

ASTA FUNDING INC

FORM 8-K (Current report filing)

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

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 11 , 201 8

ASTA FUNDING , INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001- 35637
(Commission
File Number)

22 - 3388607
(IRS Employer
Identification No.)

**210 Sylvan Avenue
Englewood Cliffs, NJ 07632
(201) 567-5648**

(Address, including zip code, and telephone number, including area code, of
the registrant 's principal executive offices)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

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.

Item 1.01 Entry into a Material Definitive Agreement.***Purchase Agreement***

On January 12, 2018, ASFI Pegasus Holdings, LLC (“ASFI”), a Delaware limited liability company and a subsidiary of Asta Funding, Inc. (the “Company” or “Asta”), a Delaware corporation, entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Pegasus Legal Funding, LLC, a Delaware limited liability company (the “Seller”). Under the Purchase Agreement, ASFI bought the Seller’s ownership interests of Pegasus Funding, LLC (“Pegasus”), which was 20% of the issued and outstanding limited liability company interests of Pegasus, for an aggregate purchase price of \$1,800,000. As a result of the execution of the Purchase Agreement, ASFI became the owner of 100% of the limited liability company interests of Pegasus.

As a result of the purchase of the Seller ’s 20% interest in Pegasus on January 12, 2018 under the Purchase Agreement, beginning with the Form 10-Q for the quarter ended March 31, 2018, the Company will consolidate the financial statements of Pegasus .

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, which is filed as Exhibit 10.1 and incorporated by reference herein.

Settlement Agreement

On January 12 , 2018, the Company, ASFI and Fund Pegasus, LLC, a Delaware limited liability company and a subsidiary of the Company, entered into a Settlement Agreement and Release (the “Settlement Agreement”) by and among the Company, ASFI, Fund Pegasus, LLC, Pegasus, the Seller, Max Alperovich, Alexander Khanas, Larry Stoddard, III, Louis Piccolo and A.L. Piccolo & Co., Inc., a New York corporation. The Settlement Agreement releases certain claims in exchange for, among other things, the parties' entry into the Purchase Agreement.

The foregoing description of the Settlement Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Settlement Agreement, which is filed as Exhibit 10.2 and in corporated by reference herein.

Item 2.02 Results of Operations and Financial Condition.

On January 18, 2018, the Company issued a press release announcing that it will restate the Company’s previously issued audited consolidated financial statements for each of the years ended September 30, 2016, 2015 and 2014 and the interim periods contained therein, as well as the Company’s unaudited consolidated financial statements for the quarters ended December 31, 2016, March 31, 2017 and June 30, 2017 . See Item 4.02(a) below for additional information about the restatement and related matters. A copy of the Company’s press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information furnished pursuant to Item 2.02 in this report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, unless the Company specifically states that the information is to be considered “filed” under the Exchange Act or incorporates it by reference into a filing under the Securities Act of 1933, as amended, or the Exchange Act.

Item 4.02 (a) Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

On January 11, 2018, the Board of Directors (the “Board”) of the Company, upon the recommendation of the Audit Committee of the Board (the “Audit Committee”) made the same day, determined that the Company’s previously issued financial statements for each of the years ended September 30, 2016, 2015 and 2014 and the interim periods contained therein, as well as the Company’s unaudited consolidated financial statements for the quarters ended December 31, 2016, March 31, 2017 and June 30, 2017 (collectively, the “Non-Reliance Periods”) can no longer be relied upon. Therefore, all earnings press releases and similar prior communications issued by the Company, as well as other prior statements made by or on behalf of the Company relating to those periods should not be relied upon. The Company intends to file the restated annual and quarterly financial statements for the Non-Reliance Periods (the “Restated Filings”) as soon as practicable. The Company’s authorized officers have discussed these matters with EisnerAmper LLP, the Company’s current independent registered public accounting firm, and have notified Mazars USA LLP, the Company’s former independent registered public accounting firm during the Non-Reliance Periods, of these matters.

The Board's decision to restate the financial statements for the Non-Reliance Periods arose from the Company's re-evaluation of its historical conclusion to consolidate Pegasus (the "Pegasus Matter"). Management has determined that it lacked the control required to consolidate Pegasus during the Non-Reliance Periods and through the date of the Purchase Agreement described in Item 1.01 above. As such, the Company should have reported its investment in Pegasus under the equity method in accordance with accounting principles generally accepted in the United States. Restating the financial statements to give effect to the Pegasus Matter is not anticipated to have a material impact on total net income attributable to the Company for the Non-Reliance Periods.

In connection with the restatement of the Non-Reliance Periods, the Company intends to correct the financial statements for all known errors, including those that were previously corrected in prior filings as immaterial out-of-period adjustments. Additionally, the Company is in the process of evaluating its historical and current practices with respect to accounting for foreign currency matters under Accounting Standards Codification Topic 830 in accordance with accounting principles generally accepted in the United States. In connection with this evaluation, the Company has determined that its previous accounting treatment for certain foreign currency matters during the Non-Reliance Periods was not appropriate.

The Company continues to assess and quantify the necessary adjustments, and while the impact of these adjustments will likely be significant to the Non-Reliance Periods, we are currently unable to specify the amounts or financial statement line items that will be impacted.

The Company's management is assessing the effectiveness of its internal controls over financial reporting and disclosure controls and procedures during the Non-Reliance Periods. The Company will amend any disclosures pertaining to its evaluation of such controls and procedures as appropriate in connection with the Restated Filings.

The above statements regarding the expected impact of the restatement constitute forward-looking statements that are based on the Company's current expectations. The final amounts and the detailed presentation of the restatement will be included in the Restated Filings after the Company has completed its work on the restatement, the financial statements have been audited or reviewed as required, and the Board and the Audit Committee have completed its review of the financial statements and other financial data for the Non-Reliance Periods. See "Caution Regarding Forward-Looking Statements" below.

As a result of the purchase of the Seller's 20% interest in Pegasus on January 12, 2018 under the Purchase Agreement as described in Item 1.01 above, beginning with the Form 10-Q for the quarter ended March 31, 2018, the Company will consolidate the financial statements of Pegasus.

Caution Regarding Forward-Looking Statements

This Form 8-K includes information that constitutes forward-looking statements. Forward-looking statements often address our expected future business and financial performance, and often contain words such as "may," "will," "expects," "intends," "plans," "projects," "estimates," "anticipates" or "believes" By their nature, forward-looking statements address matters that are subject to risks and uncertainties. Any such forward-looking statements may involve risk and uncertainties that could cause actual results to differ materially from any future results encompassed within the forward-looking statements. Factors that could cause or contribute to such differences include: the review of the Company's accounting, accounting policies and internal control over financial reporting; the preparation of and the audit or review, as applicable, of Restated Filings; and the subsequent discovery of additional adjustments to the Company's previously issued financial statements. Actual events or results may differ materially from the Company's expectations. In addition, our financial results and stock price may suffer as a result of this review and any subsequent determinations from this process or any actions taken by governmental or other regulatory bodies as a result of this process. We do not undertake to update or revise our forward-looking statements, except as required by applicable securities laws.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

- 10.1 [Membership Interest Purchase Agreement, dated as of January 12, 2018, by and between ASFI Pegasus Holdings, LLC and Pegasus Holdings, LLC.](#)
 - 10.2 [Settlement Agreement and Release, dated as of January 12, 2018, by and among Asta Funding, Inc., ASFI Pegasus Holdings, LLC, Fund Pegasus, LLC, Pegasus Funding, LLC, Pegasus Legal Funding, LLC, Max Alperovich, Alexander Khanas, Larry Stoddard, III, Louis Piccolo and A.L. Piccolo & Co., Inc.](#)
 - 99.1 [Press Release dated January 18, 2018](#)
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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 hereunto duly authorized.

