

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act Of 1934

For The Quarterly Period Ended September 30, 2008

Commission File Number: 0-52589

ANCHOR FUNDING SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of jurisdiction of Incorporation)

20-5456087

(I.R.S. Employer Identification No.)

10801 Johnston Road. Suite 210

Charlotte, NC

(Address of Principal Executive Offices)

28226

(Zip Code)

(866) 789-3863

(Registrant's telephone number)

Not Applicable

(Former name, address and fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of September 30, 2008, the Company had a total of 12,940,378 shares of Common Stock outstanding, excluding 1,216,999 outstanding shares of Series 1 Preferred Stock convertible into 6,084,995 shares of Common Stock.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This report contains certain "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and are including this statement for purposes of these safe harbor provisions. "Forward-looking statements," which are based on certain assumption and describe our future plans, strategies and expectations, may be identified by the use of such words as "believe," "expect," "anticipate," "should," "planned," "estimated" and "potential." Examples of forward-looking statements, include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors that could cause actual results to differ materially from these estimates and most other statements that are not historical in nature. These factors include, but are not limited to, general and local economic conditions, changes in interest rates, deposit flows, demand for commercial, mortgage, consumer and other loans, real estate values, competition, changes in accounting principles, policies or guidelines, changes in legislation or regulation, and other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect our financial results, is included in our other filings with the Securities and Exchange Commission.

ANCHOR FUNDING SERVICES, INC.

Form 10-Q Quarterly Report
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ANCHOR FUNDING SERVICES, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS

	(Unaudited) September 30, 2008	(Audited) December 31, 2007
CURRENT ASSETS:		
Cash	\$ 648,973	\$ 3,499,044
Retained interest in purchased accounts receivable	3,297,184	1,502,215
Earned but uncollected fee income	64,269	25,742
Prepaid expenses and other	114,527	65,016
Total current assets	<u>4,124,953</u>	<u>5,092,017</u>
PROPERTY AND EQUIPMENT, net	82,393	89,044
SECURITY DEPOSITS	<u>19,763</u>	<u>20,216</u>
	<u>\$ 4,227,109</u>	<u>\$ 5,201,277</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	81,957	68,728
Accrued payroll and related taxes	86,638	101,248
Accrued expenses	14,986	73,201
Collected but unearned fee income	47,595	30,748
Preferred dividends payable	380,306	405,995
Total current liabilities	<u>611,482</u>	<u>679,920</u>
COMMITMENTS AND CONTINGENCIES		
PREFERRED STOCK, net of issuance costs of \$1,209,383	4,874,712	5,503,117
COMMON STOCK	12,941	11,821
ADDITIONAL PAID IN CAPITAL	1,656,727	536,199
ACCUMULATED DEFICIT	<u>(2,928,753)</u>	<u>(1,529,780)</u>
	<u>3,615,627</u>	<u>4,521,357</u>
	<u>\$ 4,227,109</u>	<u>\$ 5,201,277</u>

The accompanying notes to financial statements are an integral part of these statements.

ANCHOR FUNDING SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited)		(Unaudited)	
	For the quarters ending September 30,		For the nine months ending September 30,	
	2008	2007	2008	2007
FINANCE REVENUES	\$ 338,356	\$ 121,996	\$ 823,533	\$ 297,740
INTEREST EXPENSE	-	(5,866)	-	(27,231)
INTEREST INCOME	5,087	56,823	39,606	154,352
NET FINANCE REVENUES	343,443	172,953	863,139	424,861
PROVISION FOR CREDIT LOSSES	226	22,000	5,270	22,000
FINANCE REVENUES, NET OF INTEREST EXPENSE AND CREDIT LOSSES	343,217	150,953	857,869	402,861
OPERATING EXPENSES	583,644	380,074	1,805,549	939,530
NET LOSS BEFORE INCOME TAXES	(240,427)	(229,121)	(947,680)	(536,669)
INCOME TAX (PROVISION) BENEFIT:				
Current	-	-	-	-
Deferred	-	4,000	-	21,000
Total	0	4,000	0	21,000
NET LOSS	(240,427)	(225,121)	(947,680)	(515,669)
DEEMED DIVIDEND ON CONVERTIBLE PREFERRED STOCK	(122,682)	(134,849)	(383,863)	(269,169)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDER	\$ (363,109)	\$ (359,970)	\$ (1,331,543)	\$ (784,838)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDER, per share				
Basic	\$ (0.03)	\$ (0.03)	\$ (0.11)	\$ (0.07)
Dilutive	\$ (0.03)	\$ (0.03)	\$ (0.11)	\$ (0.07)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic and dilutive	12,940,168	11,820,555	12,649,494	10,912,130

The accompanying notes to financial statements are an integral part of these statements.

ANCHOR FUNDING SERVICES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the nine months ended September 30, 2008

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>
Balance, December 31, 2007 (audited)	\$ 5,503,117	\$ 11,821	\$ 536,199	\$ (1,529,780)
To record the issuance of 94,865 preferred shares in connection with the payment of the accrued preferred dividend liability as of December 31, 2007	473,425	-	-	-
To record conversion of 220,366 preferred shares, plus accrued and declared dividends, to 1,119,823 common shares	(1,101,830)	1,120	1,104,267	(3,558)
Provision for compensation expense related to issued stock options	-	-	16,261	-
Preferred stock dividends	-	-	-	(447,735)
Net loss for the nine months ended September 30, 2008	-	-	-	(947,680)
Balance, September 30, 2008 (unaudited)	<u>\$ 4,874,712</u>	<u>\$ 12,941</u>	<u>\$ 1,656,727</u>	<u>\$ (2,928,753)</u>

The accompanying notes to financial statements are an integral part of these statements.

ANCHOR FUNDING SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30,

	(Unaudited) 2008	(Unaudited) 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss:	\$ (947,680)	\$ (515,669)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	33,798	10,562
Compensation expense related to issuance of stock options	16,261	61,152
Allowance for uncollectible accounts	5,270	22,000
Benefit for deferred income taxes	-	(21,000)
Increase in retained interest in purchased accounts receivable	(1,800,239)	(774,814)
Increase in earned but uncollected fee income	(38,527)	(27,538)
Increase in prepaid expenses and other	(49,511)	(9,408)
Decrease (increase) in security deposits	453	(19,203)
Increase in accounts payable	13,229	38,819
Increase in collected but not earned fee income	16,847	18,252
Decrease in due to related company	-	(21,472)
(Decrease) increase in accrued payroll and related taxes	(14,610)	59,586
(Decrease) increase in accrued expenses	(58,215)	12,278
Net cash used in operating activities	<u>(2,822,924)</u>	<u>(1,166,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(27,147)</u>	<u>(85,367)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to financial institution, net	-	(47,153)
Proceeds from sale of preferred stock	-	6,712,500
Payments made related to sale of preferred stock	-	(1,209,383)
Net cash provided by financing activities	<u>0</u>	<u>5,455,964</u>
(DECREASE) INCREASE IN CASH	(2,850,071)	4,204,142
CASH, beginning of period	<u>3,499,044</u>	<u>55,771</u>
CASH, end of period	<u>\$ 648,973</u>	<u>\$ 4,259,913</u>

The accompanying notes to financial statements are an integral part of these statements.

