ASTA FUNDING INC

FORM 10-Q
(Quarterly Report)

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Address	210 SYLVAN AVE ENGLEWOOD CLIFFS, NJ, 07632
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

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: 001-35637

ASTA FUNDING, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**22-3388607** **(IRS Employer Identification No.)**
210 Sylvan Ave., Englewood Cliffs, New Jersey **(Address of principal executive offices)**	**07632** **(Zip Code)**

Registrant's telephone number: (201) 567-5648

Former name, former address and former fiscal year, if changed since last report: N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 8, 2017, the registrant had 6,623,815 common shares outstanding.

ASTA FUNDING, INC. AND SUBSIDIARIES
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Item 1. Financial Statements

ASTA FUNDING, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	(Unaudited) June 30, 2017	September 30, 2016
ASSETS		
Cash and cash equivalents	$ 16,570,000	$ 18,526,000
Restricted cash	35,248,000	—
Available for sale investments (at fair value)	5,500,000	56,764,000
Consumer receivables acquired for liquidation (at net realizable value)	9,118,000	13,671,000
Structured settlements (at fair value)	89,045,000	85,708,000
Investment in personal injury claims	27,538,000	48,289,000
Other investments, net	—	3,590,000
Due from third party collection agencies and attorneys	1,367,000	1,005,000
Prepaid and income taxes receivable	4,836,000	880,000
Furniture and equipment, net	178,000	243,000
Deferred income taxes	18,940,000	15,530,000
Goodwill	2,770,000	2,770,000
Other assets	5,102,000	8,423,000
Total assets	$ 216,212,000	$ 255,399,000
LIABILITIES		
Line of credit	$ 9,600,000	$ —
Other debt – CBC (including non-recourse notes payable of $72.1 million at June 30, 2017 and $57.3 million at September 30, 2016)	76,435,000	67,435,000
Other liabilities	8,272,000	5,974,000
Income taxes payable	—	252,000
Total liabilities	94,307,000	73,661,000
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; authorized 5,000,000 shares; issued and outstanding — none	—	—
Preferred stock, Series A Junior Participating, $.01 par value; authorized 30,000 shares; issued and outstanding — none	—	—
Common stock, $.01 par value, authorized 30,000,000 shares; issued 13,398,108 at June 30, 2017 and 13,336,508 at September 30, 2016; and outstanding 6,623,815 at June 30, 2017 and 11,876,224 at September 30, 2016	134,000	133,000
Additional paid-in capital	67,467,000	67,026,000
Retained earnings	122,669,000	128,063,000
Accumulated other comprehensive income (loss)	(968,000)	86,000
Treasury stock (at cost) 6,774,293 shares at June 30, 2017 and 1,460,284 shares at September 30, 2016	(67,128,000)	(12,925,000)
Non-controlling interest	(269,000)	(645,000)
Total stockholders' equity	121,905,000	181,738,000
Total liabilities and stockholders' equity	$ 216,212,000	$ 255,399,000

See Notes to Consolidated Financial Statements

ASTA FUNDING, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)
(rounded to the nearest thousands, except share data)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Revenues:				
Finance income, net	$ 3,980,000	$ 4,612,000	$ 11,999,000	$ 14,668,000
Personal injury claims income	5,569,000	9,838,000	10,017,000	14,769,000
Unrealized gain on structured settlements	7,531,000	1,422,000	5,238,000	4,586,000
Interest income on structured settlements	1,923,000	1,765,000	5,765,000	4,473,000
Loss on sale of structured settlements	(5,353,000)	—	(5,353,000)	—
Disability fee income	1,134,000	1,169,000	3,990,000	2,700,000
Total revenues	14,784,000	18,806,000	31,656,000	41,196,000
Other income (loss) - includes ($18,000) and ($32,000) during the three month periods ended June 30, 2017 and 2016, and ($1,011,000) and ($63,000) during the nine month periods ended June 30, 2017 and 2016, respectively, of accumulated other comprehensive loss reclassification for securities sold	98,000	215,000	(31,000)	1,108,000
	14,882,000	19,021,000	31,625,000	42,304,000
Expenses:				
General and administrative	9,349,000	10,591,000	36,327,000	32,039,000
Interest	1,123,000	832,000	3,039,000	2,348,000
Impairment of consumer receivables	148,000	—	148,000	124,000
	10,620,000	11,423,000	39,514,000	34,511,000
Income (loss) before income tax	4,262,000	7,598,000	(7,889,000)	7,793,000
Income tax (benefit)/expense - includes tax expense/(benefit) of $7,000 and ($13,000) during the three month periods ended June 30, 2017 and 2016 and $404,000 and ($24,000) during the nine month periods ended June 30, 2017 and 2016, respectively, of accumulated other comprehensive income reclassifications for unrealized net gains / (losses) on available for sale securities	1,700,000	2,853,000	(3,237,000)	2,461,000
Net income (loss)	2,562,000	4,745,000	(4,652,000)	5,332,000
Less: net income attributable to non-controlling interests	730,000	1,549,000	742,000	2,161,000
Net income (loss) attributable to Asta Funding, Inc.	$ 1,832,000	$ 3,196,000	$ (5,394,000)	$ 3,171,000
Net income (loss) per share attributable to Asta Funding, Inc.:				
Basic	$ 0.28	$ 0.27	$ (0.57)	$ 0.26
Diluted	$ 0.27	$ 0.26	$ (0.57)	$ 0.26
Weighted average number of common shares outstanding:				
Basic	6,577,784	11,897,139	9,389,864	12,023,156
Diluted	6,879,082	12,433,424	9,389,864	12,294,073

See Notes to Consolidated Financial Statements

ASTA FUNDING, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
June 30, 2017 and 2016
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Comprehensive income (loss) is as follows:				
Net income (loss)	$ 2,562,000	$ 4,745,000	$ (4,652,000)	$ 5,332,000
Net unrealized securities gain (loss), net of tax (expense)/benefit of $(12,000) and ($364,000) during the three month periods ended June 30, 2017 and 2016, respectively, and $11,000 and ($647,000) during the nine month periods ended June 30, 2017 and 2016, respectively.	18,000	543,000	(17,000)	1,046,000
Reclassification adjustments for securities sold, net of tax benefit of $7,000 and $13,000 during the three month periods ended June 30, 2017 and 2016, and $404,000 and $24,000 during the nine month periods ended June 30, 2017 and 2016, respectively.	(11,000)	(19,000)	(607,000)	(39,000)
Foreign currency translation, net of tax (expense)/benefit of $166,000 and $93,000 during the three month periods ended June 30, 2017 and 2016, respectively, and $287,000 and $650,000 during the nine month periods ended June 30, 2017 and 2016, respectively.	(249,000)	9,000	(430,000)	505,000
Other comprehensive income (loss)	(242,000)	533,000	(1,054,000)	1,512,000
Total comprehensive income (loss)	$ 2,320,000	$ 5,278,000	$ (5,706,000)	$ 6,844,000

See Notes to Consolidated Financial Statements

ASTA FUNDING, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Stock Issued Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-Controlling Interests	Total Stockholders' Equity
Balance, September 30, 2016	13,336,508	133,000	67,026,000	128,063,000	86,000	(12,925,000)	(645,000)	181,738,000
Exercise of options	—	—	—	—	—	—	—	—
Stock based compensation expense	—	—	38,000	—	—	—	—	38,000
Net (loss) income	—	—	—	(5,394,000)	—	—	742,000	(4,652,000)
Amount reclassified from other comprehensive (loss) income	—	—	—	—	(607,000)	—	—	(607,000)
Unrealized loss on marketable securities, net	—	—	—	—	(17,000)	—	—	(17,000)
Purchase of treasury stock	—	—	—	—	—	(54,203,000)	—	(54,203,000)
Foreign currency translation, net	—	—	—	—	(430,000)	—	—	(430,000)
Issuance of unrestricted stock	61,600	1,000	403,000	—	—	—	—	404,000
Distributions to non-controlling interest	—	—	—	—	—	—	(366,000)	(366,000)
Balance, June 30, 2017	13,398,108	$ 134,000	$ 67,467,000	$ 122,669,000	$ (968,000)	$ (67,128,000)	$ (269,000)	$ 121,905,000

	Common Stock Issued Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-Controlling Interests	Total Stockholders' Equity
Balance, September 30, 2015	13,061,673	$ 131,000	$ 65,011,000	$ 120,611,000	$ (1,685,000)	$ (1,751,000)	$ (997,000)	$ 181,320,000
Exercise of options	107,531	1,000	871,000					872,000
Stock based compensation expense	—	—	567,000	—	—	—	—	567,000
Restricted stock	5,000	—	—	—	—	—	—	—
Net income	—	—	—	3,171,000	—	—	2,161,000	5,332,000
Unrealized gain on marketable securities, net	—	—	—	—	1,007,000	—	—	1,007,000
Purchase of treasury stock	—	—	—	—	—	(11,174,000)	—	(11,174,000)
Foreign currency translation, net	—	—	—	—	505,000	—	—	505,000
Purchase of subsidiary shares from non-controlling interest	—	—	(873,000)	—	—	—	(927,000)	(1,800,000)
Issuance of restricted stock to purchase subsidiary shares from non-controlling interest	123,304	1,000	999,000	—	—	—	—	1,000,000
Distributions to non-controlling interest	—	—	—	—	—	—	(1,139,000)	(1,139,000)
Balance, June 30, 2016	13,297,508	$ 133,000	$ 66,575,000	$ 123,782,000	$ (173,000)	$ (12,925,000)	$ (902,000)	$ 176,490,000

See Notes to Consolidated Financial Statements

ASTA FUNDING, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Cash flows from operating activities :		
Net (loss) income	$ (4,652,000)	$ 5,332,000
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	267,000	442,000
Deferred income taxes	(2,994,000)	(662,000)
Impairment of consumer receivables acquired for liquidation	148,000	124,000
Bad debt recovery	(242,000)	—
Stock based compensation	81,000	567,000
Loss on sale of available-for-sale securities	1,011,000	63,000
Structured settlements – accrued interest	(4,760,000)	(3,907,000)
Structured settlements – unrealized gains	(5,238,000)	(4,586,000)
Realized loss on sale of structured settlements	5,353,000	—
Unrealized gain on other investments	—	(246,000)
Unrealized foreign exchange loss on other investments	—	59,000
Reserve for loss on other investments	—	1,000,000
Loss on other investments	3,590,000	—
Operating lease adjustment	—	21,000
Changes in:		
Prepaid and income taxes receivable	(3,956,000)	2,064,000
Due from third party collection agencies and attorneys	(362,000)	341,000
Other assets	3,140,000	(964,000)
Income taxes payable	(252,000)	—
Other liabilities	2,229,000	2,686,000
Net cash (used in)/ provided by operating activities	(6,637,000)	2,334,000
Cash flows from investing activities:		,
Purchase of consumer receivables acquired for liquidation	(2,213,000)	(6,470,000)
Principal collected on receivables acquired for liquidation	6,618,000	7,414,000
Purchase of available-for-sale securities	(13,193,000)	(11,704,000)
Proceeds from sale of available-for-sale securities	62,406,000	16,302,000
Purchase of non-controlling interest	—	(800,000)
Investments in personal injury claims – advances	(14,624,000)	(27,689,000)
Investments in personal injury claims – receipts	35,375,000	20,673,000
Capital expenditures	(21,000)	(123,000)
Investments in structured settlements – advances	(13,363,000)	(12,264000)
Investments in structured settlements – receipts	7,186,000	5,508,000
Proceeds from sale of structured settlements	7,727,000	—
Net cash provided by/(used in) investing activities	75,898,000	(9,153,000)
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	872,000
Purchase of treasury stock	(54,203,000)	(11,174,000)
Change in restricted cash	(35,248,000)	—
Distribution to non-controlling interest	(366,000)	(1,139,000)
Borrowings from line of credit	9,600,000	—
Borrowings of other debt – CBC	30,632,000	14,431,000
Repayment of other debt – CBC	(21,632,000)	(3,375,000)
Net cash used in financing activities	(71,217,000)	(385,000)
Net decrease in cash and cash equivalents	(1,956,000)	(7,204,000)
Cash and cash equivalents at beginning of period	18,526,000	24,315,000
Cash and cash equivalents at end of period	$ 16,570,000	$ 17,111,000
Supplemental disclosure of cash flow information :		
Cash paid for:		
Interest	$ 3,031,000	$ 2,353,000
Taxes	6,046,000	—
Supplemental disclosure of non-cash flow investing activities :		
Issuance of restricted stock to purchase subsidiary shares from non-controlling interest	$ —	$ 1,000,000
Issuance of unrestricted stock	$ 404,000	—

See Notes to Consolidated Financial Statements

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Business and Basis of Presentation

Business

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"), ASFI Pegasus Holdings, LLC ("APH"), Fund Pegasus, LLC ("Fund Pegasus"), GAR Disability Advocates, LLC ("GAR Disability Advocates"), Five Star Veterans Disability, LLC ("Five Star"), CBC Settlement Funding, LLC ("CBC"), Simia Capital, LLC ("Simia") and other subsidiaries, which are not all wholly owned (the "Company," "we" or "us"), is engaged in several business segments in the financial services industry including structured settlements through our wholly owned subsidiary CBC, funding of personal injury claims, through our 80% owned subsidiary Pegasus Funding, LLC ("Pegasus") and our wholly owned subsidiary Simia, social security and disability advocacy through our wholly owned subsidiaries GAR Disability Advocates and Five Star and the business of purchasing, managing for its own account and servicing distressed consumer receivables, including charged off receivables, and semi-performing receivables.

Consumer receivables

The Company started out in the consumer receivables business in 1994. Recently, our efforts have been in the international areas (mainly South America), as we have not purchased consumer receivables in the United States since 2010. We define consumer receivables as primary charged-off, semi-performing and distressed depending on their collectability. We acquire these consumer receivables at substantial discounts to their face values, based on the characteristics of the underlying accounts of each portfolio.

Personal injury claims

Pegasus conducts its business solely in the United States. Prior to 2017, Pegasus obtained its business from external brokers and internal sales professionals soliciting individuals with personal injury claims. Business was also obtained from the Pegasus website and through attorneys.

In November 2016, the Company formed Simia, a 100% owned subsidiary. Simia commenced funding personal injury settlement claims in January 2017. Simia was formed in response to the Company's decision not to renew its joint venture with Pegasus Legal Funding, LLC ("PLF"), which expired at the end of December 2016. Pegasus continues to remain in operation to collect its current portfolio of advances, and has not funded any new advances after December 28, 2016 (see Note 7 – Litigation Funding).

Structured settlements

CBC purchases structured settlement and annuity policies through privately negotiated direct consumer purchases and brokered transactions across the United States. CBC funds the purchases primarily from cash, its revolving line of credit, and its securitized debt, issued through its Blue Bell Receivables ("BBR") subsidiaries.

Social security and Veteran's benefit advocacy

GAR Disability Advocates and Five Star provide its disability advocacy services for individuals and veterans throughout the United States. It relies upon search engine optimization ("SEO") to bring awareness to its intended market.

Basis of Presentation

The consolidated balance sheet as of June 30 2017, the consolidated statements of operations for the three and nine month periods ended June 30, 2017 and 2016, the consolidated statements of comprehensive income (loss) for the three and nine month periods ended June 30, 2017 and 2016, the consolidated statements of stockholders' equity as of and for the nine months ended June 30, 2017 and 2016, and the consolidated statements of cash flows for the nine month periods ended June 30, 2017 and 2016, are unaudited. The September 30, 2016 financial information included in this report was derived from our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. In the opinion of management, all adjustments necessary to present fairly our financial position at June 30, 2017, the results of operations for the three and nine month periods ended June 30, 2017 and 2016 and cash flows for the nine month periods ended June 30, 2017 and 2016 have been made. The results of operations for the three and nine month periods ended June 30, 2017 and 2016 are not necessarily indicative of the operating results for any other interim period or the full fiscal year.

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Business and Basis of Presentation *(continued)*

Basis of Presentation *(continued)*

The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission and therefore do not include all information and note disclosures required under generally accepted accounting principles. The Company suggests that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016 filed with the Securities and Exchange Commission.

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

Concentration of Credit Risk – Cash and Restricted Cash

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

Cash balances are maintained at various depository institutions and are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company had cash and restricted cash balances with 13 banks at June 30, 2017 that exceeded the balance insured by the FDIC by approximately $35 million. Additionally, two foreign banks with an aggregate $2.2 million balances are not FDIC insured. There is a $10 million aggregate balance in a domestic bank that is not FDIC insured and has been reclassified to restricted cash in the balance sheet since these assets serve as collateral for the Bank of Hapoalim line of credit (see Note 9– Non Recourse Debt). The Company does not believe it is exposed to any significant credit risk due to concentration of cash.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination, and is accounted for under ASC 350. Goodwill has an indefinite useful life and is evaluated for impairment at the reporting-unit level on an annual basis during the fourth quarter or more frequently if events or changes in circumstances indicate potential impairment between annual measurement dates. The Company has the option of performing a qualitative assessment of impairment to determine whether any further quantitative testing for impairment is necessary. The initial qualitative approach assesses whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company determines it is more likely than not that the fair value is less than carrying value, a two step quantitative impairment test is performed. A step 1 analysis involves calculating the fair value of the associated reporting unit and comparing it to the reporting unit's carrying value. If the fair value of the reporting unit exceeds the carrying value of the reporting unit including goodwill and the carrying value of the reporting unit is positive, goodwill is considered not to be impaired and no further analysis is required. If the fair value of the reporting unit is less than its carrying value, step 2 of the impairment test must be performed. Step 2 involves calculating and comparing the implied fair value of the reporting unit's goodwill with its carrying value. Impairment is recognized if the estimated fair value of the reporting unit is less than its net book value. Such loss is calculated as the difference between the estimated impaired fair value of goodwill and its carrying amount. The goodwill of the Company consists of $2.8 million of which approximately $1.4 million is from the purchase of CBC and the remaining $1.4 million from the purchase of VATIV.

