SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended March 31, 2010

Commission File Number: 0-52589

ANCHOR FUNDING SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-5456087**
(State of jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)
10801 Johnston Road. Suite 210	
Charlotte, NC	**28226**
(Address of Principal Executive Offices)	(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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Date File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file). 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 [X]

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

As of May 4, 2010, the Company had a total of 18,524,889 shares of Common Stock outstanding, excluding 398,283 outstanding shares of Series 1 Preferred Stock convertible into 1,991,415 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 Commiss ion.

ANCHOR FUNDING SERVICES, INC.

Form 10-Q Quarterly Report
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PART I. FINANCIAL INFORMATION

ANCHOR FUNDING SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2010	(Audited) December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash	$ 292,877	$ 491,486
Retained interest in purchased accounts receivable, net	9,338,297	6,775,364
Earned but uncollected fee income	215,074	163,116
Due from lender	-	164,899
Prepaid expenses and other	72,700	82,680
Total current assets	9,918,948	7,677,545
PROPERTY AND EQUIPMENT, net	27,781	31,189
GOODWILL	410,000	410,000
INTANGIBLE ASSET - customer list	63,000	70,000
	-	
SECURITY DEPOSITS	5,486	5,486
	$ 10,425,214	$ 8,194,220
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Due to financial institution	$ 3,961,700	$ 4,296,601
Due to participant	609,751	126,909
Accounts payable	135,017	45,551
Due to Lender	2,181,025	-
Accrued payroll and related taxes	75,895	45,780
Accrued expenses	321,129	316,204
Collected but unearned fee income	45,296	52,430
Contingent note payable	480,000	480,000
Due to client	-	146,831
Total current liabilities	7,809,813	5,510,306
COMMITMENTS AND CONTINGENCIES		
PREFERRED STOCK, net of issuance costs of $1,209,383	3,028,574	5,212,719
COMMON STOCK	1,627	1,409
ADDITIONAL PAID IN CAPITAL	5,107,490	2,916,552
ACCUMULATED DEFICIT	(5,839,528)	(5,747,917)
NONCONTROLLING INTEREST	317,238	301,151
	2,615,401	2,683,914
	$ 10,425,214	$ 8,194,220

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

ANCHOR FUNDING SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2010 and 2009

	(Unaudited) 2010	(Unaudited) 2009
FINANCE REVENUES	$ 802,019	$ 404,278
INTEREST EXPENSE - financial institution	(174,844)	(12,899)
INTEREST INCOME	-	-
NET FINANCE REVENUES	627,175	391,379
(PROVISION) BENEFIT FOR CREDIT LOSSES	1,298	(6,063)
FINANCE REVENUES, NET OF INTEREST EXPENSE AND CREDIT LOSSES	628,473	385,316
OPERATING EXPENSES	703,997	711,197
LOSS BEFORE INCOME TAXES	(75,524)	(325,881)
INCOME TAXES	-	-
NET LOSS	(75,524)	(325,881)
LESS: NONCONTROLLING INTEREST SHARE	16,087	
CONTROLLING INTEREST SHARE	(91,611)	(325,881)
DEEMED DIVIDEND ON CONVERTIBLE PREFERRED STOCK	-	(129,635)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDER	$ (91,611)	$ (455,516)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDER, per share		
Basic	(0.01)	(0.04)
Dilutive	(0.01)	(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic and dilutive	15,176,359	12,940,378

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

ANCHOR FUNDING SERVICES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three months ended March 31, 2010

	Preferred Stock	Common Stock	Additional Paid in Capital	Accumulated Deficit	Noncontrolling Interest	Total
Beginning Balance, December 31, 2009 (audited)	$ 5,212,719	$ 1,409	$ 2,916,552	$ (5,747,917)	$ 301,151	$ 2,683,914
Compensation expense related to issued stock options	-	-	7,011	-	-	7,011
Net loss	-	-	-	(91,611)	16,087	(75,524)
Conversion of 436,829 preferred shares to 2,184,145 common shares	(2,184,145)	218	2,183,927	-	-	-
Balance, March 31, 2010	$ 3,028,574	$ 1,627	$ 5,107,490	$ (5,839,528)	$ 317,238	$ 2,615,401

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

ANCHOR FUNDING SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three months ended March 31, 2010 and 2009