ANCHOR FUNDING SERVICES, INC

Notes To Consolidated Financial Statements

Three and Nine Months Ended September 30, 2008 and 2007 (Unaudited)

The Consolidated Balance Sheet as of September 30, 2008, the Consolidated Statements of Operations for the three and nine months ended September 30, 2008 and 2007 and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007 have been prepared by us without audit. In the opinion of Management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly in all material respects our financial position as of September 30, 2008, results of operations for the three and nine months ended September 30, 2008 and 2007 and cash flows for the nine months ended September 30, 2008 and 2007 are not necessarily indicative of the results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations.

The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results expected or the full year.

This report should be read in conjunction with our Form 10-KSB for our fiscal year ended December 31, 2007.

1. BACKGROUND AND DESCRIPTION OF BUSINESS:

The consolidated financial statements include the accounts of Anchor Funding Services, Inc. (formerly BTHC XI, Inc.) and its wholly owned subsidiary, Anchor Funding Services, LLC ("the Company"). In April of 2007, BTHC XI, Inc. changed its name to Anchor Funding Services, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Anchor Funding Services, Inc. is a Delaware corporation. Anchor Funding Services, Inc. has no operations; substantially all operations of the Company are the responsibility of Anchor Funding Services, LLC.

Anchor Funding Services, LLC is a North Carolina limited liability company. Anchor Funding Services, LLC was formed for the purpose of providing factoring and back office services to businesses located throughout the United States of America.

On January 31, 2007, BTHC XI, Inc acquired Anchor Funding Services, LLC by exchanging shares in BTHC XI, Inc. for all the outstanding membership units of Anchor Funding Services, LLC (See Note 7). Anchor Funding Services, LLC is considered the surviving entity therefore these financial statements include the accounts of BTHC XI, Inc. and Anchor Funding Services, LLC since January 1, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – The Company charges fees to its customers in one of two ways as follows:

- 1) **Fixed Transaction Fee.** Fixed transaction fees are a fixed percentage of the purchased invoice. This percentage does not change from the date the purchased invoice is funded until the date the purchased invoice is collected.
- 2) **Variable Transaction Fee.** Variable transaction fees are variable based on the length of time the purchased invoice is outstanding. As specified in its contract with the client, the Company charges variable increasing percentages of the purchased invoice as time elapses from the purchase date to the collection date.

For both Fixed and Variable Transaction fees, the Company recognizes revenue by using one of two methods depending on the type of customer. For new customers the Company recognizes revenue using the cost recovery method. For established customers the Company recognizes revenue using the accrual method.

Under the cost recovery method, all revenue is recognized upon collection of the entire amount of purchased accounts receivable.

The Company considers new customers to be accounts whose initial funding has been within the last three months or less. Management believes it needs three months of history to reasonably estimate a customer's collection period and accrued revenues. If three months of history has a limited number of transactions, the cost recovery method will continue to be used until a reasonable revenue estimate can be made based on additional history. Once the Company obtains sufficient historical experience, it will begin using the accrual method to recognize revenue.

For established customers the Company uses the accrual method of accounting. The Company applies this method by multiplying the historical yield, for each customer, times the amount advanced on each purchased invoice outstanding for that customer, times the portion of a year that the advance is outstanding. The customers' historical yield is based on the Company's last six months of experience with the customer along with the Company's experience in the customer's industry, if applicable.

The amounts recorded as revenue under the accrual method described above are estimates. As purchased invoices are collected, the Company records the appropriate adjustments to record the actual revenue earned on each purchased invoice. These adjustments from the estimated revenue to the actual revenue have not been material.

Retained Interest in Purchased Accounts Receivable – Retained interest in purchased accounts receivable represents the gross amount of invoices purchased from factoring customers less amounts maintained in a reserve account and collected but unearned fee income, plus earned but uncollected fee income. The Company purchases a customer’s accounts receivable and advances them a percentage of the invoice total. The difference between the purchase price and amount advanced is maintained in a reserve account. The reserve account is used to offset any potential losses the Company may have related to the purchased accounts receivable.

The Company’s factoring and security agreements with their customers include various recourse provisions requiring the customers to repurchase accounts receivable if certain conditions, as defined in the factoring and security agreement, are met.

Senior management reviews the status of uncollected purchased accounts receivable monthly to determine if any are uncollectible. The Company has a security interest in the accounts receivable purchased and on a case-by-case basis, may have additional collateral. The Company files security interests in the property securing their advances. Access to this collateral is dependent upon the laws and regulations in each state where the security interest is filed. Additionally, the Company has varying types of personal guarantees from their factoring customers relating to the purchased accounts receivable.

Management considered approximately \$36,000 and \$31,000 of their September 30, 2008 and December 31, 2007 retained interest in purchased accounts receivable to be uncollectible.

Management believes the fair value of the retained interest in purchased accounts receivable approximates its recorded value because of the relatively short term nature of the purchased receivable and the fact that the majority of these invoices have been subsequently collected.

Property and Equipment – Property and equipment, consisting primarily of furniture and fixtures, computers and software, are stated at cost. Depreciation is provided over the estimated useful lives of the depreciable assets using the straight-line method.

Advertising Costs – The Company charges advertising costs to expense as incurred. Total advertising costs were as follows:

For the nine months ending September 30,	
2008	2007
<u>\$ 309,000</u>	<u>\$ 151,700</u>

For the quarters ending September 30,	
2008	2007
<u>\$ 78,000</u>	<u>\$ 64,800</u>

Earnings per Share – The Company computes earnings per share in accordance with SFAS No. 128 “Earnings Per Share.” Basic earnings per share is computed by dividing the earnings for the period by the weighted average number of common shares outstanding during the period. Dilutive earnings per share includes the potential impact of dilutive securities, such as convertible preferred stock, stock options and stock warrants. The dilutive effect of stock options and warrants is computed using the treasury stock method, which assumes the repurchase of common shares at the average market price.

In accordance with SFAS No. 128, options and warrants will have a dilutive effect, under the treasury method, only when the average price of common stock during the period exceeds the exercise price of the options or warrants. During the period under review, the average price of common stock was less than the exercise price of the options and warrants.

