

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement Agreement and General Release (the "Agreement") is made and entered into by and among the Representative Plaintiff, Karl W. Krug (the "Representative Plaintiff"), on behalf of himself and all other Class Members, by and through Class Counsel Philip Stern, Esq. ("Class Counsel"), and Defendants Forster, Garbus & Garbus ("FG&G") and Glenn Garbus, Esq. (collectively "Defendants") (all collectively, the "Parties"), in full and final settlement of the civil action entitled "Karl W. Krug, on behalf of himself and all those similarly situated, Plaintiffs v. Forster, Garbus & Garbus, a New Jersey partnership, and Glenn S. Garbus, an individual, Defendants," Civil Action No. 2:10-cv-1844 (DRD/MAS) (hereinafter the "Lawsuit").

RECITALS

WHEREAS, Representative Plaintiff filed the Lawsuit alleging claims against Defendants;

WHEREAS, Defendants deny the allegations and any wrongdoing or liability arising out of the claims in the Lawsuit;

WHEREAS, the Parties have agreed that it is to their mutual benefit to settle and resolve their outstanding differences regarding the claims and defenses asserted in, and relating to the subject matter of, the Lawsuit;

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Parties, that subject to the jurisdiction and approval of the Court and affirmation on any appeals, the Lawsuit shall be finally and fully resolved under the following terms and conditions.

DEFINITIONS

"Agreement" means this Settlement Agreement and General Release, inclusive of exhibits.

"Class" means any Person named as a defendant in a complaint served upon that person in which the complaint named Arrow Financial Services, LLC as the plaintiff and was filed by FG&G in the Superior Court of New Jersey, Law Division, Special Civil Part, Cumberland County at any time during the Class Period. The Class expressly excludes all Persons who, in accordance with the terms of this Agreement, execute a timely request for exclusion ("Opt Out") from the Class.

"Class Claims" is defined as claims asserting that, during the Class Period, FG&G filed a complaint without meaningful attorney involvement regardless whether such a claim arises under international, federal, state or local treaty, constitution, statute, regulation or common law.

“Class Counsel” means Philip D. Stern, Esq. (Philip D. Stern & Associates, LLC).

“Class Member” means any Person who is a member of the Class and who does not validly and timely Opt Out of the Agreement.

“Class Period” means the time period from April 11, 2009 to March 1, 2011.

“Court” means the United States District Court, District of New Jersey.

“FDCPA” means the federal Fair Debt Collection Practices Act, 15 U.S.C. 1692 et seq. and any related federal, state or local statutes addressing debt collection practices.

“Final Approval Hearing” means the hearing during which the Court will determine whether to enter the Final Order and Judgment.

“Final Order and Judgment” means the order and form of judgment approving this Agreement and dismissing the Lawsuit with prejudice.

“Lawsuit” means the civil action entitled “Karl W. Krug, on behalf of himself and all those similarly situated, Plaintiffs v. Forster, Garbus & Garbus, a New Jersey partnership, and Glenn S. Garbus, an individual, Defendants,” Civil Action No. 2:10-cv-1844 (DRD/MAS).

“Person” or “Persons” means all persons and entities (including without limitation natural persons, firms, corporations, limited liability companies, joint ventures, joint stock companies, unincorporated organizations, agencies, bodies, governments, political subdivisions, governmental agencies and authorities, associations, partnerships, limited liability partnerships, trusts, and their predecessors, successors, administrators, executors, heirs and assigns).

“Preliminary Approval Hearing” means the hearing during which the Court determines whether to enter the Order of Preliminary Approval.

“Preliminary Approval Order” means order which the parties will jointly apply to the Court for entry which will (a) preliminarily approve this Agreement, (b) conditionally certify the Lawsuit to be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, (c) approved the form and method of notice to the Class, and (d) stays any activities in the Lawsuit except for activities related to the approval of this settlement.

“Representative Plaintiff” means Karl W. Krug.

TERMS AND CONDITIONS

1. Settlement Payments

1.1 No later than thirty (30) days after entry of the Final Order and Judgment, Defendants shall pay the sum of \$7,500 into an escrow account (overseen by Class Counsel) (the "Submitted Claim Fund") and treated as a payment to a Qualified or Designated Settlement Fund under I.R.C. 468B and the regulations or proposed regulations promulgated thereunder (including without limitation Treasury Reg. 1.468B-1-5 or any successor regulation). The aforementioned settlement amount shall be for payments to Class Members of the Class, including the Representative Plaintiff.