Date: January 18, 2018

Asta Funding , Inc.

By: /s/ Bruce R. Foster
Name: Bruce R. Foster
Title: Chief Financial Officer

MEMBERSHIP INTEREST PURCHASE AGREEMENT

MEMBERSHIP INTEREST PURCHASE AGREEMENT (the "Agreement"), dated January 12, 2018, by and among PEGASUS LEGAL FUNDING, LLC ("Seller") and ASFI PEGASUS HOLDINGS, LLC ("Purchaser").

WITNESSETH:

WHEREAS, as of the date hereof Seller is the record and beneficial owner of twenty (20%) percent of the issued and outstanding limited liability company interests (the "Company Membership Interests") of Pegasus Funding, LLC, a Delaware limited liability company (the "Company"); and

WHEREAS, Seller, Purchaser and others are parties to the Limited Liability Company Operating Agreement of the Company, dated as of December 28, 2011 (the "Operating Agreement"), as amended by Term Sheets dated as of September 14, 2012 (the "9/14/12 Term Sheet") and November 7, 2016 (the "Liquidation Agreement"), by and among Seller, Purchaser and others which provide, among other things, that Seller owns twenty (20%) percent of the Company Membership Interests and Purchaser owns eighty (80%) percent of the Company Membership Interests; and

WHEREAS, on the terms and conditions set forth herein, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, all of the Company Membership Interests owned by Seller.

NOW, THEREFORE, subject to the terms and conditions set forth herein, in consideration of the mutual promises and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Sale and Purchase of Company Membership Interests. Concurrently with the execution hereof, Seller shall sell, transfer and convey to Purchaser and Purchaser shall purchase from the Seller, all of the Company Membership Interests owned by Seller, free and clear of all liens, claims and encumbrances.

2. Purchase Price. (a) In consideration of the sale of the Company Membership Interests by the Seller to the Purchaser, Purchaser shall pay the Seller the sum of One Million Eight Hundred Thousand (\$1,800,000) Dollars (the "Purchase Price") said amount representing fair market value of such membership interests.

(b) Seller hereby directs Purchaser to pay the Purchase Price to Purchaser via wire transfer to PLF as set forth in the Settlement Agreement and Release executed simultaneously herewith and attached hereto as Exhibit "B" and in accordance with the wire instructions attached hereto. Upon payment of the Purchase Price by Purchaser to PLF, Seller releases Purchaser from all liabilities, claims and causes of action related to the payment of the Purchase Price.

3. Closing.

(a) The closing hereunder (the "Closing") shall take place effective simultaneously with the execution of this Agreement.

(b) At the Closing, the Seller shall deliver to the Purchaser:

(i) counterpart of the membership interest assignment (the "Membership Interest Assignment") in the form attached hereto as Exhibit A ; duly executed by Seller, pursuant to which Seller sells, transfers and assigns its Company Membership Interests to the Purchaser; and

(ii) such other documents as the Purchaser shall reasonably request in connection with the consummation of the transactions contemplated hereby.

(c) At Closing, the Purchaser shall deliver or cause to be delivered to Seller's counsel, C&D:

(i) The Purchase Price;

(ii) counterpart of the Membership Interest Assignment, duly executed by the Purchaser; and

(iii) such other documents as the Seller shall reasonably request in connection with the consummation of the transactions contemplated hereby.

4. Representations and Warranties of the Seller. The Seller represents and warrants to the Purchaser as follows:

(a) The Seller is the legal, record and beneficial owner of its Company Membership Interests, free and clear of all liens, pledges, claims and encumbrances other than those, if any, created under the Operating Agreement.

(b) The Seller has full right, power, authority and capacity to sell, transfer and deliver its Company Membership Interests in accordance with the terms of this Agreement and upon delivery thereof, as herein contemplated, the Purchaser will, subject to receipt of the consent of the Company, receive title to the Company Membership Interests being purchased, free and clear of all liens, claims and encumbrances.

(c) This Agreement has been duly and validly executed and delivered by the Seller and constitutes the legal, valid and binding agreement of the Seller, enforceable against the Seller in accordance with its terms.

(d) The Company Membership Interests being sold hereunder represent the entire ownership interest of the Seller in the Company. There is no pending proceeding and, to Seller's knowledge, without inquiry, no person, entity or governmental authority has threatened to commence any proceeding against Seller or Owners or that affects the Seller's ability to consummate the transaction contemplated hereby.

(e) The Seller has incurred no liens in the two week period prior to Closing,

5. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Seller that this Agreement has been duly and validly executed and delivered by the Purchaser and constitutes the legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms.

6. Notices.

Any notice provided for in this Agreement must be in writing and must be either personally delivered or sent by FedEx or other reputable overnight courier service (charges prepaid):

If to Purchaser:

ASFI Pegasus Holdings, LLC
210 Sylvan Avenue
Englewood Cliffs, New Jersey 07632
Attention: Gary Stern

With a copy to:

Mandelbaum Salsburg P.C.
3 Becker Farm Road, Suite 105
Roseland, New Jersey 07068
Attention: Steven I. Adler, Esq.

If to Seller:

Pegasus Legal Funding, LLC
14 Wall Street, 6th Floor
New York, New York 10005
Attention: Max Alperovich/Alexander Khanas

With a copy to:

Cullen and Dykman LLP
100 Quentin Roosevelt Blvd.
Garden City, New York 11530-4850
Attention: Andrew Nitkewicz, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when personally delivered or one business day after sent by FedEx or other reputable overnight courier service.

7. **Disclaimer**. The Purchaser has not relied upon any representation, warranty, promise or assurance made by, or on behalf of the Seller with respect to the value of the Company's assets, its income or business prospects or the value of the Company Membership Interests.

8. **Miscellaneous**.

(a) **Entire Agreement**. Other than a settlement agreement and release executed simultaneously herewith and attached hereto as Exhibit "B", this Agreement represents the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings between the Parties, whether oral or written, with respect thereto.

(b) **Governing Law**. This Agreement shall be governed by and interpreted under the laws of the State of New York applicable to contracts made and to be performed therein without giving effect to the principles of conflict of laws thereof. Except in respect of any action commenced by a third party in another jurisdiction, the Parties hereto agree that any legal suit, action, or proceeding against them arising out of or relating to this Agreement shall be brought exclusively in the Supreme Court of New York, New York County. The Parties hereto hereby accept the jurisdiction of such court for the purpose of any such action or proceeding and agree that said venue for any such action or proceeding is proper. Each of the Parties hereto hereby irrevocably consents to the service of process in any action or proceeding in such court by the mailing thereof by United States registered or certified mail postage prepaid at its address set forth herein.

(c) **Amendments**. This Agreement may not be amended except in a writing signed by each of the Parties hereto.

(d) **Headings**. The headings and captions contained in this Agreement are for convenience of reference only and shall have no bearing on the interpretation or enforcement of this Agreement.