Recent Accounting Pronouncements

In May 2014, the FASB issued an update to ASC 606, Revenue from Contracts with Customers that will supersede virtually all existing revenue guidance. Under this update, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the entitled consideration received in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the customer contracts. This update is effective for annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. Early application is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Based on the Company's evaluation, the Company does not believe this new standard will impact the accounting for its revenues.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The main objective in developing this update is enhancing the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The effective date for this update is for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently evaluating the impact this update will have on its consolidated financial statements.

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Business and Basis of Presentation *(continued)*

Recent Accounting Pronouncements *(continued)*

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842) to amend lease accounting requirements and requires entities to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The new standard will require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. The standard update is effective for fiscal years beginning after December 15, 2018 and interim periods within those years and early adoption is permitted. The standard is to be applied using a modified retrospective approach and includes a number of optional practical expedients that entities may elect to apply. The Company is currently evaluating the impact of adopting this update on its consolidated financial statements and expects that most of its operating leases will be subject to the accounting standard update and will recognize as operating lease liabilities and right-of-use assets upon adoption.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share Based Payment Accounting, to simplify and improve areas of generally accepted accounting principles for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The effective date for this update is for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the impact this update will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For the Company, this update will be effective for interim periods and annual periods beginning after December 15, 2019. Upon adoption, the Company will accelerate the recording of its credit losses in its financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest date practicable. The Company is in the process of evaluating the provisions of the ASU, but does not expect it to have a material effect on the Company's consolidated statements of cash flows.

Note 2—Principles of Consolidation

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

Note 3—Available-for-Sale Investments

Investments classified as available-for-sale at June 30, 2017 and September 30, 2016, consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2017	$ 5,500,000	$ -	$ -	$ 5,500,000
September 30, 2016	$ 55,724,000	$ 1,089,000	$ (49,000)	$ 56,764,000

The available-for-sale investments do not have any contractual maturities. The Company sold six investments during the nine months ended June 30, 2017, with a realized loss of $1,011,000. The Company received $177,000 in capital gains distributions during the nine months ended June 30, 2017. For the nine months ended June 30, 2016, the Company sold three investments with a realized loss of $63,000 and also received $47,000 in capital gains distributions during that period. The Company recorded an aggregate realized loss of $834,000 related to its available-for-sale securities for the first nine months ended June 30, 2017 compared to an aggregate realized loss of $16,000 for the nine month period ended June 30, 2016. The Company sold three investments during the three months ended June 30, 2017 with a realized loss of $18,000. For the three months ended June 30, 2016, the Company sold one investment with a realized loss of $32,000.

At June 30, 2017, there was one investment without any recognized unrealized gain or loss. This security is considered to be an acceptable credit risk. Based on the evaluation of the available evidence, including recent changes in market rates and credit rating information, management believes if any decline in fair value for these instruments is temporary. In addition, management has the ability to hold this investment security for a period of time sufficient to allow for an anticipated recovery or maturity. Should the impairment of any security become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period in which the other-than-temporary impairment is identified.

Unrealized holding gains and losses on available-for-sale securities are included in other comprehensive income (loss) within stockholders' equity. Realized gains (losses) on available-for-sale securities are included in other income (loss) and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss).

ASTA FUNDING, INC. AND SUBSIDIARIES
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(Unaudited)

Note 4—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 primarily throughout the United States and South America.

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

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

Prior to October 1, 2013, the Company accounted for certain of its investments in finance receivables using the interest method in accordance with the guidance of ASC 310, Receivables. Under the guidance of ASC 310-30, 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. Effective October 1, 2013, due to the substantial reduction of portfolios reported under the interest method, and the ability to reasonably estimate cash collections required to account for those portfolios under the interest method, the Company concluded the cost recovery method is the appropriate accounting method in the circumstances.

Although the Company has switched to the cost recovery method on its current inventory of portfolios, the Company must still analyze a portfolio upon acquisition to ensure which method is appropriate, and 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).

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 has extensive liquidating experience in the field of distressed credit card receivables, telecommunication receivables, consumer loan receivables, retail installment contracts, consumer receivables, and auto deficiency receivables.

The Company aggregates portfolios of receivables acquired sharing specific common characteristics which were acquired within a given quarter. In addition, the Company uses a variety of qualitative and quantitative factors to estimate collections and the timing thereof. The Company obtains and utilizes, as appropriate, input, including but not limited to, monthly collection projections and liquidation rates, from 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.

ASTA FUNDING, INC. AND SUBSIDIARIES
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Note 4—Consumer Receivables Acquired for Liquidation *(continued)*

The following tables summarize the changes in the balance sheet account of consumer receivables acquired for liquidation during the following periods:

	For the Three Months Ended June 30,	
	2017	2016
Balance, beginning of period	$ 11,651,000	$ 16,784,000
Acquisitions of receivable portfolio	—	329,000
Net cash collections from collection of consumer receivables acquired for liquidation	(6,100,000)	(7,095,000)
Net cash collections represented by account sales of consumer receivables acquired for liquidation	(1,000)	(83,000)
Impairment	(148,000)	—
Effect of foreign currency translation	(264,000)	(7,000)
Finance income recognized	3,980,000	4,612,000
Balance, end of period	$ 9,118,000	$ 14,540,000
Finance income as a percentage of collections	65.2%	64.3%

	For the Nine Months Ended June 30,	
	2017	2016
Balance, beginning of period	$ 13,671,000	$ 15,608,000
Acquisitions of receivable portfolio	2,213,000	6,470,000
Net cash collections from collection of consumer receivables acquired for liquidation	(18,288,000)	(21,869,000)
Net cash collections represented by account sales of consumer receivables acquired for liquidation	(191,000)	(83,000)
Impairment	(148,000)	(124,000)
Effect of foreign currency translation	(138,000)	(130,000)
Finance income recognized	11,999,000	14,668,000
Balance, end of period	$ 9,118,000	$ 14,540,000
Finance income as a percentage of collections	64.9%	66.8%

During the three and nine month periods ended June 30, 2017, the Company purchased $0.0 million and $35.0 million, respectively, of face value portfolios at a cost of $0.0 million and $2.2 million, respectively. During the three and nine month periods ended June 30, 2016, the Company purchased $2.2 million and $123.2 million, respectively, of face value portfolios at a cost of $0.3 million and $6.5 million, respectively.

The following table summarizes collections received by the Company's third-party collection agencies and attorneys, less commissions and direct costs for the three and nine month periods ended June 30, 2017 and 2016, respectively.

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2017	2016	2017	2016
Gross collections (1)	$ 10,618,000	$ 11,097,000	32,736,000	33,965,000
Commissions and fees (2)	4,517,000	3,919,000	14,257,000	12,013,000
Net collections	$ 6,101,000	$ 7,178,000	$ 18,479,000	$ 21,952,000

(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 commission earned by third party collection agencies and attorneys, and direct costs associated with the collection effort, generally court costs. Includes a 3% fee charged by a servicer on gross collections received by the Company in connection with certain portfolios. The fee is charged for asset location, skip tracing and ultimately suing debtors in connection with this portfolio purchase.

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 5—Acquisition of CBC

On December 31, 2013, the Company acquired 80% ownership of CBC and its affiliate, CBC Management Services, LLC for approximately $5.9 million.

On December 31, 2015, the Company acquired the remaining 20% ownership of CBC for $1,800,000, through the issuance of restricted stock valued at approximately $1,000,000 and $800,000 in cash. Each of the two original principals received 61,652 shares of restricted stock at a fair market value of $7.95 per share and $400,000 in cash. An aggregate of 123,304 shares of restricted stock were issued as part of the transaction. These shares are subject to a one year lock-up period in which the holders cannot sell the shares. In addition, the shares are subject to certain sales restrictions following the initial lock-up period, which expired on December 31, 2016 (see Note 15 – Stock Based Compensation).

On January 1, 2016, the Company renewed the expiring two-year employment agreements of the two CBC principals for one year terms. The employment contracts of the original two principals expired at the end of December 2016. The Company did not renew those contracts. Ryan Silverman was appointed CEO/General Counsel effective January 1, 2017 (see Note 11 – Commitments and Contingencies).

Note 6—Structured Settlements (At Fair Value)

CBC purchases periodic payments under structured settlements and annuity policies from individuals in exchange for a lump sum payment. The Company elected to carry the structured settlements at fair value. Unearned income on structured settlements is recognized as interest income using the effective interest method over the life of the related structured settlement. Changes in fair value are recorded in unrealized gain (loss) on structured settlements in the Company's statements of operations. Unrealized gains on structured settlements is comprised of both unrealized gains resulting from fair market valuation at the date of acquisition of the structured settlements and the subsequent fair value adjustments resulting from the change in the discount rate. Of the $5.2 million of unrealized gains recognized in the nine month period ended June 30, 2017, approximately $5.9 million is due to day one gains on new structured settlements financed during the period, $0.8 million gain due to a change in the discount rate, offset by a decrease of $1.5 million in realized gains recognized as realized interest income on structured settlements during the period. There were no other changes in assumptions during the period.

We elected the fair value treatment under ASC 825-10-50-28 through 50-32 to be transparent to the user regarding the underlying fair value of the structured settlement which collateralizes the debt of CBC. The Company believes any change in fair value is driven by market risk as opposed to credit risk associated with the underlying structured settlement annuity issuer.

The purchased personal injury structured settlements result in payments over time through an annuity policy. Most of the annuities acquired involve guaranteed payments with specific defined ending dates. CBC also purchases a small number of life contingent annuity payments with specific ending dates but the actual payments to be received could be less due to the mortality risk associated with the measuring life. CBC records a provision for loss each period. The life contingent annuities are not a material portion of assets at June 30, 2017.

On April 28, 2017, CBC entered into an Assignment Agreement (the "Assignment Agreement") by and among CBC and an unrelated third party (Assignee"). The Assignment Agreement provided for the sale of a portion of the Company's life contingent asset portfolio included in the Company's structured settlements to the Assignee for a purchase price of $7.7 million. The Company realized a loss from the sale of $5.3 million for the three months and nine months ended June 30, 2017.

ASTA FUNDING, INC. AND SUBSIDIARIES
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Note 6—Structured Settlements (At Fair Value) *(continued)*

Structured settlements consist of the following as of June 30, 2017 and September 30, 2016:

	June 30, 2017	September 30, 2016
Maturity (1) (2)	$ 135,132,000	$ 133,059,000
Unearned income	(46,087,000)	(47,351,000)
Structured settlements, net	$ 89,045,000	$ 85,708,000

(1) The maturity value represents the aggregate unpaid principal balance at June 30, 2017 and September 30, 2016.
(2) There are no amounts of structured settlements that are past due, or in nonaccrual status at June 30, 2017 and September 30, 2016.

Encumbrances on structured settlements as of June 30, 2017 and September 30, 2016 are as follows:

	June 30, 2017	September 30, 2016
Notes payable secured by settlement receivables with principal and interest outstanding payable until June 2025 (3)	$ 1,716,000	$ 1,862,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until August 2026 (3)	3,947,000	4,242,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until April 2032 (3)	3,907,000	3,987,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until February 2037 (3)	17,765,000	18,978,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until March 2034 (3)	13,780,000	14,507,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until February 2043 (3)	13,259,000	13,705,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until January 2069 (3)	17,761,000	—
$25,000,000 revolving line of credit (3)	4,300,000	10,154,000
Encumbered structured settlements	76,435,000	67,435,000
Structured settlements not encumbered	12,610,000	18,273,000
Total structured settlements	$ 89,045,000	$ 85,708,000

(3) See Note 10 – Other Debt – CBC

At June 30, 2017, the expected cash flows of structured settlements based on maturity value are as follows:

September 30, 2017 (3 months)	$ 2,679,000
September 30, 2018	9,020,000
September 30, 2019	9,312,000
September 30, 2020	8,989,000
September 30, 2021	9,474,000
Thereafter	95,658,000
Total	$ 135,132,000

ASTA FUNDING, INC. AND SUBSIDIARIES
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Note 7—Litigation Funding

Personal Injury Claims

On December 28, 2011, the Company entered into a joint venture with Pegasus Legal Funding, LLC (“PLF”) in the operating subsidiary of Pegasus. Pegasus purchases interests in claims from claimants who are a party to personal injury litigation. Pegasus advances, to each claimant, funds, on a non-recourse basis at an agreed upon interest rate, in anticipation of a future settlement. The interest in each claim purchased by Pegasus consists of the right to receive, from such claimant, part of the proceeds or recoveries which such claimant receives by reason of a settlement, judgment or award with respect to such claimant’s claim. The wholly owned subsidiary, Simia, which commenced operations in January 2017, also engages in the personal injury claims business. The Company earned $10.0 million and $5.6 million in interest and fees during the nine and three month periods ending June 30, 2017, respectively, compared to $14.8 million and $9.8 million, respectively, during the nine and three month periods ending June 30, 2016. The Company had a net invested balance of $27.5 million and $48.3 million on June 30, 2017 and September 30, 2016, respectively. The Company records reserves for bad debts, which, at June 30, 2017 and 2016, amounted to $10.7 million and $7.0 million, as follows:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Balance at beginning of period	$ 10,652,000	$ 6,175,000	$ 8,542,000	$ 5,459,000
Provisions for losses	1,247,000	1,087,000	4,521,000	2,223,000
Write offs	(1,195,000)	(268,000)	(2,359,000)	(688,000)
Balance at end of period	$ 10,704,000	$ 6,994,000	$ 10,704,000	$ 6,994,000

On November 8, 2016, the Company entered into a binding Term Sheet (the “Term Sheet”) with ASFI Pegasus Holdings, LLC, Fund Pegasus, LLC, Pegasus Funding, LLC, Pegasus Legal Funding, LLC, Max Alperovich and Alexander Khanas. Pegasus is currently the Company’s personal injury claims funding business and is a joint venture that is 80% owned by the Company and 20% owned by PLF. The Company and PLF decided not to renew the Pegasus joint venture that, by its terms, terminated on December 28, 2016. The Term Sheet amends certain provisions to Pegasus’ operating agreement dated as of December 28, 2011 (as amended, the “Operating Agreement”) and governs the terms relating to the collection of its existing Pegasus portfolio (the “Portfolio”).

Pursuant to the Term Sheet, the parties agreed that Pegasus will continue in existence in order to collect advances on its existing Portfolio. The Company will fund overhead expenses relating to the collection of its Portfolio based on a budget agreed upon by the Company and PLF. Any cash received by Pegasus will be distributed to its members in the order provided for in the Operating Agreement. The Company will be repaid an amount equal to 20% of all principal collected on each investment paid back beginning October 1, 2016 and continuing through the collection of the Portfolio, which will be applied against the outstanding balance of overhead expenses previously advanced by the Company to Pegasus. Since January 2, 2017, additional overhead expenses advanced are being paid back monthly as incurred by the Company prior to the calculation and distribution of any profits.

In connection with the Term Sheet, the parties also entered into a customary mutual release and non-disparagement agreement as well as a release from the non-competition obligations under the Operating Agreement.

On November 11, 2016, the Company announced that it is continuing its personal injury claims funding business through the formation of a wholly owned subsidiary, Simia. On March 24, 2017, Simia purchased a portfolio of personal injury claims from a third party for approximately $3.0 million. The Company plans to grow Simia organically, but may from time to time purchase portfolio of assets from a third party if the opportunity presented aligns with the Company’s strategic growth plans.

The Company filed for arbitration with the American Arbitration Association ("AAA") against Pegasus in April 2017 for breaches in the Operating and Term Sheet. On April 18, 2017, the Company was granted an Emergent Award restraining the cash in Pegasus, until a formal arbitration panel is confirmed and can review the case. As of June 30, 2017 there was approximately $24.7 million in cash that was restrained under the Emergent Award, and is classified as restricted on the Company's consolidated balance sheet.

On July 17, 2017, an arbitration panel was confirmed, and a hearing date has been scheduled for August 25, 2017 on the Company's motion to have PLF removed from managing Pegasus and replacing them with Company designated representatives, and to permit disbursements to the Company in accordance with the Operating and Liquidation Agreements.