	(Unaudited) 2010	(Unaudited) 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss:	$ (91,611)	$ (325,881)
Adjustments to reconcile net loss to net cash		
used in operating activities:		
Noncontrolling interest share	16,087	-
Depreciation and amortization	18,572	13,047
Compensation expense related to issuance of stock options	7,011	(5,817)
Allowance for uncollectible accounts	-	6,063
Amortization of loan fees	-	24,257
Increase in retained interest in purchased accounts receivable	(2,562,934)	(107,760)
Increase in earned but uncollected	(51,958)	(26,601)
Increase in due from customer	164,899	-
Decrease (increase) in prepaid expenses and other	9,980	24,122
Decrease (increase) in accounts payable	89,466	20,666
Increase (decrease) in accrued payroll and related taxes	30,115	25,107
(Decrease) increase in collected but not earned	(7,134)	4,643
Increase in due to participant	482,842	-
Increase (decrease) in accrued expenses	4,925	(25,406)
Increase in due to client	(146,831)	-
Net cash used in operating activities	(2,036,571)	(373,560)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,162)	(9,874)
Net cash used in investing activities	(8,162)	(9,874)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from financial institution, net	(334,901)	351,717
Proceeds from lender	2,181,025	
Net cash provided by financing activities	1,846,124	351,717
DECREASE IN CASH	(198,609)	(31,717)
CASH, beginning of period	491,486	401,104
CASH, end of period	$ 292,877	$ 369,387

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

The Consolidated Balance Sheet as of March 31, 2010, the Consolidated Statements of Operations and Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2010 and 2009 and the Consolidated Statements of Cash Flows for the three months ended March 31, 2010 and 2009 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 March 31, 2010, results of operations for the three months ended March 31, 2010 and 2009 and cash flows for the three months ended March 31, 2010 and 2009 and are not necessarily indicative of the results to be expected for the full year.

This report should be read in conjunction with our Form 10-K for our fiscal year ended December 31, 2009.

1. BACKGROUND AND DESCRIPTION OF BUSINESS:

The consolidated financial statements include the accounts of Anchor Funding Services, Inc. (formerly BTHC XI, Inc.) its wholly owned subsidiary, Anchor Funding Services, LLC (“Anchor”) and its 80% owned subsidiary Brookridge Funding Services, LLC (“Brookridge”, collectively, “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 and Brookridge 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 December 7, 2009, Brookridge Funding Services, LLC, the Company’s 80% owned subsidiary, acquired certain assets and accounts of Brookridge Funding, LLC. Brookridge Funding Services, LLC is a North Carolina limited liability company with operations in Danbury, Connecticut. Brookridge Funding Services, LLC provides factoring and purchase order funding to businesses located throughout the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Anchor Funding Services, Inc., its wholly owned subsidiary, Anchor Funding Services, LLC and its 80%owned subsidiary Brookridge Funding Services, LLC as of March 31, 2010. The consolidated statement of operations for the three months ended March 31, 2010 includes the results of Brookridge Funding Services, LLC, and Anchor Funding Services, LLC. The consolidated statement of operations for the three months ended March 31, 2009 does not include the results of Brookridge Funding Services, LLC.

Estimates – The preparation of consolidated 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 consolidated 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 and purchase order advance. 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 and purchase order advance is outstanding. As specified in its contract with the client, the Company charges variable increasing percentages of the purchased invoice or purchase order advance 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 and purchase order advances are collected, the Company records the appropriate adjustments to record the actual revenue earned on each purchased invoice and purchase order advance. 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 and advances on purchase orders from clients less amounts maintained in a reserve account. For factoring transactions, 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. For purchase order transactions, the company advances and pays for 100% of the product’s cost.

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 and purchase order advances monthly to determine if any are uncollectible. The Company has a security interest in the accounts receivable and inventory 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 customers relating to the purchased accounts receivable and purchase order advances.

Management considered approximately $55,000 of their March 31, 2010 and $57,000 of their December 31, 2009 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. As of March 31, 2010, accounts receivable purchased over 90 days old and still accruing fees totaled approximately $250,000.

Property and Equipment – Property and equipment, consisting of furniture and fixtures and computers and software, are stated at cost. Depreciation is provided over the estimated useful lives of the depreciable assets using the straight-line method. Estimated useful lives range from 2 to 7 years.

Goodwill and Intangible Assets – Goodwill represents the excess of the cost of purchased businesses over the fair value of the net assets acquired.

The Company tests the goodwill balance for impairment annually and between annual tests if circumstances would require it. The Company's goodwill testing is a two-step process with the first step being a test for potential impairment by comparing the fair value of the reporting unit with its carrying amount (including goodwill). If the fair value of the reporting unit exceeds the carrying amount, then no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, the Company completes the second step to measure the amount of the impairment, if any. The Company will complete the annual test for impairment during its fourth quarter in future years.