(e) **Severability**. If any term, covenant, condition, or provision of this Agreement or the application thereof to any circumstance shall be invalid or unenforceable to any extent, the remaining terms, covenants, conditions, and provisions of this Agreement shall not be affected and each remaining term, covenant, condition, and provision of this Agreement shall be valid and shall be enforceable to the fullest extent permitted by law. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only as broad as is enforceable.

(f) **Counterparts**. This Agreement may be executed in counterparts, including electronic counterparts, each of which shall be deemed an original, and all of which, when taken together, shall be deemed one and the same agreement.

(g) **Further Assurances**. Each Party hereto agrees to execute and deliver all such other documents, instruments and agreements and to take all such other actions as the other Party hereto may reasonably request from time to time, without payment of further consideration, in order to effectuate or evidence the transactions contemplated hereby.

(h) **Successors and Assigns**. This Agreement shall be binding upon and shall inure to the benefit of each of the Parties and their respective heirs, legal representatives, successors and permitted assigns.

(i) **No Waiver**. No waiver of any breach or default shall be considered valid unless in writing and signed by the Party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

(j) **Interpretation**. This Agreement was negotiated at arm's length by the Parties hereto and their respective counsel. This Agreement shall not be construed as having been "drafted" by any one Party and shall not be construed against any Party as a drafting Party.

[Signature page follows]

IN WITNESS WHEREOF , the undersigned have executed this Agreement as of the date first written above.

Dated: January 12, 2018

PEGASUS LEGAL FUNDING, LLC

By: /s/ Alexander Khanas
Name: Alexander Khanas
Title: Member

ASF I PEGASUS HOLDINGS, LLC

By: /s/ Bruce Foster
Name: /s/ Bruce Foster
Title: CFO

EXHIBIT A

ASSIGNMENT OF MEMBERSHIP INTERESTS

This Assignment of Membership Interests (this "Assignment") is made as of the ___ day of January 2018 by and between Pegasus Legal Funding, LLC ("Assignor") and ASFI Pegasus Holdings LLC ("Assignee"), in respect of Assignor's limited liability company interests in Pegasus Funding, LLC (the "Company").

WITNESSETH:

WHEREAS, Assignor is the owner of twenty percent (20%) membership interest in the Company; and

WHEREAS, pursuant to the Membership Interest Purchase Agreement, dated as of January __, 2018 (the "Agreement"), by and among, among others, Assignor and Assignee, Assignor has agreed to sell, assign, transfer and deliver to Assignee, and Assignee has agreed to purchase and acquire from Assignor, all of Assignor's right, title and interest in and to its entire membership interest in the Company (the "Assigned Interest").

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Upon the terms and subject to the conditions of the Agreement, Assignor hereby sells, assigns, transfers and delivers to Assignee the Assigned Interest, free and clear of all liens, claims and encumbrances.

2. Assignee hereby accepts the foregoing assignment and, upon the terms and subject to the conditions of the Agreement, assumes all of Assignor's obligations and known liabilities under the Limited Liability Company Operating Agreement relating to the Assigned Interest.

3. This Assignment shall be governed by and interpreted under the laws of the State of New York applicable to contracts made and to be performed therein without giving effect to the principles of conflict of laws thereof. Except in respect of any action commenced by a third party in another jurisdiction, the Parties hereto agree that any legal suit, action, or proceeding against them arising out of or relating to this Agreement shall be brought exclusively in the Supreme Court of New York, New York County. The Parties hereto hereby accept the jurisdiction of such court for the purpose of any such action or proceeding and agree that venue for any such action or proceeding is proper. Each of the Parties hereto hereby irrevocably consents to the service of process in any action or proceeding in such court by the mailing thereof by United States registered or certified mail postage prepaid at its address set forth herein.

4. This Assignment is intended to be solely for the benefit of the Parties to this Assignment and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the Parties to this Assignment.

5. This Assignment may not be amended except by an instrument in writing signed by the Parties to this Assignment.

6. This Assignment may be executed in counterparts, including electronic counterparts, each of which shall be deemed an original, and all of which, when taken together, shall be deemed one and the same agreement.

7. All capitalized terms used but not defined herein have the meanings set forth in the Agreement.

[Signature page follows]

IN WITNESS WHEREOF , the undersigned have executed this Assignment as of the date first written above.

Dated: January __, 2018

PEGASUS LEGAL FUNDING, LLC

By: _____

Name: _____

Title: _____

ASFI PEGASUS HOLDINGS, LLC

By: _____

Name: _____

Title: _____

PEGASUS FUNDING hereby
acknowledges the foregoing Assignment.

By: ASFI Pegasus Holding, LLC, Member

By: _____

Name: _____

Title: _____

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (the "AGREEMENT") is made and entered into as of January 12, 2018, by and among:

PEGASUS FUNDING, LLC , a Delaware limited liability company, and each and every one of its owners, members, officers, directors, managers, employees, agents, subsidiaries, affiliates, divisions, and their successors, assigns, beneficiaries, servants, legal representatives, insurers and heirs (herein referred to as "Pegasus" or the "Company");

ASFI PEGASUS HOLDINGS, LLC , a Delaware limited liability company, and each and every one of its owners, members, officers, directors, managers, employees, agents, subsidiaries, affiliates, divisions, and their successors, assigns, beneficiaries, servants, legal representatives, insurers and heirs (herein referred to as "ASFI");

ASTA FUNDING, INC. , a Delaware corporation, and each and every one of its officers, directors, managers, employees, agents, subsidiaries (including but not limited to Simia Capital LLC), affiliates, divisions, and their successors, assigns, beneficiaries, servants, legal representatives, insurers and heirs (herein referred to as "ASTA");

FUND PEGASUS, LLC a Delaware limited liability company, and each and every one of its owners, members, officers, directors, managers, employees, agents, subsidiaries, affiliates, divisions, and their successors, assigns, beneficiaries, servants, legal representatives, insurers and heirs (herein referred to as "FUND");

PEGASUS LEGAL FUNDING, LLC , a Delaware limited liability company, and each and every one of its owners, members, officers, directors, managers, employees, agents, subsidiaries, affiliates, divisions, and their successors, assigns, beneficiaries, servants, legal representatives, insurers and heirs (herein referred to as "PLF");

MAX ALPEROVICH, on behalf of himself, his agents, representatives, attorneys, assigns, beneficiaries, heirs, executors, administrators, and anyone who has or obtains any legal rights or claims through him (herein referred to as "Alperovich");

ALEXANDER KHANAS, on behalf of himself, his agents, representatives, attorneys, assigns, beneficiaries, heirs, executors, administrators, and anyone who has or obtains any legal rights or claims through him (herein referred to as "Khanas");

LARRY STODDARD, III , improperly named as "Lawrence O. Stoddard, III, Esq." on behalf of himself, his agents, representatives, attorneys, assigns, beneficiaries, heirs, executors, administrators, and anyone who has or obtains any legal rights or claims through him (herein referred to as "Stoddard");

LOUIS PICCOLO, on behalf of himself, his agents, representatives, attorneys, assigns, beneficiaries, heirs, executors, administrators, and anyone who has or obtains any legal rights or claims through him (herein referred to as "Piccolo");

A.L. PICCOLO & CO., INC. a New York domestic business corporation, and each and every one of its owners, officers, directors, managers, employees, agents, subsidiaries, affiliates, divisions, and their successors, assigns, beneficiaries, servants, legal representatives, insurers and heirs (herein referred to as "A.L. Piccolo");

ASFI, ASTA and FUND are referred to collectively as the "ASTA Parties";

PLF, Al perovich, Khanas and Stoddard are referred to collectively as the "PLF Parties";

The ASTA Parties , PLF Parties, A.L. Piccolo and Piccolo are referred to collectively as the "Parties".