1.2 No payments to any Class Member shall be made by Class Counsel until after the Effective Date, as that term is defined in Paragraph 10 below. No later than thirty (30) days after the Effective Date, payment to Class Members shall be made as follows. Class Counsel shall take the settlement amount (\$7,500), less the amount to be paid to the Representative Plaintiff (\$1,000 in statutory, FDCPA damages plus a \$1,500 incentive payment, for a total of \$2,500), then distribute the remaining monies in equal, pro rata shares to all Class Members who have not executed a timely request for exclusion ("Opt Out") from the Class in the manner provided in this Agreement and accompanying settlement documents. Class Counsel shall round down to the whole dollar. The sum of all uncashed checks and checks returned as undeliverable remaining after 120 days following mailing, together with any funds resulting from rounding down, will be paid to South Jersey Legal Services, c/o Douglas Gershuny, Executive Director, 745 Market Street, Camden, New Jersey 08102 with instructions to be used for projects in or for the benefit of Cumberland County and its indigent residents.

1.3 If the Court does not enter the Final Order and Judgment or it is set aside or reversed, in whole or in part, for any reason, then at such time as the time for any appeal from the final order of set aside or reversal has elapsed with no notice of appeal having been filed, all funds in the escrow account, including interest accumulated, shall be returned to Defendants.

2. Attorneys' Fees And Costs

At the time of the Final Approval Hearing, Class Counsel shall apply to the Court for an award of attorneys' fees and costs for all work performed on behalf of the Class, not to exceed the sum of \$27,500, which application Defendants agree not to oppose. Defendants shall pay such attorneys' fees and costs in the amount awarded by the Court, not exceeding such unopposed amount. The Representative Plaintiff and Defendants stipulate that the amount of \$27,500.00 is fair and reasonable for Class Counsel's fees and costs in the Lawsuit including the time and expense involved in administering the settlement embodied in this Agreement. The payment shall be made to Class Counsel at the same time as the payment under 1.1, above, and Class Counsel shall hold that amount in escrow to be disbursed after the Effective Date. If the Court does not enter the Final Order and Judgment or it is set aside or reversed, in whole or in part, for any reason, then at such

time as the time for any appeal from the final order of set aside or reversal has elapsed with no notice of appeal having been filed, all funds in the escrow account, including interest accumulated, shall be returned to Defendants.

3. Class Representative Payment

Class Counsel shall apply to the Court for an award for the Class Representative in the Lawsuit in the amount of \$2,500 (itemized in Paragraph 1.2 above), which shall be paid out of the \$7,500 settlement fund and which Defendants agree not to oppose. Defendants shall pay the amount awarded by the Court, not exceeding such unopposed amount. This payment shall be made no later than thirty (30) days after the Effective Date.

4. Preliminary Approval Order

Pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, the Parties shall jointly submit this Agreement in support of a joint application or motion for entry of the Preliminary Approval Order.

5. Notice And Settlement Administration

5.1 The Parties will request that the notice to the Class be mailed by Defendants' Counsel no later than twenty-one (21) days after the date on which the Preliminary Approval Order is entered by the Court.

5.2 Defendants shall pay the reasonable costs of the notice program and settlement administration, including mailing costs of the mailed notice.

5.3 Class Counsel and Defendants shall be jointly responsible for identifying names and addresses of putative Class Members for the mailed notice. Defendants will provide Class Counsel with a mailing list.

5.4 Upon the filing of this Agreement with the Court, Defendants shall promptly comply with 28 U.S.C. 1715 in the manner and within the time frame prescribed by that statute.