Identifiable intangible assets are carried at amortized cost. Intangible assets with definite lives are amortized over their useful lives and amortization is computed using the straight line method over their expected useful lives. Long-lived assets are tested for recoverability whenever events of changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment losses are recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

Advertising Costs – The Company charges advertising costs to expense as incurred. Total advertising costs were approximately $67,000 and $87,000 for the quarters ended March 31, 2010 and 2009, respectively.

Earnings per Share – Basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Dilutive earnings per share include 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.

Under the treasury stock method, options and warrants will have dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants. For the quarters ending March 31, 2010 and 2009, the average price of common stock was less than the exercise price of the options and warrants.

Also when 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, since they would have an anti-dilutive effect. For the quarters ending March 31, 2010 and 2009, there was a year-to-date loss from continuing operations.

Stock Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee services (share-based payment transactions) must be recognized as an expense in the financial statements as services are performed.

Compensation expense is determined by reference to the fair value of an award on the date of grant and is amortized on a straight-line basis over the vesting period. We have elected to use the Black-Scholes-Merton (BSM) pricing model to determine the fair value of all stock option awards.

See Note 10 for the impact on the operating results for the quarters ended March 31, 2010 and 2009.

Fair Value of Financial Instruments – The carrying value of cash equivalents, retained interest in purchased accounts receivable, due to financial institution, 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 –The Company is 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 guidance for accounting for uncertainty in income tax positions which clarifies the accounting for uncertain tax positions. This FASB 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 Company applied this guidance to all its tax positions, including tax positions taken and those expected to be taken, under the transition provision of the interpretation.

For the quarters ended March 31, 2010 and 2009, 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 June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles (“ASC 105,” Generally Accepted Accounting Principles).* ASC 105 replaces *FASB Statement No. 162*. Under the Statement, The FASB Accounting Standards Codification (Codification) has become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the eff ective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The codification is effective for these third quarter financial statements and the principal impact is limited to disclosures as all future references to authoritative literature will be referenced in accordance with the codification.

In April 2009, the FASB issued FSP SFAS 107-1 and APB 28-1 “*Interim Disclosures about Fair Value of Financial Instruments*” (“ASC 825-10” and “ASC 270-10”, Transition Related to FSP SFAS 107-1 and APB 28-1). ASC 825-10and 270-10 amend the disclosure requirements in ASC 825, “*Disclosures about Fair Value of Financial Instruments*”, and ASC 270, “*Interim Financial Reporting*,” to require disclosures about the fair value of financial instruments, including disclosure of the method(s) and significant assumptions used to estimate the fair value of financial instruments, in interim financial statements as well as in annual financial statements. Previously, these disclosures were required only in annual financial statements. ASC 825-10and 270-10 are effective and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009. In periods after initial adoption, ASC 825-10and 270-10 require comparative disclosures only for periods ending subsequent to initial adoption and does not require earlier periods to be disclosed for comparative purposes at initial adoption. The Company was not impacted by the adoption of this pronouncement.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events* (“ASC 855”, *Subsequent Events)*, which establishes general standards of and accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This Statement was effective for interim and annual periods ending after June 15, 2009. The Company has complied with the requirements of ASC 855.

In August 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820) – Measuring Liabilities at Fair Value.* This ASU provides amendments for fair value measurements of liabilities. It provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more techniques. ASU 2009-05 also clarifies that when estimating a fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. ASU 2009-05 is effective for the first repo rting period (including interim periods) beginning after issuance or fourth quarter 2009. The Company is assessing the impact of ASU 2009-05 on our financial condition, results of operations and disclosures.

In March 2008, the FASB issued ASC 815 “Derivatives and Hedging” (Formerly Statement of Financial Accounting Standards (SFAS) No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment to FASB No. 133” (SFAS 161)). ASC 815 requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Company’s financial position, financial performance and cash flows. ASC 815 also clarifies that derivatives are subject to credit risk disclosures as required by SFAS 107, “Disclosures about Fair Value of Financial Statements.” ASC 815 is effective for the year beginning January 1, 2009. The adoption of ASC 815is not expected to have a material impact on th e Company’s financial condition and results of operations.