Matrimonial Claims (included in Other Assets)

On May 8, 2012, the Company formed EMIRIC, LLC, a wholly owned subsidiary of the Company. EMIRIC, LLC entered into a joint venture with California-based Balance Point Divorce Funding, LLC (“BP Divorce Funding”) to create the operating subsidiary BP Case Management, LLC (“BPCM”). BPCM is 60% owned by the Company and 40% owned by BP Divorce Funding. BPCM provides non-recourse funding to a spouse in a matrimonial action. In 2012, the Company provided a $1.0 million revolving line of credit to partially fund BPCM’s operations, with such loan bearing interest at the prevailing prime rate, with an initial term of twenty-four months. In September 2014, the agreement was revised to extend the term of the loan to August 2016, increase the credit line to $1.5 million and include a personal guarantee of the principal of BP Divorce Funding. Effective August 14, 2016, the Company extended its revolving line of credit with BP Divorce Funding until March 31, 2017, at substantially the same terms as the September 2014 amendment. On April 1, 2017, BP Divorce Funding defaulted on this agreement, and as such, the loan balance of approximately $1.5 million was deemed uncollectible and was written off in general and administrative expenses on the consolidated statement of operations during the second quarter of fiscal 2017. As of June 30, 2017, the Company’s investment in cases through BPCM was approximately $1.7 million. There was no income recognized for the nine months ended June 30, 2017 and 2016 and the Company recorded bad debt expense of $0.7 million during the three months ended June 30, 2017.

ASTA FUNDING, INC. AND SUBSIDIARIES
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N
ote 8—Furniture & Equipment

Furniture and equipment consist of the following as of the dates indicated:

	June 30, 2017	September 30, 2016
Furniture	$ 417,000	$ 417,000
Equipment	242,000	234,000
Software	1,363,000	1,350,000
	2,022,000	2,001,000
Less accumulated depreciation and amortization	1,844,000	1,758,000
Balance, end of period	$ 178,000	$ 243,000

Note 9—Non Recourse Debt

Non-Recourse Debt –Bank of Montreal ("BMO")

In March 2007, Palisades XVI borrowed approximately $227 million under the Receivables Financing Agreement, as amended in July 2007, December 2007, May 2008, February 2009, October 2010 and August 2013 (the "RFA") from BMO, in order to finance the Portfolio Purchase which had a purchase price of $300 million. The original term of the agreement was three years. This term was extended by each of the Second, Third, Fourth and Fifth Amendments and the most recent agreement signed in August 2013.

On August 7, 2013, Palisades XVI, a 100% owned bankruptcy remote subsidiary, entered into a Settlement Agreement and Omnibus Amendment (the "Settlement Agreement") with BMO as an amendment to the RFA. In consideration for a $15 million prepayment funded by the Company, BMO agreed to significantly reduce minimum monthly collection requirements and the interest rate. If and when BMO receives the next $15 million of collections from the Portfolio Purchase or from voluntary prepayments by Asta Funding, Inc., less certain credits for payments made prior to the consummation of the Settlement Agreement (the "Remaining Amount"), Palisades XVI and its affiliates would be automatically released from liability in connection with the RFA (subject to customary exceptions). A condition to the release was Palisades XVI's agreement to grant BMO, as of the time of the payment of the Remaining Amount, the right to receive 30% of net collections from the Portfolio Purchase once Palisades XVI has received from future net collections, the sum of $15 million plus voluntary prepayments included in the payment of the Remaining Amount (the "Income Interest"). On June 3, 2014, Palisades XVI paid the Remaining Amount. The final principal payment of $2,901,199 included a voluntary prepayment of $1,866,036 provided from funds of the Company. Accordingly, Palisades XVI was entitled to receive $16.9 million of future collections from the Portfolio Purchase before BMO would be entitled to receive any payments with respect to its Income Interest.

During the month of June 2016, the Company received the balance of the $16.9 million, and, as of June 30, 2017, the Company recorded a liability to BMO of approximately $164,000, which has been recorded in other liabilities in the Company's consolidated balance sheet. The funds were subsequently remitted to BMO on July 10, 2017. The liability to BMO is recorded when actual collections are received.

Bank Hapoalim B.M. ("Bank Hapoalim") Line of Credit

On May 2, 2014, the Company obtained a $20 million line of credit facility from Bank Hapoalim, pursuant to a Loan Agreement (the "Loan Agreement") among the Company and its subsidiary, Palisades Collection, LLC, as borrowers (the "Borrowers"), and Bank Hapoalim, as agent and lender. The Loan Agreement provided for a $20.0 million committed line of credit and an accordion feature providing an increase in the line of credit of up to $30 million, at the discretion of the lenders. The facility was for a term of three years at an interest rate of either LIBOR plus 275 basis points or prime, at the Company's option. The Loan Agreement included covenants that required the Company to maintain a minimum net worth of $150 million and pay an unused line fee. The facility was secured pursuant to a Security Agreement among the parties to the Loan Agreement, with property of the Borrowers serving as collateral. On March 30, 2016, the Company signed the First Amendment to the Loan Agreement (the "First Amendment") with Bank Hapoalim which amended certain terms of their banking arrangement. The First Amendment includes (a) the reduction of the interest rate to LIBOR plus 225 basis points; (b) a decrease in the minimum net worth requirement by $50 million, to $100 million and (c) modifies the Net Loss requirement from a quarterly to an annual basis. All other terms of the original agreement remain in effect. The Company has borrowed $9.6 million against the facility, which was outstanding as of June 30, 2017. There is a $10.0 million aggregate balance in Bank Hapoalim which has been reclassified as restricted cash in the consolidated balance sheet since these assets serve as collateral for the line of credit (see Note 1 – Business and Basis of Presentation). The line of credit facility expired on August 2, 2017 (see Note 22 – Subsequent Events).

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Note 10—Other Debt—CBC

The Company assumed $25.9 million of debt related to the CBC acquisition (see Note 5) on December 31, 2013, including a $12.5 million line of credit with an interest rate floor of 5.5%. Between March 27, 2014 and September 29, 2014, CBC entered into three amendments (Sixth Amendment through Eighth Amendment), resulting in the line of credit increasing to $22.0 million and the interest rate floor reduced to 4.75%. On March 11, 2015, CBC entered into the Ninth Amendment. This amendment, effective March 1, 2015, extended the maturity date on its credit line from February 28, 2015 to March 1, 2017. Additionally, the credit line was increased from $22.0 million to $25.0 million and the interest rate floor was decreased from 4.75% to 4.1%. Other terms and conditions were materially unchanged. In March 2017, the credit line was extended to April 28, 2017. On April 28, 2017, CBC entered into the Tenth Amendment, extending the credit line maturity date to June 30, 2017. On July 27, 2017 CBC entered into the Eleventh Amendment, extending the credit line maturity date to June 30, 2019 (see Note 22 – Subsequent Events).

On November 26, 2014, CBC completed its fourth private placement, backed by structured settlement and fixed annuity payments. CBC issued, through its subsidiary, BBR IV, LLC, approximately $21.8 million of fixed rate asset-backed notes with a yield of 5.4%. On September 25, 2015, CBC completed its fifth private placement, backed by structured settlement and fixed annuity payments. CBC issued, through its subsidiary, BBR V, LLC, approximately $16.6 million of fixed rate asset-backed notes with a yield of 5.1%. On July 8, 2016, CBC issued, through its subsidiary, BBR VI, approximately $14.8 million of fixed rate asset-backed notes with a yield of 4.85%. On April 7, 2017, CBC completed its seventh private placement, through its subsidiary, BBR VII, and issued approximately $18.3 million of fixed rate asset-backed notes with a yield of 5.0%.

As of June 30, 2017, the remaining debt amounted to $76.4 million, which consisted of $4.3 million drawdown from a line of credit from an institutional source and $72.1 million of notes payable issued by entities 100%-owned and consolidated by CBC. These entities are bankruptcy-remote entities created to issue notes secured by structured settlements. The following table details the other debt at June 30, 2017 and September 30, 2016:

	Interest Rate	June 30, 2017	September 30, 2016
Notes payable secured by settlement receivables with principal and interest outstanding payable until June 2025	8.75%	$ 1,716,000	$ 1,862,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until August 2026	7.25%	3,947,000	4,242,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until April 2032	7.125%	3,907,000	3,987,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until February 2037	5.39%	17,765,000	18,978,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until March 2034	5.07%	13,780,000	14,507,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until February 2043	4.85%	13,259,000	13,705,000
Notes payable secured by settlement receivables with principal and interest outstanding payable until January 2069	5.0%	17,761,000	—
Subtotal notes payable		72,135,000	57,281,000
$25,000,000 revolving line of credit expiring on June 30, 2019	4.1%	4,300,000	10,154,000
Total other debt – CBC		$ 76,435,000	$ 67,435,000

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Note 11—Commitments and Contingencies

Employment Agreement

The employment contracts of the original two CBC principals expired at the end of December 2016. The Company did not renew those contracts. Ryan Silverman was appointed CEO/General Counsel, effective January 1, 2017.

As of July 17, 2017, Patrick F. Preece is no longer employed as Chief Executive Officer of Simia. On an interim basis Gary Stern, Chairman, Chief Executive Officer and President of the Company, will undertake the responsibilities of Simia's Chief Executive Officer.

Leases

The Company leases its facilities in Englewood Cliffs, NJ, Houston, TX, New York, NY and Conshohocken, PA.

Legal Matters

In June 2015, a putative class action complaint was filed against the Company, and one of its third-party law firm servicers, alleging violation of the federal Fair Debt Collection Practices Act and Racketeer Influenced and Corrupt Organizations Act ("RICO") and state law arising from debt collection activities and default judgments obtained against certain debtors.

The Company filed a motion to strike the class action allegations and compel arbitration or, to the extent the court declines to order arbitration, to dismiss the RICO claims. On or about March 31, 2015, the court denied the Company's motion. The Company filed an appeal with the United States Court of Appeals for the Second Circuit. A mediation session was held in July 2015, at which the Company agreed to settle the action on an individual basis for a payment of $13,000 to each named plaintiff, for a total payment of $39,000. Payment was made on or about July 24, 2015. The third-party law firm servicer has not yet settled and remains a defendant in the case.

The plaintiffs' attorneys advised that they were contemplating the filing of another putative class action complaint against the Company alleging substantially the same claims as those that were asserted in this matter. In anticipation of such an eventuality, the Company agreed to non-binding mediation in order to reach a global settlement with other putative class members, which would avert the possibility of further individual or class actions with respect to the affected accounts. To date, the parties have attended two mediation sessions and are continuing to discuss a global settlement. In connection with such discussions, the parties agreed in principle to settle the action for a payment of $3.9 million (which would be split equally between the Company and the law firm servicer). The Company and law firm servicer have also agreed to cease collection activity on the affected accounts.

Accordingly, the Company set up a reserve for settlement costs of $2.0 million during the three months ended March 31, 2016, which was included in general and administrative expenses in the Company's consolidated statement of operations.

The Company reassessed the situation at September 30, 2016 and deemed that an additional $0.3 million was necessary to account for legal expenses, which was made during the three month period ended September 30, 2016. The Company reviewed the case as of June 30, 2017 and deemed that the $2.3 million reserve remains sufficient.

The Company is a defendant in a lawsuit filed in Montana state court alleging fraud and abuse of process arising from the Company's business relationship with an entity that finances divorce litigation proceedings. As of June 30, 2017, and based on its assessments of current facts and circumstances, the Company believes that it has recorded adequate reserves to cover future obligations associated with this lawsuit.

The Company filed a lawsuit in Delaware state court against a third party servicer arising from the third party servicer's failure to pay the Company certain amounts that are due the Company under a servicing agreement. The third party servicer filed a counterclaim in the Delaware action alleging that the Company owes certain amounts to the third party servicer for court costs pursuant to an alleged arrangement between the companies. The Company believes that it has meritorious defenses against this counterclaim and will continue to vigorously defend itself against any such action.

In the ordinary course of our business, we are involved in numerous legal proceedings. We regularly initiate collection lawsuits, using our network of third party law firms, against consumers. Also, consumers occasionally initiate litigation against us, in which they allege that we have violated a federal or state law in the process of collecting 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-Q, we are not involved in any other material litigation in which we are a defendant.

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Note 12—Income Recognition, Impairments, and Commissions and Fees

Income Recognition

The Company accounts for certain of its investments in finance receivables using the guidance of FASB Accounting Standards Codification ("ASC"), Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC 310"). Under the guidance of ASC 310, 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. Due to the substantial reduction of portfolios reported under the interest method, and the inability to reasonably estimate cash collections required to account for those portfolios under the interest method the Company concluded the cost recovery method is the appropriate accounting method under the circumstances.

Under the guidance of ASC 310-30, the Company must analyze a portfolio upon acquisition to ensure which method is appropriate, and 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).

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 personal injury claims at an agreed upon interest rate, in anticipation of a future settlement. The interest purchased by Pegasus in each claim consists of the right to receive from such claimant part of the proceeds or recoveries which such claimant receives by reason of a settlement, judgment or award with respect to such claimant's claim. Open case revenue is estimated, recognized and accrued at a rate based on the expected realization and underwriting guidelines and facts and circumstances for each individual case. These personal injury claims are non-recourse. When a case is closed and the cash is received for the advance provided to a claimant, revenue is recognized based upon the contractually agreed upon interest rate, and, if applicable, adjusted for any changes due to a settled amount and fees charged to the claimant.

The funding of matrimonial actions is on a non-recourse basis. Revenue from matrimonial actions is recognized under the cost recovery method.

CBC purchases periodic payments under structured settlements and annuity policies from individuals in exchange for a lump sum payment. The Company elected to carry structured settlements at fair value. Unearned income on structured settlements is recognized as interest income using the effective interest method over the life of the related settlement. Changes in fair value are recorded in unrealized gain (loss) in structured settlements in our statements of operations.

The Company recognizes revenue for GAR Disability Advocates and Five Star when cases close and fees are collected.

Impairments

The Company accounts for its impairments in accordance with ASC 310, which provides guidance on how to account 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. The recognition of income under ASC 310 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, ASC 310 permits the change to the cost recovery method. The Company will recognize income only after it has recovered its carrying value. If collection projections indicate the carrying value will not be recovered, an impairment is required. The impairment will be equal to the difference between the carrying value at the time of the forecast and the corresponding estimated remaining future collections.

In October 2014, the Company invested $5.0 million in Class A shares of the Topaz MP Fixed Income Fund ("Topaz Fund"), a closed end fund. The Topaz Fund invests indirectly in various portfolios of Non-Performing Small Consumer Loans. The objective of the fund is to obtain a fixed return cash flow representing interest on the invested capital. According to the investment memorandum of the fund, the Topaz Fund proposed to make semi-annual distributions of 14% annual compounded interest on June and December of each year. Since December 2015, no distribution has been received by the Company. The Company received letters from the fund's General Partner explaining that the distributions were not made due to the negative performance of the fund for the periods.

During the fiscal year 2016, the Company recorded an impairment loss on this investment of $1.0 million, which was included in general and administrative expenses in the consolidated statements of operations. In fiscal year 2017, the Company received an announcement that the investment was being liquidated. After careful consideration, the $3.4 million carrying value of this investment was written off as of March 31, 2017.

ASTA FUNDING, INC. AND SUBSIDIARIES
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Note 12—Income Recognition, Impairments, and Commissions and Fees *(continued)*

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 utilizes third party collection agencies and attorney networks.

Note 13—Income Taxes

At the end of each interim reporting period, the Company estimates its effective income tax rate expected to be applicable for the full year. The estimate is used in providing for income taxes on a year-to-date basis and may change in subsequent interim periods. The Company's effective tax rate from operations for the three months ended June 30, 2017 and nine months ended June 30, 2017 was 40% and 41% for each period, compared to 38% and 32% in the same periods of the prior year. The effective rate for fiscal 2017 differed from the U.S. federal statutory rate of 34% due to state income taxes, and other permanent differences. The effective rate for fiscal 2016 differed from the U.S. federal statutory rate of 35% primarily due to state income taxes and other permanent differences.

The Company files income tax returns in the U.S federal jurisdiction, various state jurisdictions, and various foreign countries. The tax returns for the 2014 through 2015 fiscal years are currently under examination by the Internal Revenue Service. The Company does not have any uncertain tax positions.

ASTA FUNDING, INC. AND SUBSIDIARIES
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Note 14—Net Income (Loss) per Share

Basic per share data is calculated by dividing net income (loss) by the weighted average shares outstanding during the period. Diluted earnings per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of securities, including the effect of shares issuable under the Company's stock based compensation plans. With respect to the assumed proceeds from the exercise of dilutive options, the treasury stock method is calculated using the average market price for the period.

The following table presents the computation of basic and diluted per share data for the three months ended June 30, 2017 and 2016 (rounded to the nearest thousands, except share data):

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic	$ 1,832,000	6,577,784	$ 0.28	$ 3,196,000	11,897,139	$ 0.27
Effect of Dilutive Stock		301,298	(0.01)		536,285	(0.01)
Diluted	$ 1,832,000	6,879,082	$ 0.27	$ 3,196,000	12,433,424	$ 0.26

The following table presents the computation of basic and diluted per share data for the nine months ended June 30, 2017 and 2016 (rounded to the nearest thousands, except share data):

	Nine Months Ended June, 2017			Nine Months Ended June 30, 2016		
	Net Loss	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic	$ (5,394,000)	9,389,864	$ (0.57)	$ 3,171,000	12,023,156	$ 0.26
Effect of Dilutive Stock		—			270,917	—
Diluted	$ (5,394,000)	9,389,864	$ (0.57)	$ 3,171,000	12,294,073	$ 0.26

For the three months ended June 30, 2017, 942,067 options at a weighted average exercise price of $8.15 were not included in the diluted earnings per share calculation as they were antidilutive.