Also in accordance with SFAS No. 128, if there is a year-to-date loss from continuing operations, potential common shares should not be included in the computation of diluted earnings per share. During the period under review, there was a year-to-date loss.

Stock Based Compensation - In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 123(R), “Accounting for Stock-Based Compensation.” SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS No. 123(R), only certain pro forma disclosures of fair value were required. The provisions of this statement were effective for the first interim reporting period that began after December 15, 2005. The Company adopted the provisions of SFAS No.123(R) in the first quarter of fiscal 2006.

See Note 8 for the SFAS No. 123(R) impact on the operating results for the nine months ended September 30, 2008 and 2007.

Fair Value of Financial Instruments – The carrying value of cash equivalents, retained interest in purchased accounts receivable, accounts payable and accrued liabilities approximates their fair value.

Cash and cash equivalents – Cash and cash equivalents consist primarily of highly liquid cash investment funds with original maturities of three months or less when acquired.

Income Taxes – Effective January 31, 2007, the Company became a “C” corporation for income tax purposes. In a “C” corporation income taxes are provided for the tax effects of transactions reported in the financial statements plus deferred income taxes related to the differences between financial statement and taxable income.

The primary differences between financial statement and taxable income for the Company are as follows:

- Compensation costs related to the issuance of stock options
- Use of the reserve method of accounting for bad debts
- Differences in bases of property and equipment between financial and income tax reporting
- Net operating loss carryforwards.

The deferred tax asset represents the future tax return consequences of utilizing these items. Deferred tax assets are reduced by a valuation reserve, when management is uncertain if the net deferred tax assets will ever be realized.

Prior to January 31, 2007, Anchor Funding Services, LLC was treated as a partnership for Federal and state income tax purposes. Its earnings and losses were included in the personal tax returns of its members; therefore, no provision or benefit from income taxes has been included in those financial statements.

In July 2006, FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognize in its consolidated financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 became effective for the Company on January 1, 2007.

The Company applied FIN 48 to all its tax positions, including tax positions taken and those expected to be taken, under the transition provision of the interpretation. As a result of the implementation of FIN 48, the Company recognized no increases or decreases in its recorded tax liabilities or 2006 retained earnings.

For the nine months and quarters ending September 30, 2008 and 2007, the Company recognized no liability for uncertain tax positions.

The Company classifies interest accrued on unrecognized tax benefits with interest expense. Penalties accrued on unrecognized tax benefits are classified with operating expenses.

Recent Accounting Pronouncements – In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "*Fair Value Measurements*." SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 does not currently have a material impact on the Company's financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115*." SFAS 159 provides companies with an option to report selected financial assets and liabilities at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS No. 159 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and must be applied to the entire instrument and not to only a portion of the instrument.

SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of the fiscal year, has not yet issued financial statements for any interim period of such year, and also elects to apply the provisions of SFAS No. 159. The adoption of SFAS 159 does not currently have a material impact on the Company's financial condition and results of operations.

On December 4, 2007, the FASB issued SFAS 141(R) "Business Combinations". SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquiring entity in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date fair value. In addition, SFAS 141R limits the recognition of acquisition-related restructuring liabilities and requires the following: the expense of acquisition-related and restructuring costs and the acquirer to record contingent consideration measured at the acquisition date at fair value. SFAS 141R is effective for new acquisitions consummated on or after January 1, 2009. Early adoption is not permitted. The Company is currently evaluating the effect of this standard.

On December 4, 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160). SFAS 160 requires all entities to report noncontrolling (i.e. minority interests) in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires expanded disclosure that distinguishes between the interests of a parent's owners and the interests of a noncontrolling owners of a subsidiary. SFAS 160 is effective for the Company's financial statements for the year beginning January 1, 2009 and early adoption is not permitted. The adoption of SFAS 160 is not expected to have a material impact on the Company's financial condition and results of operations.

3. RETAINED INTEREST IN PURCHASED ACCOUNTS RECEIVABLE:

Retained interest in purchased accounts receivable consists of the following:

	September 30, 2008	December 31, 2007
Purchased accounts receivable outstanding	\$ 3,921,214	\$ 1,841,539
Reserve account	(588,052)	(308,616)
Allowance for uncollectible accounts	(35,978)	(30,708)
	<u>\$ 3,297,184</u>	<u>\$ 1,502,215</u>

Retained interest in purchased accounts receivable consists of United States companies in the following industries:

	September 30, 2008	December 31, 2007
Staffing	\$ 577,719	\$ 656,020
Transportation	1,394,522	218,264
Publishing	2,664	6,000
Construction	11,552	8,291
Service	1,133,774	498,614
Other	212,931	145,734
	<u>\$ 3,333,162</u>	<u>\$ 1,532,923</u>

Total accounts receivable purchased were as follows:

For the nine months ending September 30,

<u>2008</u>	<u>2007</u>
\$ 23,851,600	\$ 7,561,800

For the quarters ending September 30,

<u>2008</u>	<u>2007</u>
\$ 10,255,500	\$ 3,192,000

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	Estimated Useful Lives	September 30, 2008	December 31, 2007
Furniture and fixtures	2-5 years	\$ 35,825	\$ 33,960
Computers and software	3-7 years	119,148	93,866
		154,973	127,826
Less accumulated depreciation		(72,580)	(38,782)
		<u>\$ 82,393</u>	<u>\$ 89,044</u>

5. CAPITAL STRUCTURE:

The Company's capital structure consists of preferred and common stock as described below:

Preferred Stock – The Company is authorized to issue 10,000,000 shares of \$.001 par value preferred stock. The Company's Board of Directors determines the rights and preferences of its preferred stock.

On January 31, 2007, the Company filed a Certificate of Designation with the Secretary of State of Delaware. Effective with this filing, 2,000,000 preferred shares became Series 1 Convertible Preferred Stock. Series 1 Convertible Preferred Stock will rank senior to Common Stock.

Each Series 1 Convertible Preferred Stock is convertible into 5 shares of the Company's Common Stock. The holder of the Series 1 Convertible Preferred Stock has the option to convert the shares to Common Stock at any time. Upon conversion all accumulated and unpaid dividends will be paid as additional shares of Common Stock.

The dividend rate on Series 1 Convertible Preferred Stock is 8%. Dividends are paid annually on December 31st in the form of additional Series 1 Convertible Preferred Stock unless the Board of Directors approves a cash dividend. Dividends on Series 1 Convertible Preferred Stock shall cease to accrue on the earlier of December 31, 2009, or on the date they are converted to Common Shares. Thereafter, the holders of Series 1 Convertible Preferred Stock have the same dividend rights as holders of Common Stock, as if the Series 1 Convertible Preferred Stock had been converted to Common Stock. Accrued dividends at September 30, 2008 and December 31, 2007 were \$380,306 and \$405,995.