6. Dates for Opt Outs, Objections And Final Approval

6.1 The Parties will request that the Opt Out Deadline be twenty-one (21) days after the notices are mailed. Putative Class Members have the right to exclude themselves or "Opt Out" from this settlement and from the Class by timely submitting a request to Opt Out to Class Counsel in accordance with the Opt Out procedure approved by the Court. Putative Class Members who properly request to Opt Out shall be excluded from this settlement and from the Class. Any Putative Class Member who does not properly request to Opt Out shall be deemed a Class Member

and shall be bound by the terms of this Agreement as well as the Final Order and Judgment. Any Putative Class Member who timely submits a request to Opt Out shall have until 5:00 p.m. (Eastern time) on the date immediately preceding initially scheduled of the Final Approval Hearing to deliver to Class Counsel a written revocation of such request to Opt Out. Class Counsel shall promptly inform Defendants' counsel of the identity of each Class Member who opts out or revokes his or her request to opt out and shall furnish a list of all such individuals to the Court at the Final Approval Hearing.

6.2 The Parties will request that the deadline for Class Members to register objections to the settlement be twenty-one (21) days after the notices are mailed.

6.3 The Parties will request that the date of the Final Approval Hearing be on or after forty-nine (49) days following the entry of the Preliminary Approval Order to allow sufficient time for mailing notices to Class Members and for Class Members to timely file Opt Outs or objections. The Parties will cooperate in order to prepare for the Final Approval Hearing.

7. Release, Covenant Not To Sue, Bar Order And Dismissal With Prejudice

7.1 Upon the Effective Date, the Representative Plaintiff and all Class Members, including their respective current and former officers, directors, employees, attorneys, heirs, executors, administrators, agents, legal representatives, professional corporations, partnerships, assigns and successors to the extent their claims are derived from the claims of Class Members (collectively, the "Releasing Parties"), shall forever release and discharge all claims, including any and all claims, rights, and liabilities of any nature, including but not limited to, actions, claims, demands, causes of action, obligations, damages, debts, charges, attorneys' fees, costs, arbitrations, forfeitures, judgments, indebtedness, liens and losses of any whatever kind, source or character whether arising out of federal or state law (including but not limited to the FDCPA), whether known or unknown, whether asserted or unasserted, whether asserted by any Releasing Party on its own behalf or on behalf of any other person or entity, arising on or before March 1, 2011, whether in contract, express or implied, tort, at law or in equity or arising under or by virtue of any statute or regulation (including but not limited to the FDCPA), by reason of, arising out of, or in any way related to any of the facts, acts, events, transactions, occurrences, courses of conduct, business practices, representations, omissions, circumstances or other matters, or addressed in this Agreement, whether any such claim was or could have been asserted by any Releasing Party on its own behalf or on behalf of other Persons (the "Released Claims"), against Defendants and any of its former, present, and future assigns, predecessors, successors, affiliates, parent companies, subsidiaries, controlled companies, employees, officers, directors, principals and agents (collectively, the "Released Parties"). Notwithstanding anything in the foregoing to the contrary, with respect to the Class Members, the Released Claims are limited to the Class Claims.

7.2 The Releasing Parties and each of them agree and covenant not to sue or cooperate in the filing or prosecution of any suit or proceeding, in any forum based upon or related to any Released Claims against any Released Party. Notwithstanding any other provision of this

Agreement, nothing in this Agreement shall limit or preclude the Releasing Parties' rights to enforce any provision of this Agreement.

7.3 The Parties intend that this Agreement eliminate all further risk and liability of the Released Parties relating to the Released Claims, and accordingly agree that the Court shall include in the Final Order and Judgment a Bar Order Provision as follows:

The Releasing Parties are permanently enjoined from: (i) filing, commencing, prosecuting, intervening in, participating in or receiving any benefits from any lawsuit, arbitration, administrative or regulatory proceeding or order in any jurisdiction based on any or all Released Claims against one or more Released Parties; (ii) instituting, organizing class members in, joining with class members in, amending a pleading in or soliciting the participation of class members in, any action or arbitration, including but not limited to a purported class action, in any jurisdiction against one or more Released Parties based on, involving, or incorporating, directly or indirectly, any or all Released Claims; and (iii) filing, commencing, prosecuting, intervening in, participating in or receiving any benefits from any lawsuit, arbitration, administrative or regulatory proceeding or order in any jurisdiction based on an allegation that an action of the Released Parties, which is in compliance with the provisions of the Agreement, violates any right of any Class Member.