RECITALS

WHEREAS, Pegasus was formed as a limited liability company under the Delaware Limited Liability Company Act, upon the filing of a Certificate of Formation with the Department of State of the State of Delaware on September 19, 2011; and

WHEREAS , a Limited Liability Company Operating Agreement, effective December 28, 2011 and amended by a Term Sheet dated September 14, 2012, (hereinafter together, the "Operating Agreement") , was executed by and between, among others, PLF and ASFI , to define the rights and responsibilities in connection with the operations of Pegasus; and

WHEREAS, Alperovich , Khanas, ASTA, FUND, A.L. Piccolo and Piccolo entered into the Operating Agreement, joining solely for certain purposes specifically defined therein; and

WHEREAS, contemporaneously with the signing of the Operating Agreement, Alperovich and Khanas each entered into a Consulting Agreement, effective December 28, 2011 (hereinafter referred to as the "Consulting Agreements") with Pegasus; and

WHEREAS, by way of the Operating Agreement, ASFI was granted 800 of the 1,000 ownership units of Pegasus, thereby providing it with an 80% ownership interest in Pegasus; and

WHEREAS, by way of the Operating Agreement, PLF was granted 200 of the 1,000 ownership units of Pegasus, thereby providing it with an 20% ownership interest in Pegasus; and

WHEREAS, by way of the Operating Agreement, a Board of Managers, consisting of Alperovich, Khanas, Gary Stern and Robert Michel (the latter who was later replaced by Bruce Foster) was created with each manager possessing one (1) vote; and

WHEREAS, by way of the Operating Agreement, the Board of Managers delegated certain day-to-day managerial duties to the "Initial Officers" who were defined as Alperovich and Khanas; and

WHEREAS, the purpose of Pegasus was to provide funding for holders of personal injury claims in consideration of which such funders assigned, on a non-recourse basis, to Pegasus a portion of any proceeds that may be realized upon the resolution of such claims (hereinafter referred to as "Claims"), pursuant to the terms of written purchase agreements; and

WHEREAS, the term of the Operating Agreement was for a period of five (5) years commencing December 28, 2011; and

WHEREAS, by way of the Operating Agreement, Pegasus was required to pay A.L. Piccolo, which is owned and operated by Piccolo, a fee calculated at Three Hundred Fifty Thousand Dollars (\$350,000) per Ten Million Dollars (\$10,000,000) loaned to Pegasus by FUND up to a maximum of Seven Hundred Thousand Dollars (\$700,000), which fee is payable over eight years from Pegasus's operating expenses during the term of the Operating Agreement and thereafter by PLF and its affiliates; and

WHEREAS, on or about August 21, 2012, Pegasus entered into a five (5) year Lease (hereinafter referred to as the "Lease") with Roza 14W LLC for certain office space located at 14 Wall Street, New York, New York; and

WHEREAS, anticipating the end of the term of the Operating Agreement, the Parties entered into a Term Sheet dated November 7, 2016 (hereinafter referred to as the "Liquidation Agreement") to define the rights and responsibilities in connection with the liquidation of Pegasus's portfolio of Claims (hereinafter referred to as the "Portfolio"); and

WHEREAS, pursuant to the terms of the Operating Agreement and Liquidation Agreement, funds collected by Pegasus and the PLF Parties in connection with the liquidation of the Portfolio were to be deposited into Pegasus' account maintained at Chase Bank, NA ("Chase Bank") ending in 9931 (hereinafter referred to as the "Collections Account"); and

WHEREAS, certain cases in the outstanding Portfolio were funded jointly (hereinafter "Jointly Funded Cases") by Pegasus and outside investors (hereinafter "Non-ASTA Investors"); and

WHEREAS, PLF collected certain funds in connection with funding agreements with Non-ASTA Investors which it also deposited into the Collections Account, said amount currently equaling \$219,702.87 (hereinafter "Non-ASTA Investor Funds"); and

WHEREAS, on or about May 18, 2017, Alperovich and Khanas entered into a five (5) year First Lease Amendment Agreement (the "Amended Lease") purportedly on behalf of Pegasus with Roza 14W LLC for certain office space located at 14 Wall Street, New York, New York; and

WHEREAS, on or about December 19, 2017, PLF entered into a Second Lease Amendment Agreement (the "Second Amended Lease") with Roza 14W LLC whereby PLF was substituted in place of Pegasus as the tenant for certain office space located at 14 Wall Street, New York, New York; and

WHEREAS, the ASTA Parties, individually and derivatively on behalf of Pegasus, instituted an arbitration proceeding through American Arbitration Association, Case No. 01-17-0001-9620 (hereinafter referred to as the "Arbitration") against the PLF Parties alleging, among other things, breaches of the Operating Agreement, the Liquidation Agreement and the Consulting Agreements, entitlement to a writ of attachment, specific performance, fraud, gross negligence, intentional or criminal misconduct, civil conspiracy, breaches of fiduciary duty, aiding and abetting breaches of fiduciary duties, unjust enrichment and constructive trust; and

WHEREAS, in the Arbitration the PLF Parties asserted certain counter-claims against the ASTA Parties alleging, among other things, breaches of the Operating Agreement and the Liquidation Agreement, breaches of fiduciary duty, fraud, tortious interference with contract, trademark infringement, false designation of origin, unfair competition, deceptive trade practices and trademark dilution; and

WHEREAS, during the course of the Arbitration proceedings, an emergency arbitrator issued an order temporarily restraining (freezing) certain funds in the Collections Account; and

WHEREAS, during the course of the Arbitration proceedings, the Arbitration Panel issued an order amending the emergency arbitrator's order although ordering the continued temporary restraining (freezing) of the Collections Account; and

WHEREAS, the Parties seek to resolve any and all claims and/or disputes against each other, whether or not arising out of, relating to, or in connection with Pegasus, including any claims and disputes asserted in the Arbitration against each other, except those claims that are expressly excepted from this Agreement as more fully described herein; and

WHEREAS, as part of the settlement of the Arbitration, Alperovich, Khanas and PLF wish to sell PLF's twenty percent (20%) interest in Pegasus to ASFI for a one-time lump sum payment; and

WHEREAS, as part of the sale of PLF's interest in Pegasus, PLF will forgive and release any and all claims concerning Pegasus including, but not limited to, any monies collected from the Portfolio after January 12, 2018; and

WHEREAS, the ASTA Parties wish to purchase PLF's twenty percent (20%) interest in Pegasus and oversee and handle on an exclusive basis the liquidation of the Portfolio and the winding down of Pegasus without having to pay any additional sums to the PLF Parties pursuant to the liquidation budget (the "Liquidation Budget") in the Liquidation Agreement or otherwise; and

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and other good and valuable consideration, the Parties, intending to be legally bound, hereby agree as follows:

1. Settlement Terms.

- a. In consideration of the Parties' mutual discontinuance of all claims and mutual release of any and all claims – except for those specifically excluded, as set forth herein below, PLF shall sell its 200 ownership units of Pegasus (20% interest) to ASFI for the sum of One Million Eight Hundred Thousand Dollars (\$1,800,000.00) (hereinafter referred to as the "Purchase Amount") to be paid at a closing (the "Closing") pursuant to the terms and conditions contained in the Membership Interest Purchase Agreement being executed contemporaneously herewith and incorporated herein by reference.