For the three months ended June 30, 2016, 56,007 options at a weighted average exercise price of $12.55 were not included in the diluted earnings per share calculation as they were antidilutive

For the nine months ended June 30, 2016, 186,082 options at a weighted average exercise price of $10.88 were not included in the diluted earnings per share calculation as they were antidilutive

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 15—Stock Based Compensation

The Company accounts for stock-based employee compensation under ASC 718, Compensation — Stock Compensation ("ASC 718"). ASC 718 requires that compensation expense associated with stock options and other stock based awards be recognized in the statement of operations, rather than a disclosure in the notes to the Company's consolidated financial statements.

On December 16, 2015, the Compensation Committee of the Board ("Compensation Committee") granted 67,100 stock options to non-officer employees of the Company, of which 9,100 options vested immediately and the remaining 58,000 stock options vest in three equal annual installments and accounted for as one graded vesting award. The exercise price of these options was at the market price on that date. The weighted average assumptions used in the option pricing model were as follows:

Risk-free interest rate	0.24%
Expected term (years)	6.25
Expected volatility	23.4%
Dividend yield	0.00%

On December 16, 2015, the Compensation Committee granted 5,000 restricted shares to a non-officer employee of the Company. These shares vested fully in March 2016. On December 31, 2015, the Company issued an aggregate of 123,304 shares to the two former CBC principals (see Note 5 – Acquisition of CBC). These shares are subject to a one year lock up period in which the holders cannot sell the shares. In addition, the shares are subject to certain sales restrictions following the initial lock-up period which expired on December 31, 2016 (see Note 5 – Acquisition of CBC).

On June 8, 2017, the Compensation Committee granted 56,600 stock options to an officer and employees of the Company, of which 10,000 options vested immediately, 10,000 options vest on January 1, 2018, 10,000 options vest on January 1, 2019 and the remaining 26,600 stock options vest in three equal annual installments and accounted for as one graded vesting award. The exercise price of these options was at the market price on that date. The weighted average assumptions used in the option pricing model were as follows:

Risk-free interest rate	1.86%
Expected term (years)	5.97
Expected volatility	26.27%
Forfeiture rate	3.49%
Dividend yield	0.00%

Note 16—Stock Option Plans

2012 Stock Option and Performance Award Plan

On February 7, 2012, the Board adopted the Company's 2012 Stock Option and Performance Award Plan (the "2012 Plan"), which was approved by the stockholders of the Company on March 21, 2012. The 2012 Plan replaces the Equity Compensation Plan (as defined below).

The 2012 Plan provides the Company with flexibility with respect to equity awards by providing for grants of stock awards (i.e. restricted or unrestricted), stock purchase rights and stock appreciation rights, in addition to the granting of stock options.

The Company authorized 2,000,000 shares of Common Stock for issuance under the 2012 Plan. Under the 2012 Plan, the Company has granted options to purchase an aggregate of 540,800 shares, an award of 245,625 shares of restricted stock, and has cancelled 67,868 options, leaving 1,281,443 shares available as of June 30, 2017. As of June 30, 2017, approximately 88 of the Company's employees were able to participate in the 2012 Plan.

Equity Compensation Plan

On December 1, 2005, the Board 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 2002 Stock Option Plan (as defined below).

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 authorized 1,000,000 shares of Common Stock for issuance under the Equity Compensation Plan. As of March 21, 2012, no more awards may be issued under this plan.

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 16—Stock Option Plans

2002 Stock Option Plan

On March 5, 2002, the Board adopted the Company's 2002 Stock Option Plan (the "2002 Plan"), which was approved by the stockholders of the Company 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 2002 Plan authorizes 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 of the Company.

The Company authorized 1,000,000 shares of Common Stock authorized for issuance under the 2002 Plan. As of March 5, 2012, no more awards could be issued under this plan.

Summary of the Plans

Compensation expense for stock options and restricted stock is recognized over the vesting period. Compensation expense for restricted stock is based upon the market price of the shares underlying the awards on the grant date.

The following table summarizes stock option transactions under the 2012 Plan, the 2002 Plan, and the Equity Compensation Plan:

	Nine Months Ended June 30,			
	2017		2016	
	Number Of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding options at the beginning of period	949,667	$ 8.47	1,043,566	$ 8.47
Options granted	56,600	6.55	67,100	7.93
Options exercised	—	—	(107,531)	8.11
Options forfeited/cancelled	(53,800)	14.01	(8,300)	8.14
Outstanding options at the end of period	952,467	$ 8.05	994,835	$ 8.47
Exercisable options at the end of period	867,195	$ 8.13	874,826	$ 8.51

	Three Months Ended June 30,			
	2017		2016	
	Number Of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding options at the beginning of period	896,867	$ 8.14	1,094,867	$ 8.45
Options granted	56,600	6.55	—	—
Options exercised	—	—	(100,032)	8.24
Options forfeited/cancelled	(1,000)	7.93	—	—
Outstanding options at the end of period	952,467	$ 8.05	994,835	$ 8.47
Exercisable options at the end of period	867,195	$ 8.13	874,826	$ 8.51

Note 16—Stock Option Plans *(continued)*

The following table summarizes information about the 2012 Plan, 2002 Plan, and the Equity Compensation Plan outstanding options as of June 30, 2017:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number of Shares Outstanding	Weighted Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Exercise Price
$2.8751–$4.3000	3,800	1.8	2.95	3,800	$ 2.95
$5.7501–$8.6250	824,167	5.1	7.86	738,895	7.94
$8.6251–$11.5000	124,500	5.6	9.40	124,500	9.40
	952,467	5.1	8.05	867,195	$ 8.13

The Company recognized $38,000 and $30,000 of compensation expense related to the stock option grants during the nine and three month periods ended June 30, 2017, respectively. The Company recognized $453,000 and $126,000 of compensation expense related to the stock option grants during the nine and three month periods ended June 30, 2016, respectively. As of June 30, 2017, there was $132,000 of unrecognized compensation cost related to stock option awards. The weighted average period over which such costs are expected to be recognized is 2.0 years.

The intrinsic value of the outstanding and exercisable options as of June 30, 2017 was approximately $287,000 and $208,000, respectively. The weighted average remaining contractual life of exercisable options is 4.7 years. There were no options exercised during the nine and three month periods ended June 30, 2017. The fair value of the stock options that vested during the nine and three month periods ended June 30, 2017 was approximately $734,000 and $81,000, respectively. The fair value of the stock options that vested during the nine and three month periods ended June 30, 2016 was approximately $1,368,000 and $120,000, respectively. There fair value of the options granted during the nine and three month periods ended June 30, 2017 was $371,000 for both periods. The fair value of the options granted during the nine and three month periods ended June 30, 2016 was approximately $709,000 and $0, respectively.

The following table summarizes information about restricted stock transactions:

	Nine Months Ended June 30,			
	2017		2016	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at the beginning of period	—	$ —	44,107	$ 9.28
Awards granted	—	—	128,304	7.89
Vested	—	—	(39,107)	9.57
Forfeited	—	—	—	—
Unvested at the end of period	—	$ —	133,304	$ 7.92

	Three Months Ended June 30,			
	2017		2016	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at the beginning of period	—	$ —	138,304	$ 7.92
Awards granted	—	—	—	—
Vested	—	—	(5,000)	—
Forfeited	—	—	—	
Unvested at the end of period	—	$ —	133,304	$ 7.92

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Note 16—Stock Option Plans *(continued)*

The Company did not recognize any compensation expense related to the restricted stock awards during both the nine and three month periods ended June 30, 2017, respectively. The Company recognized $114,000 and $13,000 of compensation expense related to the restricted stock awards during the nine and three month periods ended June 30, 2016, respectively. As of June 30, 2017, there was no unrecognized compensation cost related to restricted stock awards. An aggregate of 5,000 shares of restricted stock was granted during the first nine months of fiscal year 2016, all of which were granted to a non-officer employee. The fair value of the awards vested during the nine month periods ended June 30, 2017 and 2016 was $0 and $326,000 respectively.

The Company recognized an aggregate total of $38,000 and $30,000 in compensation expense for the nine and three month periods ended June 30, 2017, respectively, for the stock options and restricted stock grants. The Company recognized an aggregate total of $567,000 and $139,000 in compensation expense for the nine and three month periods ended June 30, 2016, respectively, for the stock options and restricted stock grants. As of June 30, 2017, there was a total of $132,000 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 17—Stockholders' Equity

Dividends are declared at the discretion of the Board and depend upon the Company's financial condition, operating results, capital requirements and other factors that the Board deems relevant. In addition, agreements with the Company's lenders may, from time to time, restrict the ability to pay dividends. As of June 30, 2017, there were no such restrictions. No dividends were declared during the three and nine month periods ended June 30, 2017 and 2016.

On August 11, 2015, the Board approved the repurchase of up to $15,000,000 of the Company's common stock and authorized management of the Company to enter into the Shares Repurchase Plan under Sections 10b-18 and 10b5-1 of the Securities Exchange Act (the "Shares Repurchase Plan"). The Shares Repurchase Plan was to have been effective to December 31, 2015. On December 17, 2015 the Board approved the extension of the Plan to March 31, 2016 and reset the maximum to an additional $15 million in repurchases. On March 17, 2016, having repurchased approximately $9.9 million of the Company's common stock, the Board approved further extension of the Plan to December 31, 2016 and reset the maximum to $15 million in repurchases. On March 22, 2016, a Company shareholder commenced a tender offer on the Company's common stock. Per the provisions of the Shares Repurchase Plan, it terminated immediately, and no further purchases were permitted under the Shares Repurchase Plan. Through September 30, 2016, the Company purchased approximately 1,186,000 shares at an aggregate cost of approximately $10.1 million under the Shares Repurchase Plan.

On May 25, 2016, the Company entered into a Mutual Confidentiality Agreement (the "Agreement") with MPF InvestCo 4, LLC, a wholly owned subsidiary of The Mangrove Partners Master Fund, Ltd. ("Mangrove"), pursuant to which Mangrove and the Company agreed to (1) provide certain Confidential Information (as defined below) to the other party to the Agreement and the other party's representatives, (2) the confidentiality of the Confidential Information, and (3) certain restrictions on the activities of the parties to the Agreement.

As of December 31, 2016, and for the three month periods ended December 31, 2015 and 2016, Mangrove, due to their ownership in the Company's common stock, which was acquired in a series of OTC transactions, was deemed to be a related party.

Pursuant to the Agreement, the Company made available to Mangrove and its representatives certain confidential information relating to the Company or its subsidiaries, and Mangrove agreed to make available to the Company and its representatives certain confidential information relating to Mangrove and its affiliates (collectively, the "Confidential Information"). The Company and Mangrove agreed not to disclose the Confidential Information, and to cause each of their representatives, respectively, not to disclose the Confidential Information, except as required by law. Pursuant to the Agreement, the Company provided information requested by Mangrove to one or more of Mangrove's representatives and such representatives prepared summaries of such information (the "Summaries"). The Company approved the Summaries, and the approved Summaries were provided to Mangrove. The Company agreed to release the approved Summaries publicly on or prior to the end of the Extended Period (as defined in the Agreement), to the extent that the information contained in the Summaries has not already been disclosed.

Further, under the terms of the Agreement, Mangrove and the Company had agreed to certain restrictions during the Discussion Period, which began on May 25, 2016 and the Extended Period, including that, unless consented to by the other party to the Agreement or required by applicable law, neither party will, and shall cause its affiliates and representatives not to, (i) commence any litigation against the other party, (ii) make any filing with the Securities and Exchange Commission of proxy solicitation materials, preliminary proxy statement, definitive proxy statement or otherwise or call any annual or special meeting of stockholders of the Company, (iii) publicly refer to: (a) the Confidential Information or Discussion Information (as defined in the Agreement), (b) any annual or special meetings of stockholders of the Company or (c) any prior discussions between the parties, including in any filing with the Securities and Exchange Commission (including any proxy solicitation materials, preliminary proxy statement, definitive proxy statement or otherwise), in any press release or in any other written or oral disclosure to a third party, (iv) make any purchases of the Company's securities, including, but not limited to, pursuant to any stock buyback plans, tender offers, open-market purchases, privately negotiated transactions or otherwise, (v) make any demand under Section 220 of the Delaware General Corporation Law, (vi) make or propose to make any amendments to the Company's Certificate of Incorporation, as amended, or By-laws, as amended, (vii) adopt, renew, propose or otherwise enter into a Shareholder Rights Plan with respect to the Company's securities, (viii) adopt or propose any changes to the Company's capital structure or (ix) negotiate, discuss, enter into, propose or otherwise transact in any extraordinary transactions with respect to the Company, outside the ordinary course of business, including, but not limited to, any mergers, asset sales or asset purchases.

ASTA FUNDING, INC. AND SUBSIDIARIES
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Note 17—Stockholders' Equity (*continued*)

On November 21, 2016, Mangrove notified the Company that Mangrove was terminating the Agreement with the Company. Under the Agreement, the Company and Mangrove agreed to (1) provide certain Confidential Information (as defined below) to the other party to the Agreement and the other party's representatives, (2) maintain the confidentiality of the Confidential Information, and (3) certain restrictions on the activities of the parties to the Agreement. Upon termination of the Discussion Period, the agreement provides for a period of 30 days thereafter (the "Extended Period"). Throughout the Extended Period of the Agreement, the parties are subject to the standstill provisions of the Agreement. Following the Discussion Period and the Extended Period, nothing in the Agreement shall prohibit any party from taking any of the activities referred to as the Restricted Activities, and specifically nothing shall restrict Mangrove or its representatives from calling a special meeting, nominating one or more candidates to serve as directors of the Company or commencing, or announcing its intention to commence, a "solicitation" of "proxies" (as such terms are used in Regulation 14A of the Securities Exchange Act of 1934, as amended) to vote with respect to any meeting of stockholders of the Company. The effective termination date of this Agreement was January 6, 2017.

On January 6, 2017, the Company entered into a settlement agreement (the " Settlement Agreement ") with Mangrove and, for limited purposes stated therein, Gary Stern, Ricky Stern, Emily Stern, Arthur Stern, Asta Group, Incorporated and GMS Family Investors LLC (collectively, the " Stern Family ").

The Settlement Agreement provided that, within ten business days following the date of the Settlement Agreement, the Company will commence a self-tender offer (" Tender Offer ") to repurchase for cash 5,314,009 shares of its common stock at a purchase price of $10.35 per share. The Tender Offer will expire no later than February 28, 2017. Pursuant to the Settlement Agreement, Mangrove will tender its 4,005,701 shares for purchase by the Company. The Stern Family has agreed not to tender any of their shares in the Tender Offer. In addition, pursuant to a securities purchase agreement dated January 6, 2017 between Mangrove and Gary Stern (the "Purchase Agreement"), Gary Stern will purchase any remaining shares owned by Mangrove eleven business days following the closing of the Tender Offer for $10.35 per share.

The Settlement Agreement includes customary standstill and related provisions. Mangrove and the Company also agreed on a mutual release of claims. Additionally, the Company indemnified Mangrove from and against any excise tax imposed as a result of this Settlement Agreement.

The Settlement Agreement was terminable by either the Company or Mangrove by written notice at any time after the close of business on the second anniversary of the Settlement Agreement. The Settlement Agreement will also terminate if the Tender Offer does not close on or before February 28, 2017 or the Company amends the terms of the Tender Offer in a manner adverse to Mangrove.

In connection with the Settlement Agreement, the Company also entered into a Voting Agreement dated January 6, 2017 (the " Voting Agreement ") with Gary Stern, Ricky Stern, Emily Stern, Asta Group, Incorporated and GMS Family Investors LLC (collectively, the " Stern Stockholders "). The Voting Agreement provides that the Stern Stockholders will not have the right to vote more than 49% of the Company's total outstanding shares, and any additional shares held by the Stern Stockholders will be voted in a manner proportionate to the votes of the outstanding shares not held by the Stern Stockholders.

On January 19, 2017, the Company commenced a self-tender offer to purchase for cash up to 5,314,009 shares of its common stock at a purchase price of $10.35 per share, less applicable withholding taxes and without interest. The Company made the tender offer pursuant to the Settlement Agreement dated as of January 6, 2017, by and among the Company, Mangrove and certain of their respective affiliates, pursuant to which Mangrove and its affiliates would tender their 4,005,701 shares. The tender offer would reduce the number of shares in the public market.

If more than 5,314,009 shares had been tendered, the Company would have purchased all tendered shares on a pro rata basis, subject to the conditional tender provisions described in the Offer to Purchase. Pursuant to the Settlement Agreement, Gary Stern (or his permitted assignees) had unconditionally agreed to purchase from Mangrove and its affiliates any shares owned by Mangrove and its affiliates that the Company did not purchase in the tender offer.

The tender offer expired on February 15, 2017, at 11:59 p.m., New York City time. Based on the final count by American Stock Transfer & Trust Company, LLC ("AMSTOCK"), the depositary for the tender offer, a total of approximately 6,022,253 shares of the Company's common stock were validly tendered and not validly withdrawn. Because the tender offer was oversubscribed by 708,244 shares, the Company purchased only a prorated portion of the shares properly tendered by each tendering stockholder. The depositary had informed the Company that the final proration factor for the tender offer was approximately 88.24% of the shares validly tendered and not validly withdrawn. AMSTOCK promptly issued payment for the 5,314,009 shares accepted pursuant to the tender offer and returned all other shares tendered and not purchased. The shares acquired represented approximately 44.7% of the total number of shares of the Company's common stock issued and outstanding as of February 6, 2017. As a result of this tender offer, the Company recorded during the second quarter an additional $54.2 million in treasury stock, and $797,000 was charged to general and administrative expenses in the consolidated statements of operations which represent the excess of the current market price of the Company's common stock on January 18, 2017 of $10.20 per share. Additionally, the Ricky Stern Family 2012 Trust (as Gary Stern's permitted assignee), acquired 471,086 Shares under the Purchase Agreement on March 10, 2017 for $4.9 million.