In February 2008, the FASB issued guidance impacting ASC 860, “Transfers and Servicing.” (formerly FASB Staff Position (FSP) No. FAS 140-3, “Accounting for Transfers of Financial Assets and Repurchase Financing Transactions.”) ASC 860requires an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously or in contemplation of the initial transfer to be evaluated as a linked transaction under SFAS No. 140 unless certain criteria are met, including that the transferred asset must be readily obtainable in the marketplace. ASC 860is effective for fiscal years beginning after November 15, 2008, and is applicable to new transactions entered into after the date of adoption. Early adoption is prohibited. The adoption of ASC 86 0 is not expected to have a material impact on the Company’s financial condition and results of operations.

In December 2007, the FASB issued guidance impacting ASC 805, “Business Combinations” (formerly SFAS No. 141R). ASC 805 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, ASC 805 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. ASC 805 is effective for new acquisitions consummated on or after January 1, 2009. Early adopti on is not permitted. The Company is currently evaluating the effect of this standard.

In December 2007, the FASB issued guidance impacting ASC 810, Consolidation, which requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements, but separate from the equity of the parent company. The statement further requires that consolidated net income be reported at amounts attributable to the parent and the noncontrolling interest, rather than expensing the income attributable to the minority interest holder. This statement also requires that companies provide sufficient disclosures to clearly identify and distinguish between the interests of the parent company and the interests of the noncontrolling owners, including a disclosure on the face of the consolidated statements for income attributable to the noncontrolling interest holder. 60;This new guidance in ASC 810 was effective for the fiscal years beginning on or after December 15, 2008 SFAS The adoption of ASC 810 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:

	March 31, 2010	December 31, 2009
Purchased invoices	$ 8,553,253	$ 7,260,539
Purchase order advances	2,293,498	737,813
Reserve account	(1,453,641)	(1,165,886)
Allowance for uncollectible invoices	(54,813)	(57,102)
	$ 9,338,297	$ 6,775,364

Retained interest in purchased accounts receivable consists, excluding the allowance for uncollectible invoices, of United States companies in the following industries:

	March 31, 2010	December 31, 2009
Staffing	$ 620718	$ 734,415
Transportation	1,867,506	1,737,153
Construction	5,218	5,218
Service	4,150,020	3,107,145
Metal Processing	2,067,118	625,501
Other	682,530	623,034
	$ 9,393,110	$ 6,832,466

Total purchased invoices and purchase order advances were as follows:

	For the quarters ending March 31, 2010	2009
Purchased invoices	$ 23,549,531	$ 11,397,000
Purchase order advances	8,662,759	-
	$ 32,212,290	$ 11,397,000

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	Estimated Useful Lives	March 31, 2010	December 31, 2009
Furniture and fixtures	2-5 years	$ 44,731	$ 44,731
Computers and software	3-7 years	144,053	135,891
		188,784	180,622
Less: accumulated depreciation		(161,004)	(149,433)
		$ 27,780	$ 31,189

Depreciation expense was $11,571 and $13,047 for the quarters ended March 31, 2010 and 2009, respectively.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill was $410,000 at March 31, 2010 and there were no changes in its value since January 1, 2010.

Identifiable intangible assets, net of amortization at March 31, 2010, were as follows:

	March 31, 2010		
	Cost	Accumulated Amortization	Net
Brookridge customer relationships	$ 70,000	$ 7,000	$ 63,000

The Company has assessed the useful life of this asset in connection with the recoverability assessments. Amortization is based on the estimated useful life of 30 months.

The estimated annual amortization expense for each of the next three years is as follows:

Year	Amount
2010	$ 20,000
2011	20,000
2012	10,000

6. DUE TO FINANCIAL INSTITUTION:

On, November 30, 2009, Anchor Funding Services, LLC, entered into a $7 million senior Accounts Receivable (A/R) Credit Facility with a maximum amount of up to $9 million with lender approval. This funding facility is based upon Anchor's submission and approval of eligible accounts receivable. This facility replaced Anchor’s revolving credit facility from another financial institution. Anchor pays .5% for the first 30 days of the face value for each invoice funded and .016% for each day thereafter until collected. In addition, interest on advances is paid monthly at the Prime Rate plus 2.0%. Anchor pays the financial institution various other monthly fees as defined in the agreement. The agreement requires that Anchor use $1,000,000 of its own funds first to finance its clients. The ag reement contains customary representations and warranties, events of default and limitations, among other provisions. The agreement is collateralized by a first lien on all Anchors’ assets. Borrowings on this agreement are partially guaranteed by each of the Company’s President and Chief Executive Officer up to $250,000 per officer.