Common Stock – The Company is authorized to issue 40,000,000 shares of \$.001 par value Common Stock. Each share of Common Stock entitles the holder to one vote at all stockholder meetings. Dividends on Common Stock will be determined annually by the Company's Board of Directors.

The changes in Series 1 Convertible Preferred Stock and Common Stock shares for the nine months ended September 30, 2008 is summarized as follows:

	Series 1 Convertible Preferred Stock	Common Stock
Balance, December 31, 2007	1,342,500	11,820,555
Shares issued in exchange with dividend on preferred shares	94,865	-
Shares issued (redeemed) in connection conversion of preferred shares to common shares	(220,366)	1,119,823
Balance, September 30, 2008	<u>1,216,999</u>	<u>12,940,378</u>

6. RELATED PARTY TRANSACTIONS:

The Company used the administrative staff and facilities of a limited liability company (LLC) related through common ownership. The services provided by the LLC consist primarily of rent, credit, collection, invoicing, payroll and bookkeeping. The Company paid the LLC a fee for these services. The fee is computed as a percentage of accounts receivable purchased by the Company. The administrative fee charged by the LLC was as follows:

For the nine months ending September 30,	
2008	2007
\$ -	\$ 14,000

For the quarters ending September 30,	
2008	2007
\$ -	\$ 7,100

7. EXCHANGE TRANSACTION:

On January 31, 2007, Anchor Funding Services, LLC and its members entered into a Securities Exchange Agreement with BTHC XI, Inc. The members namely, George Rubin, Morry Rubin ("M. Rubin") and Ilissa Bernstein exchanged their units in Anchor Funding Services, LLC for an aggregate of 8,000,000 common shares of BTHC XI, Inc. issued to George Rubin (2,400,000 shares), M. Rubin (3,600,000 shares) and Ilissa Bernstein (2,000,000 shares). Upon the closing of this transaction Anchor Funding Services, LLC became a wholly-owned subsidiary of BTHC XI, Inc. In April of 2007, BTHC XI, Inc. changed its name to Anchor Funding Services, Inc.

At the time of this transaction, BTHC XI, Inc. had no operations and no assets or liabilities. After this transaction the former members of Anchor Funding Services, LLC owned approximately 67.7% of the outstanding common stock of BTHC XI, Inc.

This transaction was accounted for as a purchase. There was no market value for the common shares of BTHC XI, Inc. or the membership units of Anchor Funding Services, LLC at the transaction date. Accordingly, BTHC XI, Inc. recorded the membership units received in Anchor Funding Services, LLC at Anchor Funding Service LLC's net asset value as of the transaction date.

8. EMPLOYMENT AND STOCK OPTION AGREEMENTS:

At closing of the exchange transaction described above, M. Rubin and Brad Bernstein ("B. Bernstein"), the husband of Ilissa Bernstein and President of the Company, entered into employment contracts and stock option agreements with BTHC XI, Inc. Additionally, at closing two non-employee directors entered into stock option agreements with BTHC XI, Inc.

The following summarizes M. Rubin's employment agreement and stock options:

- The employment agreement with M. Rubin retains his services as Co-chairman and Chief Executive Officer for a three-year period.
- An annual salary of \$1 until, the first day of the first month following such time as BTHC XI, Inc. shall have, within any period beginning on January 1 and ending not more than 12 months thereafter, earned pre-tax net income exceeding \$1,000,000, M. Rubin's base salary shall be adjusted to an amount, to be mutually agreed upon between M. Rubin and BTHC XI, Inc., reflecting the fair value of the services provided, and to be provided, by M. Rubin taking into account (i) his position, responsibilities and performance, (ii) BTHC XI, Inc.'s industry, size and performance, and (iii) other relevant factors. M. Rubin is eligible to receive annual bonuses as determined by BTHC XI, Inc.'s compensation committee. M. Rubin shall be entitled to a monthly automobile allowance of \$1,500.
- 10-year options to purchase 650,000 shares exercisable at \$1.25 per share, pursuant to BTHC XI, Inc.'s 2007 Omnibus Equity Compensation Plan. Vesting of the options is one-third immediately, one-third on February 29, 2008 and one-third on February 28, 2009, provided that in the event of a change in control or M. Rubin is terminated without cause or M. Rubin terminates for good reason, all unvested options shall accelerate and immediately vest and become exercisable in full on the earliest of the date of change in control or date of M. Rubin's voluntary termination or by BTHC XI, Inc. without cause.

The following summarizes B. Bernstein's employment agreement and stock options:

- The employment agreement with B. Bernstein retains his services as President for a three-year period.
- An annual salary of \$205,000 during the first year, \$220,000 during the second year and \$240,000 during the third year and any additional year of employment. The Board may periodically review B. Bernstein's base salary and may determine to increase (but not decrease) the base salary in accordance with such policies as BTHC XI, Inc. may hereafter adopt from time to time. B. Bernstein is eligible to receive annual bonuses as determined by BTHC XI, Inc.'s compensation committee. B. Bernstein shall be entitled to a monthly automobile allowance of \$1,000.
- 10-year options to purchase 950,000 shares exercisable at \$1.25 per share, pursuant to BTHC XI, Inc.'s 2007 Omnibus Equity Compensation Plan. Vesting of the options is one-third immediately, one-third on February 29, 2008 and one-third on February 28, 2009, provided that in the event of a change in control or B. Bernstein is terminated without cause or B. Bernstein terminates for good reason, all unvested options shall accelerate and immediately vest and become exercisable in full on the earliest of the date of change in control or date of B. Bernstein's voluntary termination or by BTHC XI, Inc. without cause.

The following summarizes the non-employee stock option agreements entered into with three directors:

- 10-year options to purchase 460,000 shares exercisable at \$1.25 per share, pursuant to BTHC XI, Inc.'s 2007 Omnibus Equity Compensation Plan. Vesting of the options is one-third immediately, one-third on 1 year from grant date and the remainder 2 years from grant date. If any director ceases serving BTHC XI, Inc. for any reason, all unvested options shall terminate immediately and all vested options must be exercised within 90 days after the director ceases serving as a director.

The following summarizes stock option agreements entered into with three managerial employees:

- 10-year options to purchase 12,000 shares exercisable at \$1.25 per share, pursuant to the Anchor Funding Services Inc.'s 2007 Omnibus Equity Compensation Plan. The grant dates range from September 28, 2007 to February 21, 2008. The vesting periods range from one year to four years. If the employee ceases being employed by Anchor Funding Services, Inc. for any reason, all vested and unvested options shall terminate immediately.