- b. The PLF Parties shall relinquish, release and discharge any and all claims that refer or relate to, or arise out of concern, Pegasus including, but not limited to, the Portfolio, the Operating Agreement and/or Liquidation Agreement, the liquidation of the Portfolio, the Liquidation Budget or the winding down of the Company.
- c. The ASTA Parties agree to pay the PLF the amount of \$219,702.87 representing Non-ASTA Investor Funds. PLF shall then immediately pay said funds to the Non-ASTA investors.
- d. The ASTA Parties agree that, upon their collection of funds in the outstanding Portfolio relating to Jointly Funded Cases, the ASTA Parties shall only retain their pro rata shares of principal and profit (as defined in the Operating Agreement and Liquidation Agreement) and shall immediately (within 48 hours of receipt, as long as check clears) pay PLF the Non-ASTA investor's pro rata share of principal and interest which PLF, Alperovich and Khanas shall then immediately pay to the Non-ASTA investors. With respect to Jointly Funded Case with Golden Pear Funding II, LLC ("Golden Pear") or any related Golden Pear company, PLF, Alperovich and Khanas agree to deposit all payments received on matters jointly funded with Golden Pear into a PLF bank account. The ASTA Parties agree to cooperate in all respects with the collection and payment to PLF of any funds payable to Non-ASTA investors on jointly funded cases. The ASTA Parties shall not be permitted to consent to accept a reduction (an amount less than the amount contractually due to the funding parties) on any Jointly Funded Case with Golden Pear without the express written consent of the PLF Parties acting in good faith. With respect to Jointly Funded Cases with any non-Golden Pear investor, the ASTA Parties, acting in good faith, shall use their best efforts to obtain the consent of the PLF Parties for any reduction. The ASTA Parties agree that their failure to pay PLF the non-ASTA Investor's pro rata share on any Jointly Funded Case within forty-eight (48) hours of collection by the ASTA Parties shall be deemed a material breach of this Agreement. Attached hereto as Exhibit "A" is a list of all Jointly Funded Cases.
- e. On a mutually agreeable date and time no later than January 25, 2018, Alperovich, Khanas and the CFO of PLF, Stanley DiCicco ("DiCicco"), shall speak to the outside accountants for ASTA, Eisner Amper, concerning any relevant matters related to ASTA's 2017 year and financial statements. The ASTA Parties agree to direct Eisner Amper to make its representatives available to speak to Alperovich, Khanas and DiCicco on or before January 25, 2018. The Parties agree that, in the event the settlement is not finalized and this matter proceeds further in the Arbitration, any conversations between Alperovich, Khanas and DiCicco and Eisner Amper's representatives shall not be admissible or otherwise referred to or relied upon by the Parties for purposes of the Arbitration or any other legal proceeding.

- f. PLF, Alperovich and Khanas agree to immediately turn over to the ASTA Parties, upon Closing, Pegasus property including, but not limited to, all client files in both electronic and hard copy, the master list, documents, files, records, and CSU Software (Track Cases) login and agreements pertaining to the Portfolio, including copies of PLF co-funded cases
- g. For a period of forty-five (45) days after the Closing PLF, Alperovich and Khanas shall cooperate (and use their best efforts to have the present PLF employees to cooperate) with the ASTA Parties and execute such instruments or documents and take such other actions as may reasonably be requested from time to time in order to carry out the transition of the liquidation of the Portfolio from PLF to the ASTA Parties.
- h. Within ten (10) days of the Closing the ASTA Parties shall formally change the Company's name from Pegasus to another name without the word "Pegasus" included in such new name and shall forever cease and desist using the name "Pegasus" and the Pegasus/PLF logo, trademark, goodwill, phone number and website in connection with the Company or any other business whatsoever. Any license granted to the ASTA Parties previously by PLF, Alperovich and/or Khanas were revoked pursuant to paragraph 10 of the Liquidation Agreement. Any other licenses granted – actually or by implication - with respect to the Pegasus, name, marks, logos, websites, goodwill and phone number are fully revoked in their entirety as of ten (10) days after the Closing date. The ASTA Parties, Pegasus and their successors in interests agree to indemnify and hold harmless the PLF Parties, including legal fees, against any and all claims based upon, arising out of, or in any way connected with the ASTA Parties' use of the Pegasus names, logo, trademark, goodwill, phone number and website at any time after the Closing.
- i. PLF, Alperovich and Khanas agree that all monies collected or received by them on or after January 12, 2018 related to the Portfolio belong to ASFI, and the PLF Parties hereby further agree to immediately turn over and pay to ASFI any and all of said monies. In the event PLF, Alperovich or Khanas collect monies related to the Portfolio on or after January 12, 2018 and such monies include funds from Jointly Funded Cases, upon the funds being turned over to ASFI pursuant to this paragraph, ASFI agrees to disburse said funds pursuant to paragraph 1(d) above. PLF, Alperovich and Khanas agree that their failure to pay ASFI said funds within ten (10) days of receipt shall be deemed to be a material breach of this Agreement.

- j. PLF , Alperovich and Khanas shall be solely responsible for the payment of wages, compensation and benefits due to anyone employed or retained by PLF. This section shall not apply to any attorneys retained with respect to the collection of the Pegasus Portfolio. Pegasus, its successors and permitted assigns shall be responsible for all legal fees, including contingency fees, payable now, or in the future with respect to law firms retained in connection with the collection of the Portfolio, and/or day-to-day operations. Upon Closing Stoddard shall contact all retained law firms and advise them that Pegasus is now owned by ASFI and that ASFI or the ASTA Parties shall be contacted for all future inquires and decisions related to such representation and that any new work shall be approved by ASFI or the ASTA Parties. The PLF Parties also agree, if requested by the ASTA Parties, to sign any letters within three business days of receipt that the ASTA Parties believe may be needed to inform attorneys and/or litigants that, among other things, the ASTA Parties are authorized to receive collections on the Portfolio and/or to negotiate settlements. Should Alperovich and/or Khanas be asked by an attorney for a litigant, or by a litigant, about the ASTA Parties, they shall indicate that ASFI owns Pegasus, or its successor in name and/or interest (“Newco”) and that any money owed to Pegasus concerning the Portfolio shall be sent to Pegasus or Newco. Neither Alperovich nor Khanas shall negotiate with any attorney or litigant concerning any sums due Pegasus or Newco and shall not discuss whether the ASTA Parties will accept less than what may be due or owing by a litigant to Pegasus or Newco, unless requested by Pegasus, Newco or the ASTA Parties.
- k. The ASTA Parties agree to pay A.L. Piccolo the remaining portion of the fee due and owing to it , which the PLF Parties represent to be \$66,725.10 .
- l. PLF , Alperovich and Khanas shall cooperate (and use their best efforts to have the present PLF employees to cooperate) with the ASTA Parties and Chase Bank to promptly effectuate the unfreezing of the Collections Account. This includes, but is not necessarily limited to, the PLF, Alperovich and Khanas’ execution of a letter to Chase Bank in the form annexed hereto as Exhibit “B”, authorizing the immediate release of all monies in the Collections Account (and all other Chase accounts on the name of Pegasus) to the ASTA Parties. All monies in the Collections Account and in any other Pegasus account as of the close of business on January 12, 2018 and thereafter, other than any Non-ASTA Investor Funds , shall belong to ASFI .
- m. Alperovich and Khanas agree to execute simultaneously herewith written resignations in the form as annexed hereto as Exhibit “C”, with respect to their positions with Pegasus including, but not limited to, their positions as Executive Vice Presidents and Board of Manager Members accounts and agree that they will not hold themselves out, directly or indirectly, as an agent of the ASTA Parties. The Parties agree to their removal as signatories from any **Pegasus Funding, LLC** bank account and, within ten (10) days after the Closing or as soon as Chase releases all funds in the Chase Collections Account to the ASTA Parties, the ASTA Parties shall transfer all funds out of and close all Pegasus Funding, LLC bank accounts and provide the PLF Parties with proof of such closures. The ASTA Parties are hereby permitted to use the name Pegasus Funding as “d/b/a” (doing business as) but only in connection with bank deposits required to be made in connection with the liquidation of the Portfolio. The ASTA Parties, their successors and assigns, agree to indemnify and hold harmless the PLF Parties post-closing, including legal fees, against any and all claims based upon, arising out of, or in any way connected with the post-closing use of the Pegasus name by the ASTA Parties or their successors or assigns.