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Note 17—Stockholders' Equity (*continued*)

Stockholder Rights Agreement

On May 5, 2017, the Board of the Company adopted a stockholder rights plan (the "Rights Agreement"), pursuant to which the Company declared a dividend of one right (a "Right") for each of the Company's issued and outstanding shares of common stock. The dividend was paid to the stockholders of record at the close of business on May 15, 2017. Each Right entitles the holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock (the "Preferred Stock") at a price of $28.60, subject to certain adjustments.

The Rights generally become exercisable on the earlier of (i) ten business days after any person or group obtains beneficial ownership of 10% or more of the Company's outstanding common stock (an "Acquiring Person"), or (ii) ten business days after commencement of a tender or exchange offer resulting in any person or group becoming an Acquiring Person.

The exercise price payable and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution. In the event that, after a person or a group has become an Acquiring Person, the Company is acquired in a merger or other business combination transaction (or 50% or more of the Company's assets or earning power are sold), proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then-current exercise price of the Right, that number of shares of common stock of the acquiring company having a market value at the time of that transaction equal to two times the exercise price. The Company may redeem the Rights at any time before a person or group becomes an Acquiring Person at a price of $0.01 per Right, subject to adjustment. At any time after any person or group becomes an Acquiring Person, the Company may generally exchange each Right in whole or in part at an exchange ratio of one shares of common stock per outstanding Right, subject to adjustment.

Unless terminated on an earlier date pursuant to the terms of the Rights Agreement, the Rights will expire on June 1, 2018, or such later date as may be established by the Board as long as any such extension is approved by a vote of the stockholders of the Company by June 1, 2018. The Company concluded any value associated with the Right given to shareholders as a dividend is deemed deminimus.

Note 18—Fair Value of Financial Measurements and Disclosures

Disclosures about Fair Value of Financial Instruments

FASB ASC 825, Financial Instruments, ("ASC 825"), 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 estimated fair value of the Company's financial instruments is summarized as follows:

	June 30, 2017		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents (Level 1)	$ 16,570,000	$ 16,570,000	$ 18,526,000	$ 18,526,000
Restricted cash (Level 1)	35,248,000	35,248,000	—	—
Available-for-sale investments (Level 1)	5,500,000	5,500,000	56,764,000	56,764,000
Consumer receivables acquired for liquidation (Level 3)	9,118,000	41,488,000	13,671,000	47,233,000
Structured settlements (Level 3)	89,045,000	89,045,000	85,708,000	85,708,000
Other investments, net (1)	—	—	3,590,000	3,590,000
Financial liabilities				
Other debt – CBC, revolving line of credit (Level 3)	4,300,000	4,300,000	10,154,000	10,154,000
Other debt – CBC, non-recourse notes payable with varying installments (Level 3)	72,135,000	72,135,000	57,281,000	57,281,000

(1) The Company has elected to early adopt ASU 2015-07 and in accordance with ASU 2015-07, certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet. As of June 30, 2017, after receiving notification that the investment was being liquidated, the Company wrote it off.

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 18—Fair Value of Financial Measurements and Disclosures *(continued)*

Disclosures about Fair Value of Financial Instruments *(continued)*

Disclosure of the estimated fair values of financial instruments often requires the use of estimates. The Company uses the following methods and assumptions to estimate the fair value of financial instruments:

Cash and cash equivalents – The carrying amount of cash and cash equivalents approximates fair value.

Restricted cash – The carrying amount of restricted cash approximates fair value.

Available-for-sale investments – The available-for-sale securities consist of mutual funds that are valued based on quoted prices in active markets.

Consumer receivables acquired for liquidation – The Company computed the fair value of the consumer receivables acquired for liquidation using its proprietary forecasting model. The Company's forecasting model utilizes a discounted cash flow analysis. The Company's cash flows are an estimate of collections for consumer receivables based on variables fully described in Note 4 - Consumer Receivables Acquired for Liquidation. These cash flows are discounted to determine the fair value.

Structured settlements – The Company determined the fair value based on the discounted forecasted future collections of the structured settlements. Unrealized gains (losses) on structured settlements is comprised of both unrealized gains resulting from fair market valuation at the date of acquisition of the structured settlements and the subsequent fair value adjustments resulting from the change in the discount rate.

Other investments – The Company estimated the fair value using the net asset value per share of the investment. There are no unfunded commitments and the investment cannot be redeemed for 5 years from the date of the initial investment (October 2014).

Other debt CBC, revolving line of credit – The Company determined the fair value based on similar instruments in the market.

Other debt CBC, non-recourse notes payable with varying installments – The fair value at June 30, 2017 was based on the discounted forecasted future collections of the structured settlements.

Fair Value Hierarchy

The Company recorded its available-for-sale investments at estimated fair value on a recurring basis. The accompanying consolidated financial statements include estimated fair value information regarding its available-for-sale investments as of June 30, 2017, as required by FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to assess at the measurement date.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active for identical or similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and significant to the fair value of the liabilities that are developed using the reporting entities' estimates and assumptions, which reflect those that market participants would use.

A significant unobservable input used in the fair value measurement of structured settlements is the discount rate. Significant increases and decreases in the discount rate used to estimate the fair value of structured settlements could decrease or increase the fair value measurement of the structured settlements. The discount rate could be affected by factors which include, but are not limited to, creditworthiness of insurance companies, market conditions, specifically competitive factors, credit quality of receivables purchased, the diversity of the payers of the receivables purchased, the weighted average life of receivables, current benchmark rates (i.e. 10 year treasury or swap rate) and the historical portfolio performance of the originator and/or servicer.

The Company's available-for-sale investments are classified as Level 1 financial instruments based on the classifications described above. The Company did not have transfers into or (out of) Level 1 investments during the nine month period ended June 30, 2017. The Company had no Level 2 or Level 3 available-for-sale investments during the first nine months of fiscal year 2017.

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 18—Fair Value of Financial Measurements and Disclosures *(continued)*

Fair Value Hierarchy *(continued)*

The following table sets forth the Company's quantitative information about its Level 3 fair value measurements as of June 30, 2017:

	Fair Value	Valuation Technique	Significant Unobservable Input	Weighted Average Rate
Structured settlements at fair value	$ 89,045,000	Discounted cash flow	Discount rate	4.71% – 6.05%

A significant unobservable input used in the fair value measurement of the Company's structured settlements measured at fair value using unobservable inputs (Level 3) is the discount rate. The inputs comprising the discount rate include A-rated U.S. Financial yield curve, plus illiquidity spread, and cash flows of the portfolio are adjusted to take into consideration survival probabilities, if applicable.

The changes in structured settlements at fair value using significant unobservable inputs (Level 3) during the nine months ended June 30, 2017 were as follows:

Balance, September 30, 2016	$ 85,708,000
Total losses included in earnings	(115,000)
Change in allowance	242,000
Purchases	13,363,000
Sales	(7,727,000)
Interest accreted	4,760,000
Payments received	(7,186,000)
Balance, June 30, 2017	$ 89,045,000

Realized and unrealized gains and losses included in earnings in the accompanying consolidated statements of operations for the nine months ended June 30, 2017 are reported in the following revenue categories:

The amount of total gains for the nine months period included in earnings attributable to the change in unrealized gains relating to assets held at June 30, 2017	$ 5,238,000
Realized loss relating to assets sold during the nine months ended June 30, 2017	$ (5,353,000)
Total losses included in the nine months ended June 30, 2017	$ (115,000)

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19—Segment Reporting

The Company operates through strategic business units that are aggregated into four reportable segments: Consumer receivables, personal injury claims, structured settlements, and GAR Disability Advocates. The four reportable segments consist of the following:

- *Consumer receivables* – This segment is engaged in the business of purchasing, managing for its own account and servicing distressed consumer receivables, including judgment receivables, charged off receivables and semi-performing receivables. Judgment receivables are accounts where outside attorneys have secured judgments directly against the consumer. 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. Distressed consumer receivables are the unpaid debts of individuals to banks, finance companies and other credit providers. A large portion of our distressed consumer receivables are MasterCard ® , Visa ® and other credit card accounts which were charged-off by the issuers or providers for non-payment. We acquire these and other consumer receivable portfolios at substantial discounts to 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 business conducts its activities primarily under the name Palisades Collection, LLC.

- *Personal injury claims* – Pegasus Funding, LLC, an 80% owned subsidiary, and Simia, a wholly owned subsidiary, purchase interests in personal injury claims from claimants who are a party to personal injury litigation. Advances to each claimant funds on a non-recourse basis at an agreed upon interest rate, in anticipation of a future settlement. The interest in each claim purchased consists of the right to receive, from such claimant, part of the proceeds or recoveries which such claimant receives by reason of a settlement, judgment or award with respect to such claimant's claim.

- *Structured settlements* – CBC purchases periodic structured settlements and annuity policies from individuals in exchange for a lump sum payment.

- *GAR Disability Advocates* is an advocacy group which represents individuals and veterans (Five Star) nationwide in their claims for social security disability and supplemental security income benefits from the United States Social Security Administration and the Veterans Benefits Administration.

Certain non-allocated administrative costs, interest income, interest expense and various other non-operating income and expenses are reflected in Corporate. Corporate assets include cash and cash equivalents, restricted cash, available-for-sale securities, furniture and equipment, goodwill, deferred taxes and other assets.

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 19—Segment Reporting *(continued)*

The following table shows results by reporting segment for the three and nine month periods ended June 30, 2017 and 2016.

The Company eliminates revenue between segments.

(Dollars in millions)	Consumer Receivables	Personal Injury Claims	Structured Settlements	GAR Disability Advocates	Corporate	Total Company
Three Months Ended June 30,						
2017:						
Total Revenues	$ 4.0	$ 5.6	$ 4.1	$ 1.1	$ —	$ 14.8
Other income	—	—	—	—	0.1	0.1
Income (loss) before income tax	3.3	3.6	1.0	—	(3.6)	4.3
2016:						
Total Revenues	4.6	9.8	3.2	1.2	—	18.8
Other income	—	—	—	—	0.2	0.2
Income (loss) before income tax	4.2	7.7	1.0	(1.8)	(3.5)	7.6
Nine Months Ended June 30,						
2017:						
Total Revenues	12.0	10.0	5.7	4.0	—	31.7
Other income	—	—	—	—	—	—
Income (loss) before income tax	10.3	3.2	(2.5)	(1.4)	(17.5)	(7.9)
Total Assets	20.0	53.5	86.0	3.3	53.4	216.2
2016:						
Total Revenues	14.7	14.8	9.0	2.7	—	41.2
Other income	—	—	—	—	1.1	1.1
Income (loss) before income tax	10.6	10.0	2.4	(6.3)	(8.9)	7.8
Total Assets	19.4	45.3	76.4	1.6	103.1	245.8

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 20—Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income consists of:

	June 30, 2017			September 30, 2016		
	Unrealized Gain (loss) on marketable securities	Foreign currency translation, net	Total	Unrealized Gain (loss) on marketable securities	Foreign currency translation, net	Total
Beginning Balance	$ 624,000	$ (538,000)	$ 86,000	$ (205,000)	$ (1,480,000)	$ (1,685,000)
Change in unrealized (losses) gains on foreign currency translation, net of tax benefit/(expense) of $287,000 and ($628,000) at June 30 2017, and September 30, 2016, respectively.	—	(430,000)	(430,000)	—	942,000	942,000
Change in unrealized (losses) gains on marketable securities, net of tax benefit/(expense) of $404,000 and ($529,000) at June 30 2017, and September 30, 2016, respectively.	(607,000)	—	(607,000)	868,000	—	868,000
Amount reclassified from accumulated other comprehensive loss, net of tax benefit of $11,000 and $24,000 at June 30 2017, and September 30, 2016, respectively.	(17,000)	—	(17,000)	(39,000)	—	(39,000)
Net current-period other comprehensive (loss) income	(624,000)	(430,000)	(1,054,000)	829,000	942,000	$ 1,771,000
Ending balance	$ —	$ (968,000)	$ (968,000)	$ 624,000	$ (538,000)	$ 86,000

	June 30, 2016		
	Unrealized Gain (loss) on marketable securities	Foreign currency translation, net	Total
Beginning Balance	$ (205,000)	$ (1,480,000)	$ (1,685,000)
Change in unrealized (losses) gains on foreign currency translation, net of tax benefit/(expense) of $650,000 during the nine month period ended June 30, 2016.	-	505,000	505,000
Change in unrealized (losses) gains on marketable securities, net of tax benefit/(expense) of ($647,000) during the nine month period ended June 30, 2016.	1,046,000	-	1,046,000
Amount reclassified from accumulated other comprehensive loss, net of tax benefit of $24,000 during the nine month period ended June 30, 2016.	(39,000)	-	(39,000)
Net current-period other comprehensive (loss) income	1,007,000	505,000	1,512,000
Ending balance	$ 802,000	$ (975,000)	$ (173,000)

ASTA FUNDING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 21—Related Party Transactions

On September 17, 2015, the Company and Piccolo Business Advisory ("Piccolo"), which is owned by Louis Piccolo, a director of the Company, entered into a Consulting Agreement, pursuant to which Piccolo provides consulting services which includes, but is not limited to, analysis of proposed debt and equity transactions, due diligence and financial analysis and management consulting services ("services"). The Consulting Agreement is for a period of two years, which ends on September 17, 2017. For the three and nine months ended June 30, 2017 and 2016, the Company paid $20,000 and $60,000, respectively, to Piccolo for such services.

In addition, A. L. Piccolo & Co., Inc. ("ALP"), which is also owned by Louis Piccolo, received a fee from Pegasus which was calculated based on amounts loaned to Pegasus by Fund Pegasus up to maximum of $700,000. The fee is payable over six years including interest at 4% per annum from Pegasus during the term of the Pegasus Operating Agreement that expired on December 28, 2016. Thereafter, it is payable by PLF and its affiliates. For the three and nine months ended June 30, 2017 and 2016, Pegasus paid ALP $33,000 and $100,000, respectively.

In June 2015, CBC entered into an asset purchase agreement with Fortress Funding, LLC ("Fortress") to acquire an interest in certain tangible and intangible assets of Fortress, which included customer lists, equipment and other intellectual property. In consideration for these assets CBC agreed to pay Fortress $0.5 million, as well as up to an additional $1.2 million based on conversion of customers from the acquired lists obtained in the transaction. Fortress is owned by Michelle Silverman, the wife of Ryan Silverman, who in connection with the agreement was offered employment as General Counsel of CBC. Effective January 2017, Silverman was appointed as CEO, and currently serves as the CEO/General Counsel of CBC, which was previously undisclosed as a related party.

For the three and nine months ended June 30, 2017, the Company paid Fortress $0 and $0.1 million, and for the three and nine months ended June 30, 2016, $0.1 million and $0.3 million, respectively.

In June 2017, CBC reached an agreement with Fortress; to settle the remaining $0.6 million owed under the agreement, which included any future amounts that could have been paid under the agreement in exchange for shares of Asta's common stock. Under the settlement agreement the Company issued Fortress 55,000 unrestricted shares of the Company's common stock as a complete release of any future obligations under the agreement. In conjunction with this transaction the Company recognized a charge to expense of $0.4 million for the three months and nine months ended June 30, 2017, which represents the market price of the shares at the date of issuance. The Company did not recognize a gain on the settlement of this obligation.

Note 22—Subsequent Events

On August 2, 2017, the Bank Hapoalim $9.6 million line of credit expired and the Company satisfied the debt with cash that was held in deposit as collateral with the bank (see Note 9 – Non Recourse Debt).

On July 27, 2017, CBC entered into the Eleventh Amendment, extending the line of credit to June 30, 2019. The interest rate shall be the greater of prime rate and the prime rate floor of 4.1%. The Libor based rate is no longer available. Certain financial covenants were amended to remove the tangible net worth calculation to be replaced with an adjusted capitalization ratio as defined in the agreement to be maintained at all times of $16 million.

As of July 17, 2017, Patrick F. Preece is no longer employed as Chief Executive Officer of Simia. On an interim basis Gary Stern, Chairman, Chief Executive Officer and President of the Company, will undertake the responsibilities of Simia's Chief Executive Officer.

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

Caution Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21 E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included or incorporated by reference in this Quarterly Report on Form 10-Q, including without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objective of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expects," "intends," "plans," "projects," "estimates," "anticipates," or "believes" or the negative thereof or any variation there on or similar terminology or expressions.

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Important factors which could materially affect our results and our future performance include, without limitation, our ability to purchase defaulted consumer receivables at appropriate prices, changes in government regulations that affect our ability to collect sufficient amounts on our defaulted consumer receivables, our ability to employ and retain qualified employees, changes in the credit or capital markets, changes in interest rates, deterioration in economic conditions, negative press regarding the debt collection industry which may have a negative impact on a debtor's willingness to pay the debt we acquire, and statements of assumption underlying any of the foregoing, as well as other factors set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 and Item 1A of this Quarterly Report on Form 10-Q.