The following summarizes a stock subscription agreement entered into with an unrelated individual:

- Pursuant to a subscription agreement entered into on December 11, 2007, Anchor Funding Services, Inc. awarded 25,000 shares of common stock, at \$1 per share, in exchange for a full recourse note receivable of \$25,000. This transaction was accounted for in accordance with SFAS 123(R).

The following table summarizes information about stock options as of September 30, 2008:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
\$ 1.25	1,972,000	10 years	1,307,668

Anchor Funding Services Inc. will record the issuance of these options as of September 30, 2008 in accordance with SFAS No. 123(R). The following information was input into a Black Scholes option pricing model to compute a per option price of \$.0468:

Exercise price	\$ 1.25
Term	10 years
Volatility	2.5
Dividends	0%
Discount rate	4.75%

The financial effect of these options to record over their life is as follows:

Options to value	1,972,000
Option price	\$ 0.0468
Total expense to recognize over life of options	<u>\$ 92,290</u>

The pre-tax fair value recorded for these options in the statement of operations for the nine months ended September 30, 2008 and 2007 was as follows:

	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007
Fully vested stock options	\$ 2,548	\$ 30,576
Unvested portion of stock options	<u>13,713</u>	<u>30,576</u>
	<u>\$ 16,261</u>	<u>\$ 61,152</u>

9. SALE OF CONVERTIBLE PREFERRED STOCK:

From February 1, 2007 to April 5, 2007 the Company sold 1,342,500 shares of convertible preferred stock to accredited investors. The gross proceeds, transaction expenses and net proceeds of these transactions were as follows:

Gross proceeds	\$6,712,500
Cash fees:	
Placement agent	(949,050)
Legal and accounting	(218,552)
Blue sky	(39,348)
Net cash proceeds	<u>\$5,505,550</u>
Non-cash fees:	
Placement agents fees - warrants	<u>(62,695)</u>
Net proceeds	<u>\$5,442,855</u>

The placement agent was issued warrants to purchase 1,342,500 shares of the Company's common stock. The following information was input into a Black Scholes option pricing model to compute a per option price of \$.0462:

Exercise price	\$1.10
Term	5 years
Volatility	2.5
Dividends	0%
Discount rate	4.70%

The following table summarizes information about stock warrants as of September 30, 2008:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
\$ 1.10	1,342,500	5 years	1,342,500

10. CONCENTRATIONS:

Revenues – The Company recorded revenues from United States companies in the following industries as follows:

Industry	For the nine months ending September 30,	
	2008	2007
Staffing	\$202,746	\$214,831
Transportation	343,382	7,209
Publishing	0	2,997
Construction	4,850	8,559
Service	239,177	55,298
Other	33,378	8,846
	<u>\$823,533</u>	<u>\$297,740</u>

Industry	For the quarter ending September 30,	
	2008	2007
Staffing	\$ 52,348	\$ 79,632
Transportation	174,705	1,132
Publishing	0	1,592
Construction	1,945	3,540
Service	99,721	31,786
Other	9,637	4,314
	<u>\$338,356</u>	<u>\$121,996</u>

Major Customers – The Company defines a major customer as one which represents 10 percent or more of its revenues. For the nine months ending September 30, 2008, the Company had no major customers as defined above. The Company had the following transactions and balances with 4 unrelated customers for the nine months ending September 30, 2007 as follows:

For the nine months ended September 30, 2007

Revenues	\$ 25,300	\$ 24,200	\$ 28,900	\$ 15,900
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As of September 30, 2007

Purchased accounts receivable outstanding	\$ 159,300	\$ 204,500	\$ 155,400	\$ 86,200
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Cash – The Company maintains cash deposits with a bank. At various times throughout the year, these balances exceeded the federally insured limit of \$100,000.

11. SUPPLEMENTAL DISCLOSURES OF CASH FLOW:

Cash paid for interest for the nine months ended September 30, 2008 and 2007 was \$0 and \$27,000 respectively.

Non-cash financing and investing activities consisted of the following:

For the nine months ending September 30, 2008 -

94,685 preferred shares issued in satisfaction of the accrued dividend obligation as of December 31, 2007.

Exchange of 220,366 preferred shares for 1,119,613 of common shares.

2,000 stock options were issued to an employee.

For the nine months ending September 30, 2007 -

8,000,000 shares of common stock were issued in exchange for 100,000 membership units of Anchor Funding Services, LLC. In connection with this exchange, the Company acquired cash of \$6,270.

1,970,000 stock options were issued to the Company's President, CEO and two non-employee directors.

1,342,500 stock warrants were issued to the placement agent handling the sale of the Company's convertible preferred stock.

12. INCOME TAXES:

The income tax benefit for the nine months ending September 30, 2008 and 2007 consists of the following:

	September 30, 2008	September 30, 2007
Current provision	\$ 0	\$ 0
Deferred benefit	313,000	182,000
	313,000	182,000
Valuation reserve	(313,000)	(161,000)
	<u>\$ 0</u>	<u>\$ 21,000</u>

The net operating loss carryforward generated in the nine months ending September 30, 2008 and 2007 was approximately \$921,000 and \$474,000, respectively. The deferred tax assets related to these net operating loss carryforwards was approximately \$313,000 and \$161,000 at September 30, 2008 and 2007, respectively. These deferred tax assets have been reduced by valuation allowances. Management is uncertain if these net operating losses will ever be utilized, therefore they have been fully reserved at September 30, 2008 and reserved at 88% for the period ending September 30, 2007.

13. FACILITY LEASES:

In May 2007, the Company executed lease agreements for office space in Charlotte, NC and Boca Raton, FL. Both lease agreements are with unrelated parties.

The Charlotte lease is effective on August 15, 2007, is for a twenty-four month term and includes an option to renew for an additional three year term at substantially the same terms. On November 1, 2007, the Company entered into a lease for additional space adjoining its Charlotte office. The lease is for 19 months and includes a two year renewal option at substantially the same terms. The monthly rent for the combined space is approximately \$2,250.

The Boca Raton lease was effective on August 20, 2007 and is for a sixty-one month term. The monthly rental is approximately \$8,300.

Total rent expense for the nine months ending September 30, 2008 and 2007 was approximately \$103,000 and \$9,800 respectively.

14. SUBSEQUENT EVENT:

On October 22 2008, the Company entered into two identical \$750,000 line of credit agreements. These agreements are with George Rubin and Morry Rubin. George and Morry Rubin are both shareholders in the Company.

