed by it in the course of the Agreement.

Escrow Agent agrees that the Confidential Information will not be used by Escrow Agent other than in accordance with the terms of the Agreement, and that such Confidential Information will be kept confidential, and not disclosed, by Escrow Agent to Palisades or any third parties; provided, however, that Escrow Agent shall provide the Confidential Information: (a) to Palisades or its Permitted Assignees (as defined below) promptly after receipt of a copy of a certification from Palisades or a Permitted Assignee that a Servicer Event of Default has occurred and been declared and noticed by Palisades or a Permitted Assignee in writing to Servicer and Escrow Agent together with a copy of that notice or (b) if required by law, court order or court rule, but only after written notice to Servicer unless that notice would violate that law, court order or court rule. In addition, if Palisades or Permitted Assigns receives the Confidential Information, Palisades agrees to maintain the confidential integrity of the Confidential Information and shall not disclose the Confidential Information to any third parties, except Permitted Assignees or if required by law, court order or court rule, but only after written notice to Servicer unless that notice would violate that law, court order or court rule and after the occurrence of a Servicer Event of Default.

*** Confidential**

For purposes of this letter, “Permitted Assignees” shall mean Palisades and, to the extent that they sign or are bound by a confidentiality agreement reasonably acceptable to Servicer, Palisades’ affiliates and Secured Lender. A confidentiality agreement substantially in the form of Exhibit E annexed to the Agreement is deemed acceptable to the Servicer.

If the Escrow Agent, before the termination of the escrow, receives or becomes aware of conflicting demands or claims with respect to the or the rights of Confidential Information, the Escrow Agent shall have the right to commence proceedings (“Conflicting Instructions Proceeding”) for the determination of such conflict.

Escrow Agent shall be permitted to resign from its duties hereunder upon ten or more days written notice to the Parties. However, if by the end of that notice period the Parties have not agreed upon a successor escrow agent, Escrow Agent may commence proceedings (“Resignation Proceeding”) requesting either that a court appoint a replacement escrow agent or that the Confidential Information be deposited with the court. Escrow Agent shall be deemed to have resigned from its duties hereunder upon the appointment of a successor agent by the Parties or a court, or upon the delivery of the Confidential Information to a court in connection with a Resignation Proceeding.

All notices given to any Parties by Escrow Agent shall be effective if given in accordance with the terms of the Servicing Agreement.

The Escrow Agent shall not be liable for any error of judgment, for any act done or omitted by it in good faith, or for anything which it may in good faith do or refrain from doing in connection herewith, or for any negligence other than any actual loss caused solely and directly its gross negligence. The Escrow Agent is authorized to rely and act upon any document believed by it to be genuine and to be signed by the proper party or parties, and will incur no liability in so acting. The Escrow Agent shall have no duty to take any action, except upon receipt of written instructions from all the Parties or upon receipt of a court order directing it to do so.

The Parties hereto jointly and severally agree to pay all costs, damages, judgment and expenses, including reasonable attorneys’ fees, suffered or incurred by the Escrow Agent in connection with any Conflicting Instructions Proceeding or Resignation Proceeding or otherwise arising out of the escrow or this Agreement.

The Parties acknowledge that the Escrow Agent is also counsel to Palisades and its affiliates. If there is any litigation or dispute with respect to this Agreement, including , without limitation, a dispute relating to the disposition of the items in escrow, the Escrow Agent may, notwithstanding its capacity as Escrow Agent, continue in its representation of Palisades and its affiliates.

Please be advised that this letter and the directions and authorizations hereunder cannot be modified, amended, terminated, rescinded or revoked without the prior written consent of all the parties hereto. This letter shall be governed by New Jersey law. The parties hereto consent to the non-exclusive jurisdiction of the state and federal courts located in the State of New Jersey for any proceeding relating to this letter.

Sincerely,

PALISADES COLLECTION, LLC

By: /s/ Gary Stern

Printed: Gary Stern

Title: Manager

[*] hereby acknowledges receipt of this letter and the enclosures herewith, and agrees to perform in accordance herewith.

[*]

By: _____

Printed: _____

Title: _____

_____hereby acknowledges receipt of this letter and the enclosures herewith, and agrees to perform in accordance herewith.