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the foregoing. Except as required by law, we assume no duty to update or revise any forward-looking statements.

Overview

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"), ASFI Pegasus Holdings, LLC ("APH"), Fund Pegasus, LLC ("Fund Pegasus"), GAR Disability Advocates, LLC ("GAR Disability Advocates"), Five Star Veterans Disability ("Five Star"), CBC Settlement Funding, LLC ("CBC"), Simia Capital, LLC ("Simia") and other subsidiaries, which are not all wholly owned (the "Company", "we" or "us"), is engaged in several business segments in the financial services industry, including structured settlements, through our wholly owned subsidiary, CBC, funding of personal injury claims through our 80% owned subsidiary, Pegasus Funding, LLC ("Pegasus") and our wholly owned subsidiary, Simia, social security and disability advocacy, through our wholly owned subsidiary, GAR Disability Advocates and Five Star, and the business of purchasing, managing for its own account and servicing distressed consumer receivables, including charged off receivables, and semi-performing receivables. The Company started out in the consumer receivable business in 1995 as a subprime auto lender. 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. Our efforts in this area have been in the international arena as we have discontinued our active purchasing of consumer receivables in the United States since 2010. We acquire these and other consumer receivable portfolios at substantial discounts to 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.

GAR Disability Advocates and Five Star is a social security disability advocacy firm. GAR Disability Advocates assists claimants while Five Star assists veterans in obtaining long term disability and supplemental security benefits from the United States Social Security Administration and the Veterans Benefits Administration.

Pegasus provides funding for individuals in need of short term funds pending insurance settlements of their personal injury claims. The funds are recouped when the underlying insurance settlements are paid. The long periods of time taken by insurance companies to settle and pay such claims resulting from lengthy litigation and the court process is fueling the demand for such funding.

In November 2016, the Company formed Simia, a 100% owned subsidiary. Simia commenced funding personal injury settlement claims in January 2017. Simia was formed in response to the Company's decision not to renew its joint venture with Pegasus Legal Funding, LLC ("PLF"), which expired at the end of December 2016. Pegasus continues to remain in operation to collect its current portfolio of advances, but has not funded any new advances after December 28, 2016. Simia is being operated by a management team, with significant experience in the personal injury funding business.

CBC invests in structured settlements and provides liquidity to consumers by purchasing certain deferred payment streams including, but not limited to, structured settlements and annuities. CBC generates business from direct marketing as well as through wholesale purchases from brokers or other third parties. CBC has its principal office in Conshohocken, Pennsylvania. CBC primarily warehouses the receivables it originates and periodically resells or securitizes those assets on a pooled basis. The structured settlement marketplace is regulated by federal and state law, requiring that each transaction is reviewed and approved by court order.

The Company operates principally in the United States in four reportable business segments.

Financial Information About Operating Segments

The Company operates through strategic business units that are aggregated into four reportable segments consisting of the following:

- *Consumer receivables* segment is engaged in the business of purchasing, managing for its own account and servicing distressed consumer receivables, including charged off and semi-performing receivables, primarily in the international sector. The 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. Distressed consumer receivables are the unpaid debts of individuals to banks, finance companies and other credit providers. These receivables were acquired at substantial discounts to 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 business conducts its activities primarily under the name Palisades Collection, LLC.

- *Personal injury claims* – Pegasus purchased interests in personal injury claims from claimants who are a party to personal injury litigation through December 28, 2016. Pegasus advanced to each claimant funds on a non-recourse basis at an agreed upon interest rate, in anticipation of a future settlement. The interest in each claim purchased by Pegasus consists of the right to receive, from such claimant, part of the proceeds or recoveries which such claimant receives by reason of settlement, judgment or award with respect to such claimant's claim. Effective January 2017, Simia has commenced funding personal injury settlement claims while Pegasus will not fund any new advances, and will remain in operation to liquidate its current portfolio of advances.

- *Structured settlements* - CBC purchases periodic structured settlements and annuity policies from individuals in exchange for a lump sum payment.

- *Social Security benefit advocacy* – GAR Disability Advocates and Five Star is a social security disability advocacy group, which obtains and represents individuals and veterans in their claims for social security disability and supplemental security income benefits from the United States Social Security Administration and the Veterans Benefits Administration.

Three of the Company's business segments accounted for 10% or more of consolidated net revenue for the three month period ended June 30, 2017. All four of the Company's business segments accounted for 10% or more of consolidated net revenue for the nine month period ended June 30, 2017. Three of the Company's business segments accounted for 10% or more of consolidated net revenue for the three and nine month periods ended June 30, 2016. The following table summarizes total revenues by percentage from the four lines of business for the three and nine month periods ended June 30, 2017 and 2016:

	Three Month Ended June 30,		Nine Month Ended June 30,	
	2017	**2016**	**2017**	**2016**
Finance income (consumer receivables)	26.9%	24.5%	37.9%	35.6%
Personal injury claims	37.7%	52.3%	31.6%	35.8%
Structured settlements	27.7%	17.0%	17.9%	22.0%
GAR Disability Advocates	7.7%	6.2%	12.6%	6.6%
Total revenues	100.0%	100.0%	100.0%	100.0%

International operations are included in the consumer receivables segment and are not significant to the overall operations of that segment.

Information about the results of each of the Company's reportable segments for the three and nine month periods ended June 30, 2017 and 2016, reconciled to the Company's consolidated results, are set forth below:

(Dollars in millions)	Consumer Receivables	Personal Injury Claims	Structured Settlements	GAR Disability Advocates	Corporate	Total Company
Three Months Ended June 30,						
2017:						
Total Revenues	$ 4.0	$ 5.6	$ 4.1	$ 1.1	$ —	$ 14.8
Other income	—	—	—	—	0.1	0.1
Income (loss) before income tax	3.3	3.6	1.0	—	(3.6)	4.3
2016:						
Total Revenues	4.6	9.8	3.2	1.2	—	18.8
Other income	—	—	—	—	0.2	0.2
Income (loss) before income tax	4.2	7.7	1.0	(1.8)	(3.5)	7.6
Nine Months Ended June 30,						
2017:						
Total Revenues	12.0	10.0	5.7	4.0	—	31.7
Other income	—	—	—	—	—	—
Income (loss) before income tax	10.3	3.2	(2.5)	(1.4)	(17.5)	(7.9)
Total Assets	20.0	53.5	86.0	3.3	53.4	216.2
2016:						
Total Revenues	14.7	14.8	9.0	2.7	—	41.2
Other income	—	—	—	—	1.1	1.1
Income (loss) before income tax	10.6	10.0	2.4	(6.3)	(8.9)	7.8
Total Assets	19.4	45.3	76.4	1.6	103.1	245.8

The Company eliminates revenue between segments.

Consumer Receivables

The consumer receivable 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; and
- *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.

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 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 credit grantors and others through privately negotiated direct sales, brokered transactions 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, financial institutions, collection agencies, investors and our financing sources;
- brokers who specialize in the sale of consumer receivable portfolios; and
- other sources.

Litigation Funding Business

In 2011, the Company purchased an 80% interest in Pegasus. “PLF”, an unrelated third party, holds the other 20% interest. The Company is committed to loan up to $22.4 million per year to Pegasus for a term of five years, all of which is secured by the assets of Pegasus. These loans has provided financing for the personal injury litigation claims and operating expenses of Pegasus.

The Pegasus business model entails the outlay of non-recourse advances to a plaintiff with an agreed-upon fee structure to be repaid from the plaintiff’s recovery. Typically, such advances to a plaintiff approximate 10-20% of the anticipated recovery. These funds are generally used by the plaintiff for a variety of urgent necessities, ranging from surgical procedures to everyday living expenses.

Pegasus’s profits and losses will be distributed at 80% to the Company and 20% to PLF. These distributions are made only after the repayment of Fund Pegasus’ principal amount loaned, plus an amount equal to advances for overhead expenses.

On November 8, 2016, the Company entered into a binding Term Sheet (the “Term Sheet”) with ASFI Pegasus Holdings, LLC, Fund Pegasus, LLC, Pegasus Funding, LLC, Pegasus Legal Funding, LLC, Max Alperovich and Alexander Khanas. The Company and PLF decided not to renew the Pegasus joint venture that, by its terms, terminated on December 28, 2016. The Term Sheet amended certain provisions to Pegasus’ Operating Agreement dated as of December 28, 2011 and governs the terms relating to the liquidation of the existing Pegasus portfolio.

Pursuant to the Term Sheet, the parties have agreed that Pegasus will continue in existence to collect advances on its Portfolio. The Company will fund overhead expenses relating to its Portfolio based on a budget agreed upon by the Company and PLF. Any cash received by Pegasus will be distributed to its members in the order provided for in the Operating Agreement. The Company will be allocated an amount equal to 20% of all principal collected on each investment paid back beginning October 1, 2016 and continuing through the collection of the Portfolio, which will be applied against the outstanding balance of overhead expenses previously advanced by the Company to Pegasus. After January 2, 2017, additional overhead expenses advanced will be paid back monthly as incurred by the Company prior to the calculation and distribution of any profits. In connection with the Term Sheet, the parties also entered into a customary mutual release and non-disparagement agreement as well as a release from the non-competition obligations under the Operating Agreement.

The Company filed for arbitration with the American Arbitration Association ("AAA") against Pegasus in April 2017 for breaches in the Operating and Liquidation Agreements. On April 18, 2017, the Company was granted an Emergent Award restraining the cash in Pegasus, until a formal arbitration panel is confirmed and can review the case. As of June 30, 2017 there was approximately $24.7 million in cash that was restrained under the Emergent Award, and is classified as restricted on the Company's consolidated balance sheet.

On July 17, 2017, an arbitration panel was confirmed, and a hearing date has been scheduled for August 25, 2017 on the Company's motion to have PLF removed from managing Pegasus and replacing them with Company designated representatives, and to permit disbursements to the Company in accordance with the Operating and Term Sheet.

On November 11, 2016, the Company formed Simia, a wholly owned subsidiary, in response to the Company’s decision not to renew its joint venture with PLF. Simia commenced funding personal injury settlement claims in January 2017. As of June 30, 2017, the Company’s net investment in personal injury cases was approximately $27.5 million.

In 2012, the Company announced the formation of EMIRIC, LLC, a wholly owned subsidiary of the Company. EMIRIC, LLC entered into a joint venture (the “Venture”) with California-based Balance Point Divorce Funding, LLC (“BP Divorce Funding”) to create the operating subsidiary BP Case Management, LLC (“BPCM”). BPCM is 60% owned by the Company and 40% owned by BP Divorce Funding. The Venture provides non-recourse funding to a spouse in a matrimonial action where the marital assets exceed $2,000,000. Such funds can be used for legal fees, expert costs and necessary living expenses. The Venture receives an agreed percentage of the proceeds received by such spouse upon final resolution of the case. BP Divorce Funding's profits and losses will be distributed 60% to BPCM and 40% to BP Divorce Funding, after the return of the Company’s investment on a case by case basis and after a 15% preferred return to the Company. BPCM’s initial investment in the Venture consisted of up to $15 million to fund divorce claims to be fulfilled in three tranches of $5 million each. Each investment tranche is contingent upon a minimum 15% cash-on-cash return to the Company. At the Company’s option, there could be an additional $35 million investment in divorce claims in tranches of $10 million, $10 million, and $15 million, also with a 15% preferred return and such investments may even exceed a total of $50 million, at BPCM’s sole option. Should the preferred return be less than 15% on any $5 million tranche, the 60%/40% profit and loss split would be adjusted to reflect BPCM’s priority to a 15% preferred return. As of June30, 2017, BPCM has invested $1.7 million, net of reserve charges, in cases managed by this Venture.

In 2012, the Company provided a $1.0 million revolving line of credit to partially fund BP Divorce Funding’s operations with such loan bearing interest at the prevailing prime rate with an initial term of twenty four months. In September 2014, the agreement was revised to extend the term of the loan to August 2016, increase the credit line to $1.5 million and include a personal guarantee of the principal of BP Divorce Funding. The revolving line of credit is collateralized by BP Divorce Funding’s profits share in the venture and other assets. Effective August 14, 2016, BPCM extended its revolving line of credit with BP Divorce Funding until March 31, 2017, at substantially the same terms as the September 2014 amendment. On April 1, 2017, BP Divorce Funding defaulted on this agreement, and as such, the loan balance of approximately $1.5 million was deemed uncollectible and was written off in general and administrative expenses on the consolidated statement of operations during the nine months ended June 30, 2017.

Structured Settlement Business

On December 31, 2013, the Company acquired 80% ownership of CBC and its affiliate, CBC Management Services, LLC, for approximately $5.9 million. In addition, the Company agreed to provide financing to CBC of up to $5.0 million, amended to $7.5 million in March 2015. On December 31, 2015, the Company acquired the remaining 20% ownership of CBC for $1.8 million, through the issuance of restricted stock valued at $1.0 million and $800,000 in cash. Each of the two original principals received 61,652 shares of restricted stock at an agreed upon market price of $8.11 per share and $400,000 in cash. An aggregate of 123,304 shares of restricted stock were issued, and $800,000 was paid. CBC purchases periodic payments under structured settlements and annuity policies from individuals in exchange for a lump sum payment.

CBC has a portfolio of structured settlements which is financed by approximately $76.4 million of debt, consisting of an $4.3 million line of credit with an institutional source and $72.1 million in notes issued by CBC to third party investors. The employment contracts of the original two principals expired at the end of December 2016. The Company did not renew those contracts. Ryan Silverman was appointed CEO/General Counsel, effective January 1, 2017.

Social Security Benefit Advocacy Business

GAR Disability Advocates and Five Star is a social security disability advocacy group, which represents individuals and veterans in their claims for social security disability and supplemental security income benefits from the United States Social Security Administration.

Critical Accounting Policies

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

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

Our extensive liquidating experience in certain asset classes such as distressed credit card receivables, consumer loan receivables and mixed consumer receivables has matured, we use the interest method 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.

The Company accounts for certain of its investments in finance receivables using the interest method under the guidance of FASB Accounting Standards Codification (“ASC”) Topic 310, Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality, (“ASC 310”). Under the guidance of ASC 310, 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. Due to the substantial reduction of portfolios reported under the interest method, and the inability to reasonably estimate cash collections required to account for those portfolios under the interest method, the Company concluded the cost recovery method is the appropriate accounting method under the circumstances.

Under the guidance of ASC 310, the Company must analyze a portfolio upon acquisition to ensure which method is appropriate, and 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).

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 personal injury claims at an agreed upon interest rate, in anticipation of a future settlement. The interest purchased by Pegasus in each claim will consist of the right to receive from such claimant part of the proceeds or recoveries which such claimant receives by reason of a settlement, judgment or award with respect to such claimant’s claim. Open case revenue is estimated, recognized and accrued at a rate based on the expected realization and underwriting guidelines and facts and circumstances for each individual case. These personal injury claims are non-recourse. When a case is closed and the cash is received for the advance provided to a claimant, revenue is recognized based upon the contractually agreed upon interest rate, and, if applicable, adjusted for any changes due to a settled amount and fees charged to the claimant.

CBC purchases periodic payments under structured settlements and annuity policies from individuals in exchange for a lump sum payment. The Company elected to carry structured settlements at fair value. Unearned income on structured settlements is recognized as interest income using the effective interest method over the life of the related settlement. Changes in fair value are recorded in unrealized gain (loss) in structured settlements in our statements of income.

The Company recognizes revenue for GAR Disability Advocates and Five Star when cases close and fees are collected.

In the following discussions, most percentages and dollar amounts have been rounded to aid in the presentation. As a result, all figures are approximations.

Results of Operations

Nine Months Ended June 30, 2017, Compared to the Nine Months Ended June 30, 2016

Finance income. For the nine months ended June 30, 2017, finance income decreased $2.7 million or 18.2% to $12.0 million from $14.7 million for the nine months ended June 30, 2016. During the nine months ended June 30, 2017, the Company purchased $35.0 million of face value portfolios at a cost of $2.2 million. During the first nine months of fiscal year 2016, the Company purchased $123.2 million of face value portfolios at a cost of $6.5 million. Net collections for the nine months ended June 30, 2017 decreased 15.8% to $18.5 million from $22.0 million for the same prior year period. During the first nine months of fiscal year 2017, gross collections decreased 3.6% or $1.3 million to $32.7 million from $34.0 million for the nine months ended June 30, 2016. Commissions and fees associated with gross collections from our third party collection agencies and attorneys increased $2.2 million, or 18.7%, to $14.3 million for the current fiscal nine month period from $12.0 million for the nine months ended June 30, 2016. Commissions and fees amounted to 43.6% of gross collections for the nine month period ended June 30, 2017, compared to 35.4% in the same period of the prior year, resulting from higher percentage of commissionable collections in the current year period.

Personal injury claims income. For the nine months ended June 30, 2017, personal injury claims income decreased $4.8 million or 32.2% from $14.8 million in the prior year to $10.0 million in the current year, as a result of the liquidation of the Pegasus joint venture, effective December 28, 2016, partially offset by income earned by Simia.