These agreements authorize the Company to borrow up to \$1,500,000. All borrowings under these agreements are charged interest at 12% and is payable as described below. These agreements are secured by substantially all assets of the Company. Amounts borrowed, and accrued but unpaid interest, are due at the early of demand or upon the Company obtaining replacement financing with an institutional lender.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and plan of operation together with our consolidated financial statements and the related notes appearing at the end of our Form 10-KSB for the fiscal year ended December 31, 2007. Some of the information contained in this discussion and analysis or set forth elsewhere in this form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of our Form 10-KSB for the fiscal year ended December 31, 2007 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

This Form 10-Q contains forward-looking statements. These statements relate to our expectations for future events and future financial performance. Generally, the words "anticipate," "expect," "intend" and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These statements are only predictions. Actual events or results may differ materially. Factors which could affect our financial results are described in the "Risk Factors" included herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

Executive Overview

Our business objective is to create a well-recognized, national financial services firm for small businesses providing accounts receivable funding (factoring), outsourcing of accounts receivable management including collections and the risk of customer default. For certain service businesses, Anchor also provides back office support including payroll, payroll tax compliance and invoice processing services. We provide our services to clients nationwide and may expand our services internationally in the future. We plan to achieve our growth objectives as described below through a combination of strategic and add-on acquisitions of other factoring and related specialty finance firms that serve small businesses in the United States and Canada and internal growth through mass media marketing initiatives. Our principal operations are located in Charlotte, North Carolina and we maintain an executive office in Boca Raton, Florida which includes its sales and marketing functions.

Summary of Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to credit provisions, intangible assets, contingencies and litigation and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies, among others, reflect the more significant judgments and estimates used in the preparation of our financial statements.

Results of Operations

Three Months Ended September 30, 2008 vs. Three Months Ended September 30, 2007

Finance revenues increased 177.4% for the three months ended September 30, 2008 to \$338,356 compared to \$121,996 for the comparable period of the prior year. The change in revenue was primarily due to an increase in the number of clients. As of September 30, 2008, the Company had 88 active clients compared to 13 clients as of September 30, 2007.

Net interest income decreased by \$45,870 for the three months ended September 30, 2008 to \$5,087 compared to \$ 50,957 for the comparable period of the prior year. This change is primarily due to the decrease in cash on hand due to the Company's using its cash to fund its purchasing of clients' accounts receivable.

The Company had a provision for credit losses of \$226 for the three months ended September 30, 2008 compared to a provision for credit losses for the three months ended September 30, 2007 of \$22,000.

Operating expenses for the three months ended September 30, 2008 were \$583,644 compared to \$380,074 for the comparable period of the prior year, a 53.5% increase. This increase is primarily attributable to the Company's incurring additional costs for increased payroll, marketing, professional, rent, insurance and other operating expenses to grow Anchor's core business, build an infrastructure to support anticipated growth and operate as a publicly reported company. In addition, the Company began leasing its own offices in Charlotte on June 1, 2007 and opened an Executive and Sales office in Boca Raton, Florida in August, 2007. Rent expense increased by \$21,371 for the three months ended September 30, 2008 to \$34,845 compared to \$ 13,474 for the comparable period of the prior year.

Net Loss for the three months ended September 30, 2008 was \$240,427 compared to \$225,121 for the comparable period of the prior year.

The following table compares the operating results for the three months ended September 30, 2008 and September 30, 2007:

	Three Months Ended September 30,			% Change
	2008	2007	\$ Change	
Finance revenues	\$ 338,356	\$ 121,996	\$ 216,360	177.4
Interest income, net	5,087	50,957	(45,870)	(90.0)
Net finance revenues	343,443	172,953	170,490	98.6
Provision for credit losses	(226)	(22,000)	21,774	(99.0)
Finance revenues, net of interest expense and credit losses	343,217	150,953	192,264	127.4
Operating expenses	583,644	380,074	203,570	53.5
Net loss before income taxes	(240,427)	(229,121)	(10,306)	0.5
Income tax benefit:		4,000	(4,000)	
Net loss	\$ (240,427)	\$ (225,121)	\$ (15,306)	6.8

Key changes in certain selling, general and administrative expenses:

	Three Months Ended September 30,		\$ Change	Explanation
	2008	2007		
Payroll, payroll taxes and benefits	266,000	139,863	126,137	Increased payroll and health benefits for sales and back office personnel.
Advertising	78,507	64,778	13,729	Increased marketing
Rent	34,845	13,474	21,371	Rent expense for North Carolina and Florida offices.
	<u>\$ 379,352</u>	<u>\$ 218,115</u>	<u>\$ 161,237</u>	

Client Accounts

As of and for the three months ended September 30, 2008, we have four clients that account for an aggregate of approximately 25.8% of our accounts receivable portfolio and approximately 19% of our revenues. The transactions and balances with these clients as of and for the three months ended September 30, 2008 are summarized below:

Entity	Percentage of Accounts Receivable Portfolio As of September 30, 2008	Percentage of Revenues For The Three Months Ended September 30, 2008
Transportation Company in Tennessee	5.3%	5.9%
Medical Staffing Company in New York	8.0%	6.6%
Medical Staffing Company in New York	6.3%	4.7%
Behaviorial & Educational Service firm in Hawaii	6.3%	1.8%

A client's fraud could cause us to suffer material losses.

Nine Months Ended September 30, 2008 vs. Nine Months Ended September 30, 2007

Finance revenues increased 176.6% for the nine months ended September 30, 2008 to \$823,533 compared to \$297,740 for the comparable period of the prior year. The change in revenue was primarily due to an increase in the number of clients. As of September 30, 2008, the Company had 88 active clients compared to 13 clients as of September 30, 2007.

Net interest income decreased by \$87,515 for the nine months ended September 30, 2008 to \$39,606 compared to \$127,121 for the comparable period of the prior year. This change is primarily due to the decrease in cash on hand due to the Company's using its cash to fund its purchasing of clients' accounts receivable.

The Company had a provision for credit losses of \$5,270 for the nine months ended September 30, 2008 compared to a provision for credit losses for the nine months ended September 30, 2007 of \$22,000.

Operating expenses for the nine months ended September 30, 2008 were \$1,805,549 compared to \$939,530 for the comparable period of the prior year, a 92.2% increase. This increase is primarily attributable to the Company's incurring additional costs for increased payroll, marketing, professional, rent, insurance and other operating expenses to grow Anchor's core business, build an infrastructure to support anticipated growth and operate as a publicly reporting company. In addition, the Company began leasing its own offices in Charlotte on June 1, 2007 and opened an Executive and Sales office in Boca Raton, Florida in August, 2007. Rent expense increased by \$88,684 for the nine months ended September 30, 2008 to \$103,896 compared to \$ 15,212 for the comparable period of the prior year.