The agreement, among other covenants, required the Company to maintain certain financial ratios. As of March 31, 2010, the Company was in compliance with, or obtained waivers for, all provisions of this agreement.

7. 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.

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 ceased 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.

Common Stock – The Company is authorized to issue 65,000,000 shares of $.0001 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 shares issued in Series 1 Convertible Preferred Stock and Common Stock as of March 31, 2010 and December 31, 2009 is summarized as follows:

	Series 1 Convertible Preferred Stock	Common Stock
Balance, December 31, 2009	1,284,633	14,092,967
Preferred Stock Conversions	(436,829)	
Common Stock Issuances		2,184,235
Balance, March 31, 2010	847,804	16,277,202

8. RELATED PARTY TRANSACTION:

On December 7, 2009, Brookridge Funding Services, LLC, the Company's 80% owned subsidiary, acquired certain assets and accounts of Brookridge Funding, LLC. In connection with the closing, Brookridge entered into a credit agreement (the "Credit Agreement") with MGM Funding, LLC ("MGM"), a limited liability company owned and controlled by the Company's Co-Chairmen, Morry F. Rubin and George Rubin, and an investor ("Lender"), pursuant to which Lender will provide a $3.7 million senior credit facility to Brookridge. Morry F. Rubin is the managing member of MGM. Loans under the Credit Agreement are secured by all of Brookridge's assets and bear interest at a 20% annual rate. The Credit Agreement contains standard representations, covenants and events of default for facili ties of this type. Occurrence of an event of default allows the Lender to accelerate the payment of the loans and/or terminate the commitments to lend, in addition to other legal remedies, including foreclosing on collateral. At March 31, 2010, Brookridge owed $2,006,025 to the Lender.

Also in connection with closing, the company received gross proceeds of $500,004 from the sale of 500,004 shares of common stock and ten year warrants to purchase 2,000,016 shares of common stock exercisable at $1.00 per share (the "Equity Investment"). The Equity Investment was purchased one-third by Morry F. Rubin, one-third by George Rubin and one-third by a principal stockholder, each of whom are owners of the Lender.

Michael P. Hilton and John A. McNiff III, each co-president of an 80% owned subsidiary, Brookridge, each purchased a ten percent interest in Brookridge at a cost of $150,000 and each agreed to guarantee repayment of the Lender's Credit Facility up to an amount equal to $300,000. At Closing, the company entered into employment agreements with Messers Hilton and McNiff and granted each of Messrs. Hilton and McNiff's ten year options to purchase 112,500 shares of our common stock at an exercisable price of $1.00 per share.

On March 23, 2010, the Board of Directors approved Anchor entering into a Promissory Note for up to $2 million from MGM Funding, LLC. Morry F. Rubin is the managing member of MGM. The money to be borrowed under the note is subordinate to Anchor’s accounts receivable credit facility. The Promissory Note is to assist Anchor in funding up to 50% of the funds employed for a specific client that Anchor’s senior lender will only fund up to 50% of the funds employed. The senior lender’s limitation is based on the size of the client’s credit facility. The MGM Promissory Note is a demand note. In addition, when Anchor typically has significant invoice purchase requests from clients, MGM periodically makes short-term loans to Anchor Funding Services, Inc. which then advances the funds to Anchor Funding Ser vices, LLC. Anchor does not receive same day availability of funds from its senior lender for its daily client invoice purchases requiring it to use its own capital and MGM to meet client demand. These loans are payable on demand and bear interest at 20% per annum. At March 31, 2010, Anchor owed $175,000 to MGM.

9. EMPLOYMENT AND STOCK OPTION AGREEMENTS:

On January 31, 2007, the Board adopted our 2007 Omnibus Equity Compensation Plan (the “Plan”), with 2,100,000 common shares authorized for issuance under the Plan. In October 2009 the Company's stockholders approved an increase in the number of shares covered by the Plan to 4,200,000 shares.

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. Additionally, at closing two non-employee directors entered into stock option agreements.

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

- The employment agreement with M. Rubin currently retains his services as Co-chairman and Chief Executive Officer through January 31, 2011.

- An annual salary of $1 until, the first day of the first month following such time as the Company, 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 the Company, 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) the Company’s industry, size and performance, and (iii) other relevant factors. M. Rubin is eligible to receive annual bonuses as determined by the Company’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 the Company’s 2007 Omnibus Equity Compensation Plan. Vesting of the fair value of the options was one-third immediately, one-third on February 29, 2008 and one-third on February 28, 2009.

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

- The employment agreement with B. Bernstein currently retains his services as President for a three-year period through January 31, 2011.