- n. This paragraph shall **not** apply to any account in the name of **Pegasus Legal Funding, LLC**.
- o. The PLF , Alperovich and Khanas are responsible for the Lease and shall jointly, severally and individually, indemnify Pegasus and the ASTA Parties from any and all claims, demands, liabilities, obligations that are or may be asserted by Roza 14W LLC and/or any other party relating to the Lease and Amended Lease.

2. Performance under this Agreement

a. On or before 5:00 p.m. on January 12, 2018 the PLF Parties or their representative shall:

- (i) Deliver to Mandelbaum Salsburg, P.C. (“ MS ”) a letter in the form as annexed hereto as Exhibit “B” directing Chase to the release of all of said funds;
- (ii) Deliver to MS the written resignations in the form as annexed hereto as Exhibit “C”;
- (iii) Execute and deliver to MS this Agreement;
- (iv) Execute and deliver to MS the Membership Interest Purchase Agreement;
- (v) Execute and deliver to MS a stipulation of dismissal discontinuing the Arbitration and all counterclaims asserted therein with prejudice and without costs .

b. On or before 5:00 p.m. on January 12, 2018 the ASTA Parties or their representative shall:

- (i) Pay the Purchase Amount in the sum of One Million Eight Hundred Thousand Dollars (\$1,800,000.00) to PLF by wire transfer to PLF in accordance with the wire instructions attached hereto as Exhibit “D”;
- (ii) Pay Non-ASTA Investor Funds in the sum of Two-Hundred Nineteen Thousand Seven Hundred two (\$219,702.87) Dollars and Eighty-Seven Cents to PLF by wire in accordance with the wire instructions attached hereto as Exhibit “D”;
- (iii) Execute and deliver to Cullen and Dykman, LLP (“C&D”) this Agreement;

- (iv) Execute and deliver to C&D the Membership Interest Purchase Agreement;
- (v) Execute and deliver to C&D a stipulation of dismissal discontinuing the Arbitration and all claims asserted therein against the PLF Parties with prejudice and without costs .

3. Mutual Releases .

- a. Release by Pegasus , the ASTA Parties and Piccolo . Subject to the conditions set forth in Paragraphs 1 and 2 hereof, Pegasus, ASFI, ASTA, FUND, A. L. Piccolo and Piccolo irrevocably and unconditionally waive, release and forever discharge PLF, Alperovich, Khanas and Stoddard and their affiliates, employees, officers, directors, members, agents, partners, sureties, shareholders and subsidiaries, from any and all causes of action, manner of promises, administrative, civil and/or criminal complaints, actions, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, judgments, extents, executions, grievances, liabilities, obligations, damages, claims and demands, in law, admiralty or equity including, but not limited to claims for breaches of the Operating Agreement, the Liquidation Agreement and/or the Consulting Agreements, writ of attachment, specific performance, fraud, gross negligence, intentional or criminal misconduct, civil conspiracy, breaches of fiduciary duty, aiding and abetting breaches of fiduciary duties, unjust enrichment, constructive trust, failure to pay overhead advances, failure to write down or write off funded cases, improperly entering into lease agreements, misappropriation of funds, improper loans taken, and failure to pay notes or debts payable, whether known or unknown, suspected or unsuspected, fixed or contingent, apparent or concealed, accrued or unaccrued, which Pegasus, ASFI, ASTA and FUND, their successors and/or assigns ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing from the beginning of the world to the date of this Release; provided, however, that notwithstanding the foregoing, this Release does not apply to enforcement of any claims of any terms and/or conditions of this Agreement. Notwithstanding the above, in the event the ASTA Parties, Simia and/or their successors in interest are required by a judge, jury and/or arbitrator to pay damages in any legal proceeding for the acts, omissions and/or negligence of any of the PLF Parties occurring prior to the Closing date in connection with the Portfolio, the PLF Parties shall be responsible for their proportionate share of any such damages found specifically to be related to the acts, omissions or negligence of the PLF Parties occurring prior to the Closing date.

- b. Release by the PLF Parties. Subject to the conditions set forth in Paragraphs 1 and 2 hereof, PLF, Alperovich, Khanas and Stoddard irrevocably and unconditionally waive, release and forever discharge Pegasus, ASFI, ASTA, FUND, A.L. Piccolo and Piccolo and their affiliates, employees, officers, directors, members, agents, partners, sureties, shareholders and subsidiaries, from any and all causes of action, manner of promises, administrative, civil and/or criminal complaints, actions, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, judgments, extents, executions, grievances, liabilities, obligations, damages, claims and demands, in law, admiralty or equity, including, but not limited to, claims for breach of the Operating Agreement, Liquidation Agreement and/or the Consulting Agreements, breach of fiduciary duty, unjust enrichment, malicious prosecution, abuse of process, tortious interference with contract or prospective economic advantage, trademark infringement, false designation of origin, unfair competition, trade libel, defamation, deceptive trade practices, trademark dilution whether known or unknown, suspected or unsuspected, fixed or contingent, apparent or concealed, accrued or unaccrued, which PLF, Alperovich, Khanas and Stoddard, their successors and/or assigns ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing from the beginning of the world to the date of this Release; provided, however, that notwithstanding the foregoing, this Release does not apply to enforcement of any claims regarding breach of any terms and/or conditions of this Agreement.
4. Confidentiality. Each Party shall keep all of the terms of this Agreement confidential and shall not disclose such terms to or discuss them with any third party (other than on a confidential and need to know basis with such party's counsel, governing board, insurers or financial advisors) without the prior written consent of the other Parties, except as required by applicable law, applicable financing agreements, including applicable securities laws, or court order or subpoena or except as necessary to enforce such Party's rights under this Agreement. The parties agree to provide written notice to the other Parties of any court order or subpoena compelling the production of this Agreement within two (2) business days of said subpoena or court order being received. In the event either party receives notice of a requirement or request of a governmental agency or court of competent jurisdiction for disclosure, then the party receiving such notice shall provide sufficient notice to the other to permit such other party to seek an appropriate protective order or exemption from such requirement or request at its expense.
5. Non-Disparagement /Non-Solicitation. At all times after the date hereof, each Party agrees that he or it: (a) shall not (and shall not encourage or induce others to), in any manner, directly or indirectly, disparage or criticize any other Party; (b) will not engage in any conduct or communication (whether oral or written, and whether or not such communications would constitute legal slander or libel) that is, or is intended to be, negative or derogatory about any other Party; and (c) will not otherwise do or say anything that could damage or cause to discredit in any way any Party or disparage or defame any Party or their management, operations, or practices. The ASTA Parties, their agents, officers, servants, employees shall not (and shall not encourage or induce others to) employ, attempt to employ or solicit any current or former employee of any PLF Party on behalf of the ASTA Parties or any other business enterprise. The ASTA Parties, their agents, officers, servants, and employees shall not (and shall not encourage or induce others to) to induce any employee or independent contractor associated with the PLF Parties to terminate or breach an employment, contractual or other relationship with the PLF Parties.