All persons who are, have been, could be, or could have been alleged to be joint tortfeasors, co-tortfeasors, co-conspirators, or co-obligors with any or all of the Released Parties respecting any or all of the Released Claims, are hereby, to the maximum extent permitted by law, barred and permanently enjoined from making, instituting, commencing, prosecuting, participating in or continuing any claim, claim-over, cross-claim, action, or proceeding, however denominated, regardless of the allegations, facts, law, theories or principles on which they are based, in this Court or in any other court or tribunal, against any or all of the Released Parties with respect to any or all of the Released Claims, including without limitation equitable, partial, comparative, or complete contribution, set-off, indemnity, or otherwise, whether by contract, common law or statute, arising out of or relating in any way to the Released Claims. All such claims are hereby fully and finally barred, released, extinguished, discharged, satisfied and made unenforceable to

the maximum extent permitted by law, and no such claim may be commenced, maintained, or prosecuted against any Released Party.

7.4 In addition to the foregoing, Representative Plaintiff shall forever release and discharge all claims, including any and all claims, rights, and liabilities of any nature, including but not limited to, actions, claims, demands, causes of action, obligations, damages, debts, charges, attorneys' fees, costs, arbitrations, forfeitures, judgments, indebtedness, liens and losses of any whatever kind, source or character whether arising out of federal or state law (including but not limited to the FDCPA), whether known or unknown, whether asserted or unasserted, arising on or before the Effective Date, whether in contract, express or implied, tort, at law or in equity or arising under or by virtue of any statute or regulation (including but not limited to the FDCPA), against Defendants and any of its former, present, and future assigns, predecessors, successors, affiliates, parent companies, subsidiaries, controlled companies, employees, officers, directors, principals and agents.

7.5 As soon as reasonably practicable, Representative Plaintiff and Class Counsel shall execute an appropriately worded, Stipulated Order of Dismissal to the effect that Mr. Garbus is dismissed from the Lawsuit with prejudice, thereby leaving FG&G as the sole, remaining named defendant in the Lawsuit. If the Court does not enter the Final Order and Judgment or it is set aside or reversed, in whole or in part, for any reason, then at such time as the time for any appeal from the final order of set aside or reversal has elapsed with no notice of appeal having been filed, then the Stipulated Order of Dismissal under this Paragraph shall be vacated and all claims against Mr. Garbus as alleged in the Amended Complaint shall be reinstated as if the Stipulated Order of Dismissal had not been entered.

7.6 Nothing in this Agreement affects any claim alleged in the complaints served on the Releasing Parties which formed the basis for the Class Claims except (a) a Released Party may not assert any defense of counterclaim based on the Class Claims, and (b) Arrow Financial Services, LLC and its successors will not set off, levy or otherwise interfere with Class Counsel's distribution of the Submitted Claim Fund.

8. Dismissals

The Releasing Parties shall dismiss with prejudice the Lawsuit as to Released Parties within seven (7) days after the Effective Date. It is the Parties' intention that such dismissal shall constitute a final judgment of the Releasing Parties' claims against the Released Parties on the merits to which the principles of res judicata shall apply to the fullest extent of the law as to the Released Parties.

9. Right To Terminate This Agreement

9.1 If the Court does not grant the stay and injunctions as provided in this Agreement, either party may in its sole and absolute discretion terminate its participation in this Agreement by delivering a notice of termination to the other Parties within forty-five (45) days following the Preliminary Approval Hearing.

9.2 If the number of putative Class Members submitting Opt Out requests exceeds five (5%) of the total number of putative Class Members, Defendants may with an Order from the Court terminate its participation in this Agreement by delivering a notice of termination to Class Counsel within seven (7) days of receipt of the complete list of Opt Out requests from Class Counsel.

9.3 If the Court has not entered the Preliminary Approval Order within one hundred eighty (180) days after filing the joint motion seeking that Order, or if the Final Order and Judgment has not been entered within one hundred eighty (180) days after the date of entry of the Preliminary Approval Order, either party may with an Order from the Court terminate its participation in this Agreement by delivering a notice of termination to the other Parties.

10. Effective Date Of The Agreement

If the Final Order and Judgment is entered by the Court and the time for appeal has elapsed with no notice of appeal having been filed, the "Effective Date" shall be the next business day after the last date on which notice of appeal could have been timely filed.

If the Final Order and Judgment is entered and an appeal is filed, the "Effective Date" shall be the next business day after the Final Order and Judgment is affirmed, all appeals are dismissed, and no further appeal to, or discretionary review in, any court remains.