- 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 the Company may hereafter adopt from time to time. B. Bernstein is eligible to receive annual bonuses as determined by the Company'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 the Company's 2007 Omnibus Equity Compensation Plan. Vesting of the fair value of the options was one-third immediately, one-third on February 29, 2008 and one-third on February 28, 2009,

On December 4, 2009, Anchor Funding Services, Inc., entered into an Asset Purchase Agreement with Brookridge Funding, LLC providing for the acquisition of certain assets and accounts of Seller's purchase order finance business. The closing of the acquisition took place on December 7, 2009. In connection with the transaction, Brookridge entered into employment contracts and stock option agreements with Michael Hilton and John McNiff, each a Co-President of Brookridge.

The following summarizes Mr. Hilton's and Mr. McNiff's employment agreements and stock options:

- The employment agreement retains their services as Co-Presidents of Brookridge for a five-year period.

- A salary of $120,000 per year.

- Each is to receive 10-year options to purchase 112,500 shares exercisable at $1.00 per share, pursuant to the Company's 2007 Omnibus Equity Compensation Plan. Vesting of the fair value of the options is equally over 5 years in arrears.

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

- 10-year options to purchase 280,000 shares exercisable at $1.25 per share, pursuant to the Company's 2007 Omnibus Equity Compensation Plan. Vesting of the fair value of the options is one-third immediately, one-third one year from the grant date and the remainder 2 years from grant date. If any director ceases serving the Company 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 employee stock option agreements entered into with five employees:

- 10-year options to purchase 86,500 shares exercisable at prices of $1.00 and $1.25 per share, pursuant to the Company's 2007 Omnibus Equity Compensation Plan. The grant dates range from September 28, 2007 to November 30, 2009. Vesting periods range from one to four years. If any employee ceases being employed by the Company for any reason, all vested and unvested options shall terminate immediately.

The following table summarizes information about stock options as of March 31, 2010:

Exercise Price	Number Outstanding	Remaining Contractual Life	Number Exercisable
$ 1.25	1,886,500	7 years	1,849,167
$ 1.00	305,000	9-10 years	20,000
$ 0.62	500,000	9 years	500,000
	2,691,500		2,369,167

The Company recorded the issuance of these options in accordance with SFAS No. 123(R). The following information was input into a Black Scholes option pricing model.

Exercise price	$0.62 to $1.00
Term	10 years
Volatility	.85 to 2.50
Dividends	0%
Discount rate	2.82% to 4.75%

The pre-tax fair value effect recorded for these options in the statement of operations for the quarters ending March 31, 2010 and 2009 was as follows:

	2010	2009
Fully vested stock options	$ -	$ 1,982
Unvested portion of stock options	7,011	625
	7,011	2,607
Benefit for expired stock options		(8,424)
(Benefit) provision, net	$ 7,011	$ (5,817)

10. WARRANTS

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 warrant 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 March 31, 2010:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
$ 1.10	1,342,500	5 years	1,342,500
$ 1.00	2,000,004	10 years	2,000,004

11. CONCENTRATIONS:

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

Industry	For the three months ending March 31, 2010	2009
Staffing	$ 69,096	$ 76,006
Transportation	169,187	159735
Service	396,885	154,404
Metal Processor	101,966	
Other	64,885	14,133
	$ 802,019	$ 404,278

Major Customers – The Company had the following transactions and balances with unrelated customers (1 in quarter ending March 31, 2010 and 1 in quarter ending March 31, 2009) which represent 10% or more of its revenues for the quarters ending March 31, 2010 and 2009 as follows:

	Client #1
Three Months Ended March 31, 2010	
Revenues	$ 101,966
As of March 31, 2010	
Purchased accounts receivable outstanding	$ 2,067,118

	Client #1
Three Months Ended March 31, 2009	
Revenues	$ 50,567
As of March 31, 2009	
Purchased accounts receivable outstanding	$ 719,288

Cash – The Company places its cash and cash equivalents on deposit with a with financial institutions in the United States. In 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to $250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The unlimited coverage for participating accounts expires in June 30, 2010 and the $250,000 increased coverage for other accounts is schedules to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to $100,000. During the quarter, the Company from time to time may have had amounts on deposit in excess of the insured limits. As of March 31, 2010, the Company had approximately $43,000 which exceed these in sured amounts.

12. SUPPLEMENTAL DISCLOSURES OF CASH FLOW:

Cash paid for interest was as follows:

For the three months ending March 31, 2010	2009
$ 174,844	$ 12,900

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

For the quarter ending March 31, 2010 –

Exchange of 436,829 preferred shares for 2,184,145 common shares.