6. Attorneys' Fees /Costs. Each Party shall pay its or his own attorneys' fees and costs (including, but not limited to the fees of any Arbitrator and the AAA Arbitration costs and fees) in connection with but not limited to the Arbitration, the action brought under index number 652435/17 before the New York Supreme Court, New York County, the action brought under docket number C-94-17 before the New Jersey Superior Court, Chancery Division, Bergen County, the action brought under index number 652355/14 before the New York Supreme Court, New York County, a previous AAA Arbitration filed but not pursued by the ASTA Parties, or any other action or arbitration filed by or against the Parties by another Party, or the negotiation of this Agreement and the preparation, review and revision of any documents necessary to effectuate this settlement.
7. Ownership of Claims. Each Party represents and warrants to the other Party that they have not transferred or assigned, or purported to transfer or assign, any claim to any person or entity. Each Party further agrees to indemnify and hold harmless the other Parties, including legal fees, against any and all claims based upon, arising out of, or in any way connected with a breach of the foregoing representation.
8. Dismissal of the Arbitration. Each Party hereto shall promptly file with the American Arbitration Association a Stipulation of Dismissal with prejudice and shall take all necessary steps to cause the Arbitration to be dismissed with prejudice and agrees not to refile either the Arbitration or otherwise pursue any of the claims asserted therein against any Party without costs.
9. Other Proceedings. The Parties represent and warrant that, other than this Arbitration, there are no pending claims against any other Party and know of no claims filed by their affiliates, subsidiaries, shareholders, employees, officers, directors, members, contractors, subcontractors or on their behalf against another Party hereto in any court, arbitration, or in any other forum. Should there be any other pending claims, the Party asserting those claims promptly shall take all necessary steps to dismiss those claims with prejudice.
10. Authority. The execution, delivery and performance of this Agreement by each Party hereto is within its corporate or partnership, as applicable, powers, have been duly authorized by all necessary corporate or partnership action, and do not and will not (a) require any governing or governmental consent or approval, which has not been obtained, (b) contravene its organizational documents, or (c) violate applicable law.
11. Further Assurances. The Parties hereto agree to execute such other documents and to take such other action as may be reasonably necessary to further the purposes of this Agreement.

12. Tax Consequences /Tax Indemnity. The Parties acknowledge that they are solely responsible for the payment of any and all federal, state, city or local taxes which might be due and owing by them as a result of any term contained in this Agreement. The Parties acknowledge that no tax advice has been offered or given by any Party, their attorneys, agents, or any other representatives, in the course of these negotiations, and each Party is relying upon the advice of its own tax consultant with regard to any tax consequences that may arise as a result of the execution of this Agreement. The ASTA Parties shall indemnify and hold the PLF Parties harmless from any and all financial responsibility or sums found to be due as a result of collection on funded cases previously written-off, written-down or booked as a loss by the PLF Parties prior to the Closing.
13. Governing Law and Jurisdiction. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of New York without giving effect to doctrines relating to conflicts of laws. Any action seeking enforcement of this Agreement and any claims alleging the breach of any terms and/or conditions of this Agreement or arising out of or relating to this Agreement shall be commenced in the Supreme Court of the State of New York, New York County.
14. Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by each of the Parties affected thereby. No failure to exercise, and no delay in exercising, any right, remedy, or power under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power under this Agreement preclude any other or further exercise thereof, or the exercise of any other right, remedy, or power provided herein or by law or in equity.
15. Headings. The titles of paragraphs in this Agreement are for convenience only, are not definitive, and shall not be considered or referred to in resolving questions of interpretation or construction.
16. Remedies. The Parties acknowledge and agree that a breach of this Agreement may not be adequately compensable by money damages alone and that a breach may cause the non-breaching Party or Parties irreparable injury for which the non-breaching Party or Parties shall be entitled to all equitable remedies, including a temporary restraining order, preliminary injunction and permanent injunction, without the necessity of posting a bond, in addition to an award of monetary damages upon a finding of a breach by a judge or jury.
17. Construction. This Agreement will be binding upon and inure to the benefit of the Parties and their respective successors (whether by consolidation, merger or otherwise) and permitted assigns. This Agreement shall be construed without regard to any presumption or other rule requiring construction against the Party causing this Agreement to be drafted. All terms and words used in this Agreement, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require.

18. Non-Admission of Liability. By execution of this Agreement, each Party specifically denies any wrongdoing as to the other Party, and specifically disclaims any violation of any law, contract, agreement, public policy, or the commission of any tort.
19. Voluntary Agreement. The Parties further represent and declare that they have carefully read this Agreement and know the contents hereof and that they sign the Agreement freely and voluntarily.
20. Representation by Counsel. Each Party acknowledges and warrants that he or it has been represented by counsel of his or its own choice throughout all negotiations which preceded the execution of this Agreement. Each Party has read this entire Agreement and, to the extent necessary, had it explained by his or its attorney.
21. Counterparts. If this Agreement is executed in counterparts, each counterpart shall be deemed an original and all counterparts so executed shall constitute one Agreement binding on all of the Parties hereto, notwithstanding that all of the Parties are not signatory to the same counterpart. This Agreement may be executed by original or facsimile signature, each of which shall be equally binding.
22. Entire Agreement. All agreements, covenants, representations and warranties, express or implied, oral or written, of the Parties hereto concerning the subject matter hereof are contained herein or in the Member Interest Purchase Agreement executed simultaneously herewith. No other agreements, covenants, representations or warranties, express or implied, oral or written, have been made by any Party hereto to any other Party concerning the subject matter hereof. All other prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants and warranties concerning the subject matter hereof are merged herein.

THE NEXT PAGE IS THE SIGNATURE PAGE

IN WITNESS WHEREOF, each of the Parties hereto has executed this Settlement Agreement and Release as of the day and year first above written.

PEGASUS FUNDING, LLC

By: /s/ Bruce R. Foster
Name: Bruce R. Foster
Title: CFO

On this 12th day of January , 2018, before me personally came Bruce Foster, to me known, being by me duly sworn did depose and say that he resides at New Jersey, he is one of the members of PEGASUS FUNDING, LLC , described in and who executed the foregoing instrument; that he knows the seal of said LLC; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Board of Managers of said LLC; and that he signed his name thereto by like order.