11. Termination Date Of Agreement

The Termination Date of this Agreement shall be the earliest to occur of (i) a Party's termination of this Agreement pursuant to Section 9 above, or (ii) the Final Order and Judgment is not affirmed on any appeal or discretionary review, and no further appeal to, or discretionary review in, any Court remains. As of the Termination Date, the provisions of this Agreement shall immediately become void and of no further force and effect, except for Section 20, and there shall be no liability under this Agreement on the part of any of the Parties.

12. Entire Agreement

This Agreement contains an entire, complete, and integrated statement of each and every term and provision agreed to by and among the Parties; it is not subject to any condition not provided for herein. This Agreement supersedes any prior agreements or understandings, whether written or oral, between and among the Parties regarding the Lawsuit or this Agreement. This

Agreement shall not be modified in any respect except by a writing executed by Class Counsel and Defendants.

13. No Presumption Against Drafter

This Agreement was drafted with substantial input by all Parties and their counsel, and no reliance was placed on any representations other than those contained herein. The Parties agree that this Agreement shall be construed by its own terms, and not by referring to, or considering, the terms of any other settlement, and not by any presumption against the drafter.

14. Captions And Headings

The use of captions and headings in this Agreement is solely for convenience and shall have no legal effect.

15. Continuing Jurisdiction And Exclusive Venue

Except as otherwise provided in this Agreement, it is expressly agreed and stipulated that the United States District Court, District of New Jersey shall have exclusive jurisdiction and authority to consider, rule upon, and issue a final order with respect to suits, whether judicial, administrative or otherwise, which may be instituted by any person, individually or derivatively, with respect to this Agreement.

Except as otherwise provided in this Agreement, each Class Member hereby irrevocably submits to the exclusive jurisdiction and venue of the United States District Court, District of New Jersey for any suit, action, proceeding, case, controversy, or dispute relating to this Agreement.

16. Counterparts

This Agreement may be executed in counterparts, each of which shall constitute an original. Facsimile signatures shall be considered valid signatures as of the date hereof, although the original signature pages shall thereafter be appended to this Agreement.

17. Successors And Assigns

The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Representative Plaintiff, Class Members, Class Counsel and Defendants.

18. Governing Law

This Agreement and all agreements, exhibits, and documents relating to this Agreement shall be construed under the laws of the State of New Jersey.

19. Severable Agreement

The provisions of this Agreement are intended to be severable. Should any provision be found illegal, invalid or unenforceable by any court of competent jurisdiction for any reason, it shall be severable from the remainder of this Agreement, and the remainder of this Agreement shall be unchanged and shall be read as if it did not contain the illegal or invalid provision, except that if the release in Paragraph 7 is deemed invalid then Defendants shall have the option to void the remainder of this Agreement.

20. No Admission Of Liability

The Parties agree that this Agreement shall not be construed as an admission of liability or wrongdoing or breach of any duty on the part of Defendants. This Agreement shall not be admissible in any proceeding except an action to enforce the terms of the Agreement.

21. Joint Statement

The Parties agree to draft a joint statement for communicating with the media and general public concerning this Agreement and the underlying litigation, and agree to limit their communications to the substance of the joint statement.

22. Notice To Parties

All notices to the Parties required under this Agreement shall be sent by first class mail or by hand delivery to Class Counsel (Philip D. Stern, Esq., Philip D. Stern & Associates, LLC, 697 Valley Street, Suite 2d, Maplewood, New Jersey 07040) or counsel for Defendants (Gregg S. Kahn, Esq., Wilson, Elser, Moskowitz, Edelman & Dicker LLP, 33 Washington Street, Newark, New Jersey 07102), as appropriate, or to later designated recipients. All notices shall be measured by the date of mailing.

KARL W. KRUG
Class Representative

BY: _____
KARL W. KRUG

Dated: _____

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FORSTER, GARBUS & GARBUS
Defendant

BY: _____
GLENN S. GARBUS

Dated: _____

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KARL W. KRUG
Class Representative

BY: 

KARL W. KRUG

Dated: 4/7/11

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KARL W. KRUG
Class Representative

BY: _____
KARL W. KRUG

Dated: _____

FORSTER, GARBUS & GARBUS
Defendant

BY: 
GLENN S. GARBUS

Dated: 3/23/11