Structured settlement income. For the nine months ended June 30, 2017, structured settlement income of $5.7 million includes $5.2 million of unrealized gain, $5.8 million of interest income and a loss on sale of structured settlements $5.3 million. For the nine months ended June 30, 2016, structured settlement income of $9.0 million included $4.5 million of unrealized gains and $4.5 million of interest income. This decrease in income primarily results from the loss on sale of a portion of CBC's life contingent annuities portfolio. Unrealized gains on structured settlements is comprised of both unrealized gains resulting from fair market valuation at the date of acquisition of the structured settlements and the subsequent fair value adjustments resulting from the change in the discount rate. Of the $5.2 million of unrealized loss recognized in the nine month period ended June 30, 2017, approximately $5.9 million is due to day one gains on new structured settlements financed during the period, $0.8 million gain due to a change in the discount rate, offset by a decrease of $1.5 million in realized gains recognized as realized interest income on structured settlements during the period. There were no other changes in assumptions during the period.

Social security benefit advocacy fee income. For the nine months ended June 30, 2017, disability fee income increased $1.3 million, or 47.8%, to $4.0 million as compared to $2.7 million for the nine months ended June 30, 2016, due to the increase in the number of closed cases with the United States Social Security Administration.

Other income (loss). The following table summarizes other income (loss) for the nine months ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Interest and dividend income	$ 828,000	$ 866,000
Realized (loss)/gain	(833,000)	(16,000)
Other	(26,000)	258,000
	$ (31,000)	$ 1,108,000

General and administrative expenses. For the nine months ended June 30, 2017, general and administrative expense increased $4.3 million, or 13.4 %, to $36.3 million from $32.0 million for the nine months ended June 30, 2016, primarily due to an increase in professional fees of $2.5 million, primarily related to the Mangrove matter, increase in bad debt expense of $3.5 million, and a loss on investment of $3.4 million, partially offset by the reduction in litigation settlement costs of $2.1 million, reduction in GAR Disability Advocates office salaries of $1.5 million and advertising expense of $1.2 million.

Interest expense. For the nine months ended June 30, 2017, interest expense increased $0.7 million to $3.0 million as compared to $2.3 million for the nine months ended June 30, 2016. The increased interest expense is a result of the additional CBC debt incurred during the period to expand the investment in structured settlements and the interest expense related to the Bank Hapoalim line of credit.

Segment profit – Consumer Receivables. For the nine months ended June 30, 2017, segment profit decreased $0.3 million to $10.3 million from $10.6 million for the nine months ended June 30, 2016, primarily due to lower revenues of $2.7 million partially offset by the reduction in litigation settlement costs of $2.1 million.

Segment profit – Personal Injury Claims. For the nine months ended June 30, 2017, segment profit was $3.2 million as compared to segment profit of $10.0 million for the nine months ended June 30, 2016. The decrease is primarily attributable to increased bad debt expense of $2.3 million and the liquidation of the Pegasus joint venture that was effective December 28, 2016.

Segment loss – Structured Settlements. For the nine months ended June 30, 2017, segment loss was $2.5 million as compared to segment profit of $2.4 million for the nine months ended June 30, 2016. The $4.9 million decrease in profitability was primarily due to the loss on sale of CBC's life contingent annuities portfolio of $5.4 million, increase in interest expense of $0.5 million, outside services of $0.4 million, advertising expense of $0.3 million partially offset by increased revenues derived from the investment in structured settlements of $1.9 million.

Segment loss – GAR Disability Advocates. For the nine months ended June 30, 2017, segment loss was $1.4 million as compared to a $6.3 million loss for the same period in the prior year. This reduced loss in the current period is primarily the result of increased revenues of $1.3 million and the reduction in general and administrative expenses of $3.5 million

Income tax (benefit) expense. For the nine months ended June 30, 2017, income tax benefit, consisting of federal and state income taxes, was $3.2 million as compared to an income tax expense of $2.5 million for the nine months ended June 30, 2016, as a result of the taxable loss in the current year.

Net loss. As a result of the above, the Company had a net loss for the nine months ended June 30, 2017 of $4.7 million, as compared to $5.3 million net income for the nine months ended June 30, 2016.

Income attributable to non-controlling interest. The income attributable to non-controlling interest of $0.7 is the portion attributable to Pegasus for the nine months ended June 30, 2017, as compared to $2.2 million attributable to Pegasus and CBC for the nine months ended June 30, 2016.

Net loss attributable to Asta Funding, Inc. Net loss attributable to Asta Funding, Inc. was $5.4 million for the nine months ended June 30, 2017 as compared to net income of $3.2 million for the nine months ended June 30 2016.

The following table details non-controlling interest for the nine months ended June 30, 2017 and 2016:

	For the Nine Months Ended June 30, 2017			For the Nine Months Ended June 30, 2016		
	Pegasus Funding, LLC	CBC Settlement Funding, LLC	Total Non-Controlling Interests	Pegasus Funding, LLC	CBC Settlement Funding, LLC	Total Non-Controlling Interests
Balance, beginning of period	$ (645,000)	$ —	$ (645,000)	$ (1,768,000)	$ 771,000	$ (997,000)
Purchase of subsidiary shares from non-controlling interest	—	—	—	—	(927,000)	(927,000)
Income from non-controlling interest	742,000	—	742,000	2,005,000	156,000	2,161,000
Distributions to non-controlling interest	(366,000)	—	(366,000)	(1,139,000)	—	(1,139,000)
Balance, end of period	$ (269,000)	$ —	$ (269,000)	$ (902,000)	$ —	$ (902,000)

Three Months Ended June 30, 2017, Compared to the Three Months Ended June 30, 2016

Finance income. For the three months ended June 30, 2017, finance income decreased $0.6 million or 13.7% to $4.0 million from $4.6 million for the three months ended June 30, 2016. During the three months ended June 30, 2017, the Company did not purchase any portfolios. During the three months ended June 30, 2016, the Company purchased $2.2 million in face value of new portfolios at a cost of $0.3 million. Net collections for the three months ended June 30, 2017, decreased 15.0% to $6.1 million from $7.2 million for the three months ended June 30, 2016. During the third quarter of fiscal year 2017, gross collections decreased 4.3% or $0.5 million to $10.6 million from $11.1 million for the three months ended June 30, 2016. Commissions and fees associated with gross collections from third party collection agencies and attorneys increased to $4.5 million for the three months ended June 30, 2017 from $3.9 million for the three months ended June 30, 2016. Commissions and fees amounted to 42.5% of gross collections for the three months ended June 30, 2017, compared to 35.3% for the three months ended June 30, 2016, resulting from higher percentage of commissionable collections in the current period.

Personal injury claims income. For the three months ended June 30, 2017, personal injury claims income decreased $4.2 million to $5.6 million as compared to $9.8 million for the three months ended June 30, 2016, as a result of the liquidation of the Pegasus joint venture, effective December 28, 2016, partially offset by income earned by Simia.

Structured settlement income. For the three months ended June 30, 2017, structured settlement income of $4.1million included $7.5 million of unrealized gains and $1.9 million of interest income offset by a loss of $5.3 million on the sale of CBC's life contingent annuities portfolio. For the three months ended June 30, 2016, structured settlement income of $3.2 million included $1.4 million of unrealized gains and $1.8 million of interest income. Unrealized gains on structured settlements is comprised of both unrealized gains resulting from the fair market valuation at the date of acquisition of the structured settlements and the subsequent fair value adjustments resulting from the change in the discount rate. Of the $7.5 million of unrealized gains recognized in the three months ended June 30, 2017, approximately $1.6 million is due to day one gains on new structured settlements financed during the period, a decrease of $5.4 million in unrealized losses recognized as loss on sale of structured settlements and a $0.5 million gain due to a change in the discount rate. There were no other changes in assumptions during the period.

Social security benefit advocacy fee income. For the three months ended June 30, 2017, disability fee income decreased $0.1 million to $1.1 million as compared to $1.2 million for the three months ended June 30, 2016, due to the timing of the cases closed with the United States Social Security Administration.

Other income (loss). The following table summarizes other income (loss) for the three months ended June 30, 2017 and 2016:

	June	
	2017	2016
Interest and dividend income	$ 145,000	$ 199,000
Realized loss	(18,000)	(32,000)
Other	(29,000)	48,000
	$ 98,000	$ 215,000

General and administrative expenses. For the three months ended June 30, 2017, general and administrative expense decreased $1.2 million, or 11.7 %, to $9.4 million from $10.6 million for the three months ended June 30, 2016, primarily attributable to a reduction in GAR Disability expenses for advertising and payroll costs .

Interest expense. For the three months ended June 30, 2017, interest expense increased $0.3 million to $1.1 million as compared to $0.8 million for the three months ended June 30, 2016. The increased interest expense in the current period is the result of the additional CBC debt incurred to expand the investment in structured settlements and interest expense related to the Bank Hapoalim line of credit.

Segment profit – Consumer Receivables. For the three months ended June 30, 2017, segment profit decreased $0.9 million to $3.3 million as compared to $4.2 million for the three months ended June 30, 2016, primarily due to a decrease in revenue of $0.6 million and impairment charges of approximately $0.2 million.

Segment profit– Personal Injury Claims. For the three months ended June 30, 2017, segment profit was $3.6 million as compared to $7.7 million profit for the three months ended June 30, 2016. The decrease is primarily attributable to the increase in bad debt expense of $0.2 million and the liquidation of the Pegasus joint venture that was effective December 28, 2016.

Segment profit– Structured Settlement. For the three months ended June 30, 2017, segment profit was $1.0 million as compared to $1.0 million profit for the three months ended June 30, 2016.

Segment loss – GAR Disability Advocates. For the three months ended June 30, 2017, segment loss was $0.0 million as compared to a $1.8 million loss for the same period in the prior year. This reduced loss in the current fiscal year is primarily the result a of reduction in general and administrative expenses of $1.8 million.

Income tax expense. For the three months ended June 30, 2017, income tax expense, consisting of federal and state components, was $1.7 million as compared to income tax expense of $2.9 million for the three months ended June 30, 2016, resulting from decreased taxable income in the current period.

Net income. As a result of the above, for the three months ended June 30, 2017, the Company had a net income of $2.6 million as compared to a net income of $4.7 million for the three months ended June 30, 2016.

Income attributable to non-controlling interest. The income attributable to non-controlling interest of $0.7 million is the portion of results attributable to Pegasus for the three months ended June 30, 2017, as compared to income attributable to non-controlling interest of $1.5 million income for the three months ended June 30, 2016.

Net income attributable to Asta Funding, Inc. Net income attributable to Asta Funding, Inc. was $1.8 million for the three months ended June 30, 2017 as compared to net income of $3.2 million for the three months ended June 30, 2016.

The following table details non-controlling interest for the three months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30, 2017		For the Three Months Ended June 30, 2016	
	Pegasus Funding, LLC	Total Non-Controlling Interests	Pegasus Funding, LLC	Total Non-Controlling Interests
Balance, beginning of period	$ (999,000)	$ (999,000)	$ (2,101,000)	$ (2,101,000)
Income from non-controlling interest	730,000	730,000	1,549,000	1,549,000
Distributions to non-controlling interest	—	—	(350,000)	(350,000)
Balance, end of period	$ (269,000)	$ (269,000)	$ (902,000)	$ (902,000)

Liquidity and Capital Resources

Our primary source of cash from operations is collections on the receivable portfolios we have acquired and the funds generated from the personal injury claims and structured settlement business segments. Our primary uses of cash include repayments of debt and associated interest payment, purchases of structured settlements and advances of personal injury claims, costs involved in the collection of consumer receivables, taxes and to support the day-to-day operations of the Company.

Receivables Financing Agreement (“RFA”)

In March 2007, Palisades XVI borrowed approximately $227 million under the RFA, as amended in July 2007, December 2007, May 2008, February 2009, October 2010 and August 2013 from BMO, in order to finance the Portfolio Purchase which had a purchase price of $300 million. The original term of the agreement was three years. This term was extended by each of the Second, Third, Fourth, and Fifth Amendments and the most recent agreement signed in August 2013, discussed below.

Financing Agreement. The Settlement Agreement and Omnibus Amendment (“Settlement Agreement”) was in effect on August 7, 2013, Palisades XVI, a 100% owned bankruptcy remote subsidiary, entered into a Settlement Agreement with BMO as an amendment to the RFA. In consideration for a $15 million prepayment funded by the Company, BMO has agreed to significantly reduce minimum monthly collection requirements and the interest rate. If and when BMO were to receive the next $15 million of collections from the Portfolio Purchase, (the “Remaining Amount”) less certain credits for payments made prior to the consummation of the Settlement Agreement, the Company would be entitled to recover from future net collections the $15 million prepayment that it funded. Thereafter, BMO would have the right to receive 30% of future net collections. Upon repayment of the Remaining Amount to BMO, the Company would be released from the remaining contractual obligation of the RFA and the Settlement Agreement.

On June 3, 2014, Palisades XVI finished paying the Remaining Amount. The final principal payment of $2.9 million included a voluntary prepayment of $1.9 million provided from funds of the Company. Accordingly, Palisades XVI was entitled to receive $16.9 million of future collections from the Portfolio Purchase before BMO is entitled to receive any payments with respect to its Income Interest. During the month of June 2016, the Company received the balance of the $16.9 million, and, as of June 30, 2017, the Company recorded a liability to BMO of approximately $.02 million. The liability to BMO is recorded when actual collections are received.

Bank Hapoalim B.M. (“Bank Hapoalim”) Line of Credit

On May 2, 2014, the Company obtained a $20 million line of credit facility from Bank Hapoalim, pursuant to a Loan Agreement (the “Loan Agreement”) among the Company and its subsidiary, Palisades Collection, LLC, as borrowers, and Bank Hapoalim, as agent and lender. The Loan Agreement provides for a $20.0 million committed line of credit and an accordion feature providing an increase in the line of credit of up to $30 million, at the discretion of the lenders. The facility is for a term of three years at an interest rate of either LIBOR plus 275 basis points or prime, at the Company’s option. The Loan Agreement includes covenants that require the Company to maintain a minimum net worth of $150 million and pay an unused line fee. The facility is secured pursuant to a Security Agreement among the parties to the Loan Agreement. On March 30, 2016, the Company signed the First Amendment to the Loan Agreement (the “First Amendment”) with Bank Hapoalim which amended certain terms of their banking arrangement. The First Amendment includes (a) the reduction of the interest rate to LIBOR plus 225 basis points; (b) a decrease in the minimum net worth requirement by $50 million, to $100 million and (c) modifies the No Net Loss requirement from a quarterly to an annual basis. All other terms of the original agreement remain in effect. The Company has $9.6 million as outstanding balance against the facility as of June 30, 2017. There is a $10.0 million aggregate balance on deposit at Bank Hapoalim which has been reclassified to restricted cash in the consolidated balance sheet since these assets serve as collateral for the line of credit. On April 28, 2017, the Company renewed the line of credit facility with the new maturity date of August 2, 2017, under the existing terms and conditions as of June 30, 2017. On August 2, 2017, the Bank Hapoalim $9.6 million line of credit expired and the Company satisfied the debt with cash that was held in deposit as collateral with the bank.

Tender Offer of Company Common Shares

On March 22, 2016, MPF InvestCo 4, LLC, a wholly owned subsidiary of The Mangrove Partners Master Fund, Ltd. ("Mangrove"), filed a Tender Offer Statement with the SEC, announcing the commencement of an unsolicited tender offer to acquire up to 3,000,000 shares of Asta common stock at price of $9.00 per share (“the Mangrove Offer”). The Mangrove Offer was sent to the holders of common stock of the Issuer. If the Offer is fully subscribed, the Mangrove Offer would represent approximately 25.0% of the issued and outstanding Shares and would result in Mangrove owning an aggregate of approximately 5,102,427 Shares, which would represent approximately 42.5% of issued and outstanding Shares, based on the 12,011,476 Shares, issued and outstanding as of March 31, 2016.

On March 31, 2016, the Company announced that its Board of Directors, after careful consideration and in consultation with a special committee of the Board and its financial and legal advisors, has unanimously determined to recommend that shareholders reject the Mangrove Offer. Furthermore, the Company has announced its intention to commence an issuer tender offer for 3,000,000 shares of Asta common stock pursuant to a "Dutch Auction" format at a price range of $9.50 to $10.25 per share.

On April 15, 2016, Mangrove amended its previously announced unsolicited tender offer to acquire up to 3,000,000 shares of Asta's common stock, increasing the price per share from $9.00 to $9.50, and extending the expiration date to May 9, 2016. In addition, the amendment added certain additional conditions to Mangrove's obligation to consummate its offer. On April 21, 2016, The Company's Board of Directors unanimously reaffirmed its recommendation to shareholders that they reject the unsolicited offer, citing the fact that the increased offer is still at the bottom of the range in the Company's self-tender, as described above.

On April15, 2016, MPF InvestCo 4, LLC and Mangrove Master Fund ("Mangrove") amended its previously announced unsolicited tender offer to acquire up to 3,000,000 shares of Asta's common stock, increasing the price per share from $9.00 to $9.50, and extending the expiration date to May 9, 2016. In addition, the amendment added certain additional conditions to Mangrove's obligation to consummate its offer. On April 21, 2016, The Company's Board of Directors unanimously reaffirmed its recommendation to shareholders that they reject the unsolicited offer, citing the fact that the increased offer is still at the bottom of the range in the Company's self-tender, as described above. On April 26, 2016, Mangrove announced the termination of its Tender Offer, previously due to expire on May 9, 2016. Mangrove terminated its offer because it determined that a condition of the offer would not be satisfied. None of the shares of the Company's common stock were purchased under the Mangrove offer.