/s/ Susan Kohn
Notary

By: /s/ Gary Stern
Name: Gary Stern
Title: President & CEO

On this 12th day of January , 2018 before me personally came Gary Stern, to me known, being by me duly sworn did depose and say that he resides at _____, he is one of the members of ASF I PEGASUS HOLDINGS, LLC, described in and who executed the foregoing instrument; that he knows the seal of said LLC; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Board of Managers of said LLC; and that he signed his name thereto by like order.

/s/ Arline Glover
Notary

ASTA FUNDING, INC.

By: /s/ Gary Stern
Name: Gary Stern
Title: Chairman, President & CEO

On this 12th day of January , 2018, before me personally came Gary Stern, to me known, being by me duly sworn did depose and say that he resides at _____, he is one of the members of ASTA FUNDING, INC., described in and who executed the foregoing instrument; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the directors of said corporation; and that he signed his name thereto by like order.

/s/ Arline Glover
Notary

FUND PEGASUS, LLC

By: /s/ Gary Stern
Name: Gary Stern
Title: President & CEO

On this 12th day of January , 2018, before me personally came Gary Stern, to me known, being by me duly sworn did depose and say that he resides at _____, he is one of the members of FUND PEGASUS, LLC, described in and who executed the foregoing instrument; that he knows the seal of said LLC; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Board of Managers of said LLC; and that he signed his name thereto by like order.

/s/ Arline Glover
Notary

By: /s/ Alexander Khanas
Name: Alexander Khanas
Title: Member

On this 12th day of January , 2018, before me personally came Alexander Khanas, to me known, being by me duly sworn did depose and say that he resides at New York, he is one of the members of PEGASUS LEGAL FUNDING, LLC , described in and who executed the foregoing instrument; that he knows the seal of said LLC; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Board of Managers of said LLC; and that he signed his name thereto by like order.

/s/ Elizabeth A. Bames
Notary

/s/ Max Alperovich
MAX ALPEROVICH

Sworn to before me this
12th day of January , 2018

/s/ Elizabeth A. Bames
Notary

/s/ Alex Khanas
ALEX KHANAS

Sworn to before me this
12th day of January , 2018

/s/ Elizabeth A. Bames
Notary

/s/ Larry Stoddard, III
LARRY STODDARD, III

Sworn to before me this
12 day of January , 2018

/s/ Stephanie Sicora (Stoddard)
Notary

/s/ Louis Piccolo
LOUIS PICCOLO

Sworn to before me this
12 day of January , 2018

/s/ Gudrun M. Harris
Notary

A.L. PICCOLO & CO., INC.

By: /s/ Louis A. Piccolo
Name: Louis A. Piccolo
Title: Owner & CEO

STATE OF NJ)
) ss.:
COUNTY OF Hudson)

On this __ day of January , 2018, before me personally came Lou Piccolo, to me known, being by me duly sworn did depose and say that he resides at _____, he is one of the members of A.L. PICCOLO & CO., INC. , described in and who executed the foregoing instrument; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the directors of said corporation; and that he signed his name thereto by like order.

/s/ Gudrun M. Harris
Notary

Asta Funding, Inc. Announces Decision to Restate 2014, 2015 and 2016 Financial Statements

Englewood Cliffs, NJ (January 18 , 201 8) — Asta Funding, Inc. (NASDAQ: ASFI) (“Asta” or the “Company”) announced today, upon the recommendation of the Audit Committee (the “Audit Committee”) of the Board of Directors (the “Board”), that the Company’s previously issued financial statements for each of the years ended September 30, 2016, 2015 and 2014 and the interim periods contained therein, as well as the Company’s unaudited consolidated financial statements for the quarters ended December 31, 2016, March 31, 2017 and June 30, 2017 (collectively, the “Non-Reliance Periods”) can no longer be relied upon. Therefore, all earnings press releases and similar prior communications issued by the Company, as well as other prior statements made by or on behalf of the Company relating to those periods should not be relied upon. The Company intends to file the restated annual and quarterly financial statements for the Non-Reliance Periods (the “Restated Filings”) as soon as practicable. The Company’s authorized officers have discussed these matters with EisnerAmper LLP, the Company’s current independent registered public accounting firm, and have notified Mazars USA LLP, the Company’s former independent registered public accounting firm during the Non-Reliance Periods, of these matters.

The Board ’s decision to restate the financial statements for the Non-Reliance Periods arose from the Company’s re-evaluation of its historical conclusion to consolidate Pegasus Funding, LLC (“Pegasus”, and such matter, the “Pegasus Matter”). Management has determined that it lacked the control required to consolidate Pegasus during the Non-Reliance Periods. As such, the Company should have reported its investment in Pegasus under the equity method in accordance with accounting principles generally accepted in the United States. Restating the financial statements to give effect to the Pegasus Matter is not anticipated to have a material impact on total net income attributable to the Company for the Non-Reliance Periods.

In connection with the restatement of the Non-Reliance Periods, the Company intends to correct the financial statements for all known errors, including those that were previously corrected in prior filings as immaterial out-of-period adjustments. Additionally, the Company is in the process of evaluating its historical and current practices with respect to accounting for foreign currency matters under Accounting Standards Codification Topic 830 in accordance with accounting principles generally accepted in the United States. In connection with this evaluation, the Company has determined that its previous accounting treatment for certain foreign currency matters during the Non-Reliance Periods was not appropriate.

The Company continues to assess and quantify the necessary adjustments, and while the impact of these adjustments will likely be significant to the Non-Reliance Periods, we are currently unable to specify the amounts or financial statement line items that will be impacted.

The Company ’s management is assessing the effectiveness of its internal controls over financial reporting and disclosure controls and procedures during the Non-Reliance Periods. The Company will amend any disclosures pertaining to its evaluation of such controls and procedures as appropriate in connection with the Restated Filings.

The above statements regarding the expected impact of the restatement constitute forward-looking statements that are based on the Company's current expectations. The final amounts and the detailed presentation of the restatement will be included in the Restated Filings after the Company has completed its work on the restatement, the financial statements have been audited or reviewed as required, and Audit Committee and the Board have completed its review of the financial statements and other financial data for the Non-Reliance Periods. See "Cautionary Note Regarding Forward-Looking Statements" below.

As a result of the Company's purchase of the remaining 20% interest in Pegasus held by Pegasus Legal Funding, LLC on January 12, 2018, beginning with the Form 10-Q for the quarter ended March 31, 2018, the Company will consolidate the financial statements of Pegasus.

About Asta Funding, Inc.

Asta Funding, Inc. (NASDAQ:ASFI), headquartered in Englewood Cliffs, New Jersey, is a diversified financial services company that assists consumers and serves investors through the strategic management of four complementary business segments: Personal Injury Claims, Consumer Debt and Disability Advocacy. Founded in 1994 as a sub-prime auto lender, Asta now manages business units that include funding of personal injury claims through its wholly owned subsidiary, Simia Capital, LLC; acquiring and managing international distressed consumer receivables through its wholly owned subsidiary, Palisades Acquisitions LLC; and benefits advocacy through its wholly owned subsidiary, GAR Disability Advocates, LLC. For additional information, please visit our website at <http://www.astafunding.com>.

Cautionary Note Regarding Forward-Looking Statements

All statements in this news release other than statements of historical facts, including without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs, and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 thereon, 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 year ended September 30, 2016, and other filings with the U.S. Securities and Exchange Commission (the "SEC"). 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.