_____

By: _____

Printed: _____

Title: _____

*** Confidential**

SCHEDULE 1

FEE SCHEDULE

Unless otherwise indicated on the Portfolio Addendum for a particular Portfolio, the following shall be the Fees applicable to each Portfolio:

I. " Base Fee "

[*]

II. "Fee Premium"

[*]

*** Confidential**

SCHEDULE 2

DISTRIBUTION SCHEDULE

Proceeds (" Proceeds ") of the Receivables of each separate Portfolio, whether through sale, lease, collection or repurchase by a prior owner, shall be paid to an account of Servicer and shall be distributed by the Servicer on a weekly basis by Wednesday for the prior week ending on Sunday as follows:

(i) first to Servicer for (A) out-of-pocket costs relating to obtain information concerning Receivables and/or account debtors of such Receivables, including but not limited to skip tracing and credit bureau reports not to exceed in the aggregate on average $[*] per Receivable and (B) reimbursement for reasonable court costs advanced by Servicer for legal actions instituted to collect Receivables pursuant to the terms of the Agreement, second , to Servicer to pay the Base Fee (as indicated in the Fee Schedule); third , to Client to pay an amount ("Cost of Funds Amount") equal to Client's Cost of Funds (as defined on Exhibit B to the Servicing Agreement) on the outstanding balance ("Purchase Price Balance") of the Purchase Price that has not been distributed to Client pursuant to the fourth clause of this paragraph; fourth , to Client an amount equal to the Purchase Price Balance of that Portfolio; and: fifth: the Fee Premium to Servicer and the remaining percentage to Client, to be distributed simultaneously to the extent of their percentage claims from the remainder of the proceeds from that Portfolio.

(ii) Notwithstanding anything in clause (i) of this section to the contrary, if by the end of the 27th month after the Purchase Date of any Portfolio, Client has not received, with respect to that Portfolio, an amount ("Purchase Price Threshold Amount") equal to the sum of [*]% of the Purchase Price plus the Cost of Funds Amount applicable to that Portfolio, then Client shall also be entitled to receive [*]% of the Fee Premium to be distributed to Servicer pursuant to clause (i) of this section for all Portfolios until such time as Client has received the Purchase Price Threshold Amount with respect to that Portfolio.

*** Confidential**

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

Subsidiary Companies

Name	Jurisdiction Under Which Organized	Percentage Owned
Asta Funding, Inc.	Delaware	
Asta Funding Acquisition I, LLC	Delaware	100 %
Asta Funding Acquisition II, LLC	Delaware	100 %
Asta Funding Acquisition IV, LLC	Delaware	100 %
Asta Commercial, LLC	Delaware	100 %
Asta Funding.com, LLC	Delaware	100 %
Palisades Acquisition I, LLC	Delaware	100 %
Palisades Acquisition II, LLC	Delaware	100 %
Palisades Acquisition IV, LLC	Delaware	100 %
Computer Finance, LLC	Delaware	100 %
Palisades Collection, LLC	Delaware	100 %
Palisades Acquisition V, LLC	Delaware	100 %
Palisades Acquisition VI, LLC	Delaware	100 %
Palisades Acquisition VII, LLC	Delaware	100 %
Palisades Acquisition VIII, LLC	Delaware	100 %
Option Card, LLC	Colorado	100 %
Palisades Acquisition IX, LLC	Delaware	100 %
VATIV Recovery Solutions LLC	Texas	100 %
Palisades Acquisition X, LLC	Delaware	100 %
EMCC PAL Auto LLC	Delaware	50 %
Cliffs Portfolio Acquisition I, LLC	Delaware	100 %
Sylvan Acquisition I. LLC	Delaware	100 %
Citizens Lending Group LLC	Delaware	100 %
Palisades Acquisition XI LLC	Delaware	100 %
Palisades Acquisition XII LLC	Delaware	100 %
Palisades Acquisition XIII LLC	Delaware	100 %
Palisades Acquisition XIV LLC	Delaware	100 %
Palisades Acquisition XV LLC	Delaware	100 %
Palisades Acquisition XVI LLC	Delaware	100 %
Palisades Acquisition XVII LLC	Delaware	100 %
Palisades Acquisition XVIII LLC	Delaware	100 %
Brook Mays Joint Venture	Massachusetts	25 %
Ventura Services LLC	Delaware	100 %
Palisades XII Do Brasil Gesto Financeira Ltda	Brazil	99.9 %

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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 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.

/s/ Gary Stern
Gary Stern
President and Chief Executive Officer
(Principal Executive Officer)

February 20, 2009

A signed original of this written statement required by Section 302 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff per request.

Exhibit 31.2

CERTIFICATION

I, Mitchell Cohen, 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 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.

/s/ Mitchell Cohen
Mitchell Cohen
Chief Financial Officer
(Principal Financial Officer)

February 20, 2009

A signed original of this written statement required by Section 302 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff per request.

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, 2008 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.

/s/ Gary Stern

Gary Stern
President and Chief Executive Officer
(Principal Executive Officer)

Dated: February 20, 2009

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the 10-K as a separate disclosure statement.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff per request.

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, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, Mitchell Cohen, 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.

/s/ Mitchell Cohen
Mitchell Cohen
Chief Financial Officer
(Principal Financial Officer)

Dated: February 20, 2009

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the 10-K as a separate disclosure statement.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff per request.