For the quarter ending March 31, 2009 –

None

13. INCOME TAXES:

As of December 31, 2009, the Company had approximately $3.9 million of net operating loss carryforwards ("NOL") for income tax purposes. The NOL's expire in various years from 2021 through 2024. The Company's use of operating loss carryforwards is subject to limitations imposed by the Internal Revenue Code. Management believes that the deferred tax assets as of March 31, 2010 do not satisfy the realization criteria and has recorded a valuation allowance for the entire net tax asset. By recording a valuation allowance for the entire amount of future tax benefits, the Company has not recognized a deferred tax benefit for income taxes in its statements of operations.

14. FACILITY LEASES:

The Company has lease agreements for office space in Charlotte, NC, Boca Raton, FL and Danbury, CT. All 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. Both leases expire May 31, 2010 and the company plans to renew for two more years. The monthly rent for the combined space is approximately $2,340.

Beginning November 1, 2009, the company entered into a 24 month lease for office space in Boca Raton, FL. The monthly rental is approximately $1,300.

In connection with Brookridge's acquisition of a purchase order finance company, Brookridge assumed the seller's lease for office space in Danbury, CT. The lease is for a monthly rental of $3,585 and expires on September 30, 2014.

The rental expense for the quarters ended March 31, 2010 and 2009 was approximately $21,700 and $34,800, respectively.

15. ACQUSITIONS:

On December 4, 2009, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Brookridge Funding, LLC ("Seller") providing for the acquisition of certain assets and accounts of Seller's purchase order finance business (the "Acquired Business"). The closing of the acquisition took place on December 7, 2009. In connection with the transaction, the Company and Seller's principals invested $1.5 million in Brookridge Funding Services, LLC, the Company's newly formed 80% owned subsidiary which operates the Acquired Business. The purchase price for the Acquired Business was $2,389,824 million representing the fair market value of the Acquired Business's purchased accounts receivable and purchase order advances.

Since the purchase price equaled the fair market value of the net assets acquired, no Goodwill was recorded for the initial transaction.

For five years, the Sellers are to receive 20% of Brookridge's net operating income, paid quarterly, up to a total of $800,000. Based on discounted cash flow and net present value analyses, the Company has recorded $480,000 of Goodwill and Intangibles and a corresponding liability in connection with contingent payments due to the Sellers. The estimated fair values are subject to change pending a final analysis of the total purchase price and the fair value of the assets acquired and liabilities assumed. Goodwill from this transaction will be deductible.

16. SUBSEQUENT EVENTS:

In April 2010, the Company's 80% owned subsidiary, Brookridge, incurred a credit loss of approximately $670,000 due to what appears to be a fraud committed by a Brookridge client. Anchor's interest in this loss is 80% or approximately $536,000. Brookridge financed inventory purchased by this client who sold the inventory for the benefit of another company not funded by Brookridge resulting in the loss of Brookridge's collateral rights in the inventory. As a result, Brookridge is recording a charge of $670,000 for credit losses in April, 2010. Brookridge's March 31, 2010 outstanding advances to this client were subsequently paid; the charge relates to advances made in April 2010. Brookridge is reviewing all of its options and will pursue all collection remedies available to it under its purchase order and factori ng agreements, including enforcement of its rights under a personal guaranty by the client's principal.

The credit loss adversely impacts Brookridge's capital and liquidity. We believe that if MGM Funding, LLC continues to fund Brookridge and based on its current cash position, Brookridge can meet its cash needs for the next 12 to 15 months.

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 results of operations together with our consolidated financial statements and the related notes appearing at the end of our Form 10-K for the fiscal year ended December 31, 2009. 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-K for the fiscal year ended December 31, 2009 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.

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 and other specialty finance products including, but not limited to purchase order funding and government contract funding. 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 for Anchor are located in Charlotte, North Carolina. Brookridge’s operations are in Danbury, Connecticut and we maintain an executive office in Boca Raton, Florida which includes the Company’s 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, litigation and income taxes. Management bases its estimates and judgments on historical experience as well as 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.

Summary of Critical Accounting Policies and Estimates

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Anchor Funding Services, Inc., its wholly owned subsidiary, Anchor Funding Services, LLC and its 80%owned subsidiary Brookridge Funding Services, LLC as of March 31, 2010. The consolidated statement of operations for the three months ended March 31, 2010 includes the results of Brookridge Funding Services, LLC, and Anchor Funding Services, LLC. The consolidated statement of operations for the three months ended March 31, 2009 does not include the results of Brookridge Funding Services, LLC.