The Company's Tender offer expired on May 12, 2016.

On January 19, 2017, the Company commenced a self-tender offer to purchase for cash up to 5,314,009 shares of its common stock at a purchase price of $10.35 per share, less applicable withholding taxes and without interest. The Company made the tender offer pursuant to the Settlement Agreement dated as of January 6, 2017, by and among the Company, Mangrove and certain of their respective affiliates, pursuant to which Mangrove and its affiliates will tender their 4,005,701 shares. The tender offer will reduce the number of shares in the public market.

If more than 5,314,009 shares had been tendered, the Company would have purchased all tendered shares on a pro rata basis, subject to the conditional tender provisions described in the Offer to Purchase. Pursuant to the Settlement Agreement, Gary Stern (or his permitted assignees) had unconditionally agreed to purchase from Mangrove and its affiliates any shares owned by Mangrove and its affiliates that the Company did not purchase in the tender offer.

The tender offer expired on February 15, 2017, at 11:59 p.m., New York City time. Based on the final count by American Stock Transfer & Trust Company, LLC ("AMSTOCK"), the depositary for the tender offer, a total of approximately 6,022,253 shares of the Company's common stock were validly tendered and not validly withdrawn. Because the tender offer was oversubscribed by 708,244 shares, the Company purchased only a prorated portion of the shares properly tendered by each tendering stockholder. The depositary had informed the Company that the final proration factor for the tender offer is approximately 88.24% of the shares validly tendered and not validly withdrawn. AMSTOCK promptly issued payment for the 5,314,009 shares accepted pursuant to the tender offer and returned all other shares tendered and not purchased. The shares acquired represented approximately 44.7% of the total number of shares of the Company's common stock issued and outstanding as of February 6, 2017. As a result of this tender offer the Company recorded an additional $54.2 million in treasury stock and an $0.8 million charge to general and administrative expense during the nine months ended June 30, 2017. Additionally, the Ricky Stern Family 2012 Trust (Gary Stern's permitted assignee) acquired 471,086 Shares under the Purchase Agreement with Mangrove and its affiliates on March 10, 2017 for $4.9 million.

Personal Injury Claims

On December 28, 2011, we formed a joint venture Pegasus. Pegasus purchases interests in personal injury claims from claimants who are a party to personal injury litigation with the expectation of a settlement in the future. Pegasus advances to each claimant funds on a non-recourse basis at an agreed upon interest rate in anticipation of a future settlement. The interest purchased by Pegasus in each claim will consist of the right to receive from such claimant part of the proceeds or recoveries which such claimant receives by reason of a settlement, judgment or award with respect to such claimant's claim. The profits from the joint venture are distributed based on the ownership percentage of the parties, with Asta Funding, Inc. receiving 80% and PLF receiving 20%.

On November 8, 2016, the Company entered into a binding Term Sheet (the "Term Sheet") with Pegasus and PLF. The Company and PLF have decided not to renew the Pegasus joint venture that by its terms terminates on December 28, 2016. The Term Sheet amends certain provisions to Pegasus' operating agreement dated as of December 28, 2011 (as amended, the "Operating Agreement") and governs the terms relating to the collection of its existing Pegasus portfolio (the "Portfolio").

Pursuant to the Term Sheet, the parties thereto have agreed that Pegasus will continue in existence in order to collect advances on its existing Portfolio. The Company will fund overhead expenses relating to the collection of the Portfolio based on a budget agreed upon by the Company and PLF. Any cash received by Pegasus will be distributed to its members in the order provided for in the Operating Agreement. The Company will be allocated an amount equal to 20% of all principal collected on each investment paid back beginning October 1, 2016 and continuing through the collection of the Portfolio, which will be applied against the outstanding balance of overhead expenses previously advanced by the Company to Pegasus. After January 2, 2017, additional overhead expenses advanced will be paid back monthly as incurred by the Company prior to the calculation and distribution of any profits.

In connection with the Term Sheet, the parties thereto have also entered into a customary mutual release and non-disparagement agreement as well as a release from the non-competition obligations under the Operating Agreement.

The Company filed for arbitration with the American Arbitration Association ("AAA") against Pegasus in April 2017 for breaches in the Operating and Liquidation Agreements. On April 18, 2017, the Company was granted an Emergent Award restraining the cash in Pegasus, until a formal arbitration panel is confirmed and can review the case. As of June 30, 2017 there was approximately $24.7 million in cash that was restrained under the Emergent Award, and is classified as restricted on the Company's consolidated balance sheet.

On July 17, 2017, an arbitration panel was confirmed, and a hearing date has been scheduled for August 25, 2017 on the Company's motion to have PLF removed from managing Pegasus and replacing them with Company designated representatives, and to permit disbursements to the Company in accordance with the Operating and Term Agreements. On November 11, 2016, the Company announced that it will continue its personal injury claims funding business through the formation of a wholly owned subsidiary, Simia.

On March 24, 2017, Simia purchased a portfolio of personal injury claims from a third party for approximately $3.0 million, The Company plans to grow the business organically, but may from time to time purchase portfolios of personal injury claims from third parties if the opportunity presented aligns with the Company's strategic growth plans.

Divorce Funding

On May 8, 2012, the Company formed EMIRIC, LLC, a wholly owned subsidiary of the Company. EMIRIC, LLC entered into a joint venture with California-based Balance Point Divorce Funding, LLC (“BP Divorce Funding”) to create BP Case Management, LLC (“BPCM”). BPCM is 60% owned by the Company and 40% owned by BP Divorce Funding. BPCM provides non-recourse funding to a spouse in a matrimonial action. The Company provides a $1.5 million revolving line of credit to partially fund BP Divorce Funding’s operations, with such loan bearing interest at the prevailing prime rate, with an initial term of twenty-four months. The term of the loan was to end in May 2014, but had been extended to August 2016. Effective August 14, 2016, the Company extended its revolving line of credit with Balance Point until March 31, 2017, at substantially the same terms as the September 14, 2014 amendment. The revolving line of credit is collateralized by BP Divorce Funding’s profit share in BPCM and other assets. On April 1, 2017, this loan was in default as BPCM failed to make the required payments due under the loan agreement. Accordingly, the loan balance of $1.5 million was deemed uncollectible and written off during the second quarter of fiscal 2017 with a charge to general and administrative expenses.

Structured Settlements

On December 31, 2013, the Company acquired 80% ownership of CBC and its affiliate, CBC Management Services, LLC for approximately $5.9 million. At the closing, the operating principals of CBC, namely William J. Skyrm, Esq. and James Goodman, were each issued a 10% interest in CBC. In addition, the Company agreed to provide financing to CBC of up to $5 million, amended to $7.5 million in March 2015. Through the transaction we acquired structured settlements valued at $30.4 million and debt that totaled $23.4 million, consisting of $9.6 million of a revolving line of credit with a financial institution and $13.8 million of non-recourse notes issued by CBC’s subsidiaries. On December 31, 2015, the Company acquired the remaining 20% ownership of CBC for $1,800,000, through the issuance of restricted stock valued at approximately $1,000,000 and $800,000 in cash. Each of the two original principals received 61,652 shares of restricted stock at fair market value of $7.95 per share and $400,000 in cash. An aggregate of 123,304 shares of restricted stock was issued. As of June 30, 2017, CBC had structured settlements valued at $89 million and debt of $76.4 million, consisting of a $4.3 million line of credit and an aggregate of $72.1million of non-recourse notes.

On April 28, 2017, CBC entered into an Assignment Agreement (the “Assignment Agreement”) by and among CBC and an unrelated third party (Assignee”). The Assignment Agreement provided for the sale of the Company’s entire life contingent asset portfolio included in the Company’s structured settlements to the Assignee for a purchase price of $7.7 million. The Company realized a loss from the sale of $5.3 million for the three months ended June 30, 2017.

Cash Flow

As of June 30, 2017, our cash and cash equivalents decreased $1.9 million to $16.6 million from $18.5 million at September 30, 2016. Additionally, the Company had $35.2 million in cash and cash equivalents that has been classified as restricted at June 30, 2017.

Net cash used in operating activities was $6.6 million during the nine months ended June 30, 2017 compared to $2.3 million provided by operating activities during the nine months ended June 30, 2016. Net cash provided by investing activities was $75.9 million during the nine month period ended June 30, 2017 compared to $9.2 million used in investing activities during the nine months ended June 30, 2016. The increase was primarily attributed to the proceeds realized from the sale of available for sale securities of $62.4 million, and collections on personal injury claims of $35.4 million, in the current year. Net cash used in financing activities was $71.2 million during the nine months ended June 30, 2017, as compared to cash used in financing activities of $0.4 million during the nine months ended June 30, 2016. The increase in net cash in financing activities in the current period is primarily the result of treasury stock purchase in conjunction with the Company’s self-tender of $54.2 million, the reclassification of $10 million of cash collateral as restricted for the Company’s line of credit with Bank Hapoalim and $24.7 million in cash that was restrained under the Emergent Award against Pegasus partially offset by $9.6 million in borrowings from Bank Hapoalim.

Our cash requirements have been and will continue to be significant and include external financing to operate various lines of business. Significant requirements include investment in personal injury claims, investment in structured settlements, costs involved in the collections of consumer receivables, repayment of CBC debt and investment in consumer receivable portfolios. We believe we may secure credit facilities with financial institutions as we look to grow the Company, support current operations, and execute on our short and long term business initiatives. In the short-term, our cash balances will be sufficient to invest in personal injury claims, purchase portfolios and finance the disability advocacy business. Structured settlements are financed through the use of a credit line, warehouse facility, and private placement financing.

We believe our available cash resources and expected cash flows from operations will be sufficient to fund operations for the next twelve months. We do not expect to incur any material capital expenditures during the next twelve months. The Company used a portion of its cash and cash equivalents on hand to fund the purchase of shares in the tender offer.

We are cognizant of the current market fundamentals in the debt purchase and company acquisition markets which, because of significant supply and tight capital availability, could result in increased buying opportunities. The outcome of any future transaction(s) is subject to market conditions. In addition, due to these opportunities, we continue to seek opportunities with banking organizations and others on a possible financing loan facility.

Off Balance Sheet Arrangements

As of June 30, 2017, we did not have any relationships with unconsolidated entities or financial partners, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Additional Supplementary Information:

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

For additional information regarding our methods of accounting for our investment in finance receivables, the qualitative and quantitative factors we use to determine estimated cash flows, and our performance expectations of our portfolios, see “ **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies** ” above.

Recent Accounting Pronouncements

In May 2014, the FASB issued an update to ASC 606, Revenue from Contracts with Customers, that will supersede virtually all existing revenue guidance. Under this update, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the entitled consideration received in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the customer contracts. This update is effective for annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. Early application is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Based on the Company’s evaluation, the Company does not believe this new standard will impact the accounting for its revenues.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. The main objective in developing this update is enhancing the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The effective date for this update is for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently evaluating the impact this update will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to amend lease accounting requirements and requires entities to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The new standard will require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. The standard update is effective for fiscal years beginning after December 15, 2018 and interim periods within those years and early adoption is permitted. The standard is to be applied using a modified retrospective approach and includes a number of optional practical expedients that entities may elect to apply. The Company is currently evaluating the impact of adopting this update on its consolidated financial statements and expects that most of its operating leases will be recognized as operating lease liabilities and right-of-use assets upon adoption.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718) Improvements to Employee Share Based Payment Accounting, to simplify and improve areas of generally accepted accounting principles for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The effective date for this update is for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the impact this update will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For the Company, this update will be effective for interim periods and annual periods beginning after December 15, 2019. Upon adoption, the Company will accelerate the recording of its credit losses in its financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest date practicable. The Company is in the process of evaluating the provisions of the ASU, but does not expect it to have a material effect on the Company's consolidated statements of cash flows.

Item 3. 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 foreign exchange rates and changes in corporate tax rates. At June 30, 2017, the debt associated with our acquisition of CBC, had a balance of approximately $76.4 million, consisting of $4.3 million through a line of credit, at a rate of LIBOR plus 3%, with a floor of 4.1%, from a financial institution, and $72.1 million of notes at varying rates, from 4.85% to 8.75%, issued by CBC's subsidiaries. At June 30, 2017, the LIBOR rate was 1.22389%. A 25 basis point change in the LIBOR rate would have had an immaterial impact on the CBC line of credit interest expense, while above the floor rate (4.22389 %) would have an effect less than a month. The same 25 basis point change in the LIBOR rate would have had approximately $2,000 impact on the Bank Hapoalim line of credit interest expense. We do not currently invest in derivative financial or commodity instruments.

Item 4. Controls and Procedures

a. Disclosure Controls and Procedures

Our 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 our management, including its principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of its internal control over financial reporting. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013") in Internal Control — Integrated Framework, issued in 2013. Based on management's assessment, and based on the criteria in COSO 2013, we concluded that our disclosure controls and procedures were not effective as of June 30, 2017. The Company restated its results of operations for the quarter ended December 31, 2016 to reflect the quarterly increase in certain underlying benchmark interest rates used in determining fair value of the Company's structured settlements. Additionally, as of June 30, 2017 the Company did not maintain effective internal controls over financial reporting disclosures associated with significant and related party transactions at the subsidiary level. As a result of these misstatements and omitted disclosure, the Company concluded there were previously undetected material weaknesses in the Company's internal control over financial reporting.

b. Changes in Internal Controls over Financial Reporting.

There have been certain improvements in our internal control over financial reporting during the nine months ended June 30, 2017. Since the determination regarding the above material weaknesses, we have devoted significant effort and resources to remediation and improvement of our internal control over financial reporting. Management will continue to review and make necessary changes to the overall design of our internal control.

PART II. OTHER INFORMATION

Item 1. 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 report, we were not involved in any material litigation in which we were a defendant.

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. Currently, the Company has set up a reserve for settlement costs of $2.3 million to cover a class action lawsuit.

Legal proceedings are subject to substantial uncertainties concerning the outcome of material factual and legal issues relating to the litigation. Accordingly, we cannot currently predict the manner and timing of the resolution of some of these matters and may be unable to estimate a range of possible losses or any minimum loss from such matters.

Item 1A. Risk factors

For a discussion of our potential risks and uncertainties, see the information previously disclosed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K, for the year ended September 30, 2016 filed with the SEC on December 14, 2016. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Default Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

Item 6. Exhibits

(a) Exhibits.

3.1	Certificate of Incorporation (1)
3.2	Amendment to Certificate of Incorporation (2)
3.3	Amended and Restated Bylaws (3)
3.4	Certificate of Designations of Series A Junior Participating Preferred Stock (7)
3.5	Certificate of Elimination of the Series A Junior Participating Preferred Stock (8)
10.1	Term Sheet (4)
10.2	Employment Agreement (5)
10.3	Rights Agreement (6)
10.4	Assignment Agreement (9)
31.1	Certification of the Registrant’s Chief Executive Officer, Gary Stern, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Registrant’s Chief Financial Officer, Bruce R. Foster, 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.
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101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

(1) Incorporated by reference to Exhibit 3.1 to Asta Funding’s Quarterly Report on Form 10-Q filed on May 26, 2017.

(2) Incorporated by reference to Exhibit 3.1(a) to Asta Funding’s Quarterly Report on Form 10-Q filed on May 15, 2002.

(3) Incorporated by reference to Exhibit 3.3 to Asta Funding’s Quarterly Report on Form 10-Q filed on August 9, 2016.

(4) Incorporated by reference to Exhibit 10.1 to Asta Funding’s Current Report on Form 8-K filed on November 11, 2016.

(5) Incorporated by reference to Exhibit 10.2 to Asta Funding’s Current Report on Form 8-K filed on November 11, 2016.

(6) Incorporated by reference to Exhibit 10.3 to Asta Funding’s Current Report on Form 8-K filed on May 5, 2017.

(7) Incorporated by reference to Exhibit 3.2 to Asta Funding's Current Report on Form 8-K filed on May 5, 2017.

(8) Incorporated by reference to Exhibit 3.1 to Asta Funding's Current Report on Form 8-K filed on May 5, 2017.

(9) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed on April 28, 2017.

SIGNATURES

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

	ASTA FUNDING, INC. (Registrant)
Date: August 9, 2017	By: /s/ Gary Stern Gary Stern, President, Chief Executive Officer (Principal Executive Officer)
Date: August 9, 2017	By: /s/ Bruce R. Foster Bruce R. Foster , Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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(9) Incorporated by reference to Exhibit 10.1 to Asta Funding's Current Report on Form 8-K filed on April 28, 2017.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary Stern, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 9, 2017

/s/ Gary Stern
Gary Stern
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce R. Foster, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Dated: August 9, 2017

/s/ Bruce R. Foster
Bruce R. Foster
Chief Financial Officer and Chief Accounting Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Asta Funding, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2017, 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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Dated: August 9, 2017

/s/ Gary Stern
Gary Stern
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

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 Quarterly Report of Asta Funding, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2017, filed with the Securities and Exchange Commission (the “Report”), I, Bruce R. Foster, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Dated: August 9, 2017

/s/ Bruce R. Foster
Bruce R. Foster
Chief Financial Officer and Chief Accounting Officer