Net Loss for the nine months ended September 30, 2008 was \$(947,680) compared to \$(515,669) for the comparable period of the prior year.

The following table compares the operating results for the nine months ended September 30, 2008 and September 30, 2007:

	Nine Months Ended September 30,			% Change
	2008	2007	\$ Change	
Finance revenues	\$ 823,533	\$ 297,740	\$ 525,793	176.6
Interest income, net	39,606	127,121	(87,515)	(68.8)
Net finance revenues	863,139	424,861	438,278	103.2
Provision for credit losses	(5,270)	(22,000)	16,730	(76.0)
Finance revenues, net of interest expense and credit losses	857,869	402,861	455,008	112.9
Operating expenses	1,805,549	939,530	866,019	92.2
Net loss before income taxes	(947,680)	(536,669)	(411,011)	76.6
Income tax benefit:		21,000	(21,000)	
Net Loss	\$ (947,680)	\$ (515,669)	\$ (432,011)	83.8

Key changes in certain selling, general and administrative expenses:

	Nine Months Ended September 30,		\$ Change	Explanation
	2008	2007		
Payroll, payroll taxes and benefits	802,560	323,251	479,309	Increased payroll and health benefits for sales and back office personnel.
Advertising	309,096	151,685	157,411	Increased marketing
Rent	103,896	15,212	88,684	Rent expense for North Carolina and Florida offices.
	<u>\$ 1,215,552</u>	<u>\$ 490,148</u>	<u>\$ 725,404</u>	

Client Accounts

As of and for the nine months ended September 30, 2008, we have four clients that account for an aggregate of approximately 25.9% of our accounts receivable portfolio and approximately 18.9% of our revenues. The transactions and balances with these clients as of and for the nine months ended September 30, 2008 are summarized below:

Entity	Percentage of Accounts Receivable Portfolio As of September 30, 2008	Percentage of Revenues For The Nine Months Ended September 30, 2008
Transportation Company in Tennessee	5.3%	3.3%
Medical Staffing Company in New York	8.0%	8.6%
Medical Staffing Company in New York	6.3%	4.5%
Behaviorial & Educational Service firm in Hawaii	6.3%	2.5%

A client's fraud could cause us to suffer material losses.

Liquidity and Capital Resources

Cash Flow Summary

Cash Flows from Operating Activities

Net cash used by operating activities was \$2,822,924 for the nine months ended September 30, 2008 and was primarily due to our net loss for the period and cash used in acquiring operating assets, primarily to purchase accounts receivable. Cash used for operating assets and liabilities was primarily due to an increase of \$1,800,239 in retained interest in accounts receivable. Increases and decreases in prepaid expenses, accounts payable, accrued payroll and accrued expenses were primarily the result of timing of payments and receipts.

Net cash used by operating activities was \$1,166,455 for the nine months ended September 30, 2007 and was primarily due to our net loss for the period and cash used by operating assets, primarily to purchase accounts receivable, and liabilities. The net loss was \$515,669 for the nine months ended September 30, 2007. Cash used by operating assets and liabilities was primarily due to an increase of \$774,814 in retained interest in accounts receivable. Decreases in accounts payable, offset by increases in accrued payroll and accrued expenses were primarily the result of timing of payments and receipts. Net cash provided by operating activities was lower for the nine months ended September 30, 2008 compared to the same period last year primarily due to the increased purchase of accounts receivable and the loss incurred in the current period of \$937,680 compared to a net loss of \$515,669 for the nine months ended September 30, 2007.

Cash Flows from Investing Activities

For the nine months ended September 30, 2008, net cash used in investing activities was \$27,147 for the purchase of property and equipment.

For the nine months ended September 30, 2007, net cash used in investing activities was \$85,367 for the purchase of property and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$0 for the nine months ended September 30, 2008.

Net cash provided by financing activities was \$5,455,964 for the nine months ended September 30, 2007. This was primarily the result of \$6,712,500 of proceeds from the sale of Preferred Stock offset by \$1,209,383 of payments related to costs of the sale.

Between January 31, 2007 and April 5, 2007, we raised \$6,712,500 in gross proceeds from the sale of 1,342,500 shares of our Series 1 Convertible Preferred Stock to expand our operations both internally and through possible acquisitions as more fully described under "Description of Business."

Capital Resources

We previously had the availability of a \$1 million line of credit through September 5, 2007 with an institutional asset based lender which advanced funds against "eligible accounts receivable" as defined in Anchor's agreement with its institutional lender. This facility, which was secured by our assets, contained certain covenants related to tangible net worth and change in control. In the event that we failed to comply with the covenant(s) and the lender did not waive such non-compliance, we would have been in default of our credit agreement, which could have subjected us to penalty rates of interest and accelerate the maturity of the outstanding balances. On June 28, 2007, we notified our lender of our desire to terminate the facility agreement immediately and the lender subsequently agreed to our request.

On October 22, 2008, Anchor entered into agreements to secure a revolving line of credit of up to \$1,500,000 in total from George Rubin and Morry Rubin, each of whom are affiliates of Anchor. Each revolving credit note, of which there are two, is in the principal amount of \$750,000 or such other amount that shall have been advanced and be outstanding and remain unpaid. Each note bears interest at the rate of 12% per annum and is repayable upon the earlier of (i) demand by lender and (ii) immediately prior to or on the date of Anchor's entry into a loan agreement with an institutional lender. To secure Anchor's obligations under the notes, Anchor granted to each lender a security interest in substantially all the assets of Anchor. The purpose of this line of credit is to support Anchor's growing and expanding business.

We intend to seek to obtain a new institutional credit facility. In the event we are not able to obtain adequate credit facilities for our factoring and acquisition needs on commercially reasonable terms, our ability to operate and expand our business and complete one or more acquisitions would be significantly impacted and our financial condition and results of operations could suffer.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our short term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level at the end of our most recent quarter. There have been no changes in the Company's disclosure controls and procedures or in other factors that could affect the disclosure controls subsequent to the date the Company completed its evaluation. Therefore, no corrective actions were taken.

Management has not yet completed, and is not yet required to have completed, its assessment of the effectiveness of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS:**

As of the filing date of this Form 10-Q we are not a party to any pending legal proceedings.

Item 1A. Risk Factors

As a Smaller Reporting Company as defined Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 1A.

ITEM 2. CHANGES IN SECURITIES.

(a) For the nine months ended September 30, 2008 there were no sales of unregistered securities, except as follows:

Date of Sale	Title of Security	Number Sold	Consideration Received, Commissions	Purchasers	Exemption from Registration Claimed
February 21 and May 28, 2008	Common Stock	Options to purchase 102,000 common Shares	Securities granted under Equity Compensation Plan; no cash received; no commissions paid	Directors and Officers	Section 4(2) of the Securities Act of 1933 and/or Rule 506 promulgated thereunder (6)
January 2008	Series 1 Preferred Stock	94,865 Shares	Annual Stock Dividend	All Preferred Stock Investors	Section 2(3) – No sale (Preferred Stock Dividend)
March and April 2008	Common Stock	1,119,823 Shares	Conversion of Series 1 Preferred Stock into Common Stock; no cash received; no commissions paid	Certain Preferred Stock Investors	Section 3(a)(9)- Exchange of Securities

(b) Rule 463 of the Securities Act is not applicable to the Company.

(c) In the nine months ended September 30, 2008, there were no repurchases by the Company of its Common Stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS:

Not applicable.

ITEM 5. OTHER INFORMATION:

Not applicable.

ITEM 6. EXHIBITS:

Except for the exhibits listed below as filed herewith or unless otherwise noted, all other required exhibits have been previously filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, on Form 10-SB, as amended (file no.0-52589).

Exhibit Number	Description
2.1	Exchange Agreement
3.1	Certificate of Incorporation-BTHC,INC.
3.2	Certificate of Merger of BTHC XI, LLC into BTHC XI, Inc.
3.3	Certificate of Amendment
3.4	Designation of Rights and Preferences-Series 1 Convertible Preferred Stock
3.5	Amended and Restated By-laws
4.1	Form of Placement Agent Warrant issued to Fordham Financial Management
10.1	Directors' Compensation Agreement-George Rubin
10.2	Employment Contract-Morry F. Rubin
10.3	Employment Contract-Brad Bernstein
10.4	Agreement-Line of Credit
10.5	Fordham Financial Management-Consulting Agreement
10.6	Facilities Lease – Florida
10.7	Facilities Lease – North Carolina
10.8	Second Facilities Lease-North Carolina (1)
10.9	Facilities Lease for Additional Space – Charlotte, NC* (Incorporated by reference to the Registrant's Form 10-Q/A filed for the quarter ended March 31, 2008.)
10.10	Revolving credit note dated October 22, 2008 by and between Anchor and George Rubin. (2)
10.11	Revolving credit note dated October 22, 2008 by and between Anchor and Morry Rubin. (2)
11	Statement-re:Compensation of earnings per share-See Consolidated Statements of operations and notes to financial statements
31.1	Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification *
31.2	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification *
32.1	Chief Executive Officer Section 1350 Certification *
32.2	Chief Financial Officer Section 1350 Certification *
99.1	2007 Omnibus Equity Compensation Plan
99.2	Form of Non-Qualified Option under 2007 Omnibus Equity Compensation Plan
99.3	Press Release – Third Quarter Earnings*

*Filed herewith.

- (1) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 30, 2007.
- (2) Incorporated by reference to the Registrant's Form 8-K – date of earliest event – October 22, 2008/

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANCHOR FUNDING SERVICES, INC.

Date: November 13, 2008

By: /s/ Morry F. Rubin

Morry F. Rubin
Chief Executive Officer

Date: November 13, 2008

By: /s/ Brad Bernstein

Brad Bernstein
President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Morry F. Rubin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Anchor Funding Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer (if any) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 13, 2008

By: /s/ MORRY F. RUBIN
Morry F. Rubin
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brad Bernstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Anchor Funding Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer (if any) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 13, 2008

By: /s/ BRAD BERNSTEIN
Brad Bernstein
President and Chief Financial Officer

FOR IMMEDIATE RELEASE-November 13, 2008

Anchor Funding Services, Inc. reports fiscal 2008 - third quarter results

Boca Raton, FL (PR Newswire)/November 13, 2008 – Anchor Funding Services, Inc. (OTC Bulletin Board Symbol “AFNG”) announced today its results for its third quarter of 2008. The company reported 2008 third quarter finance revenues and net loss of \$338,356 and \$(240,427) as compared to finance revenues and net loss of \$121,996 and \$(225,121) for the comparable prior year period. The Company also reported nine month 2008 finance revenues and net loss of \$823,533 and \$(947,680) as compared to finance revenue and net loss of \$297,740 and \$(515,669) for the comparable period of the prior year. The increase in net loss is attributable to the company’s investments in various sales initiatives, hiring marketing and operations personnel, and increases in general and administrative costs and compliance costs as a public reporting company.

Morry F. Rubin, CEO stated that “We have made investments to capitalize on the growth opportunity in the U.S. factoring industry. While ramping up our organic growth initiatives we are also exploring acquisition opportunities of other U.S. factoring firms which would enhance our ability to increase revenues and profits, add additional factoring services and increase our geography and clients.”

Anchor provides accounts receivable financing to most types of U.S. businesses where the performance of a service or the delivery of a product can be verified. We have the ability to check a company’s credit and evaluate its ability to pay across most industries. Typically, small businesses do not have adequate resources to manage the credit and A/R collection functions internally and cannot afford to provide their customers extended credit terms.

Anchor is continuing to benefit from the current credit problems experienced by banks and other financial institutions. Banks face continued pressure to exit troubled loans and rebuild their balance sheets. As a result, lending criteria have tightened across the spectrum making it increasingly difficult for small businesses to obtain working capital. Through our sales force and marketing efforts we are implementing various ways to obtain business opportunities from bank rejections and turn downs. Unlike a bank, Anchor is not as focused on the credit quality of its clients, but is more focused on the creditworthiness of its clients’ customers and validity of their invoices. Therefore, Anchor is often able to provide working capital to small businesses when banks cannot.

We are excited about our future expansion opportunities in the factoring industry which is highly fragmented and not dominated by any single firm(s). We will continue to communicate important developments as they occur.

About Anchor

Anchor provides innovative accounts receivable funding to small and mid-size U.S. businesses. Our funding facility which is based upon creditworthiness of accounts receivable, provides rapid and flexible financing to support small businesses’ daily capital needs.

Additional Information

For additional information, a copy of Anchor’s Form 10-Q can be obtained on the Internet by going to www.sec.gov, clicking “Search for Company filings,” then clicking “Companies & Other Filers,” typing in our company name and clicking “find Companies.”

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995.

Certain statements in this press release constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performances or achievements express or implied by such forward-looking statements. The forward-looking statements are subject to risks and uncertainties including, without limitation, changes in levels of competition, possible loss of customers, and the company’s ability to attract and retain key personnel.

Contact Morry F. Rubin, Chairman and C.E.O. (866) 950- 6669 EXT 302
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