Estimates – The preparation of consolidated 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 consolidated 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:

3) **Fixed Transaction Fee.** Fixed transaction fees are a fixed percentage of the purchased invoice and purchase order advance. This percentage does not change from the date the purchased invoice is funded until the date the purchased invoice is collected.

4) **Variable Transaction Fee.** Variable transaction fees are variable based on the length of time the purchased invoice and purchase order advance is outstanding. As specified in its contract with the client, the Company charges variable increasing percentages of the purchased invoice or purchase order advance 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 and purchase order advances are collected, the Company records the appropriate adjustments to record the actual revenue earned on each purchased invoice and purchase order advance. 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 and advances on purchase orders from clients less amounts maintained in a reserve account. For factoring transactions, 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. For purchase order transactions the company advances and pays for 100% of the product's cost.

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 and purchase order advances monthly to determine if any are uncollectible. The Company has a security interest in the accounts receivable and inventory 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 customers relating to the purchased accounts receivable and purchase order advances.

Management considered approximately $55,000 of their March 31, 2010 and $57,000 of their December 31, 2009 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. As of March 31, 2010, accounts receivable purchased over 90 days old and still accruing fees totaled approximately $249,964.

Property and Equipment – Property and equipment, consisting of furniture and fixtures and computers and software, are stated at cost. Depreciation is provided over the estimated useful lives of the depreciable assets using the straight-line method. Estimated useful lives range from 2 to 7 years.

Goodwill and Intangible Assets – Goodwill represents the excess of the cost of purchased businesses over the fair value of the net assets acquired.

The Company tests the goodwill balance for impairment annually and between annual tests if circumstances would require it. The Company's goodwill testing is a two-step process with the first step being a test for potential impairment by comparing the fair value of the reporting unit with its carrying amount (including goodwill). If the fair value of the reporting unit exceeds the carrying amount, then no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, the Company completes the second step to measure the amount of the impairment, if any. The Company will complete the annual test for impairment during its fourth quarter in future years

Identifiable intangible assets are carried at amortized cost. Intangible assets with definite lives are amortized over their useful lives and amortization is computed using the straight line method over their expected useful lives. Long-lived assets are tested for recoverability whenever events of changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment losses are recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

Advertising Costs – The Company charges advertising costs to expense as incurred. Total advertising costs were approximately $67,000 and $87,000 for the quarters ended March 31, 2010 and 2009, respectively.

Earnings per Share – Basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Dilutive earnings per share include 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.

Under the treasury stock method, options and warrants will have dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants. For the quarters ending March 31, 2010 and 2009, the average price of common stock was less than the exercise price of the options and warrants.

Also when 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, since they would have an anti-dilutive effect. For the quarters ending March 31, 2010 and 2009, there was a year-to-date loss from continuing operations.

Stock Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee services (share-based payment transactions) must be recognized as an expense in the financial statements as services are performed.

Compensation expense is determined by reference to the fair value of an award on the date of grant and is amortized on a straight-line basis over the vesting period. We have elected to use the Black-Scholes-Merton (BSM) pricing model to determine the fair value of all stock option awards.

See Note 10 for the impact on the operating results for the quarters ended March 31, 2010 and 2009.

Fair Value of Financial Instruments – The carrying value of cash equivalents, retained interest in purchased accounts receivable, due to financial institution, 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 –The Company is 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 guidance for accounting for uncertainty in income tax positions which clarifies the accounting for uncertain tax positions. This FASB 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.
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The Company applied this guidance to all its tax positions, including tax positions taken and those expected to be taken, under the transition provision of the interpretation.

For the quarters ended March 31, 2010 and 2009, 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.

Results of Operations

Three Months Ended March 31, 2010 vs. Three Months Ended March 31, 2009.

Finance revenues increased 98.4% for the three months ended March 31, 2010 to $802,019 compared to $404,278 for the comparable period of the prior year. The change in revenue was primarily due to additional revenues of approximately $348,667 from Anchor's new Brookridge subsidiary. In addition, as of March 31, 2010, the Company had 130 active clients compared to 94 active clients as of March 31, 2009.

The Company had net interest expense of $174,844 for the three months ended March 31, 2010 compared to interest expense of $12,899 for the three months ended March 31, 2009. This change is primarily the result of the increase in cost of funds under Anchor's senior credit facility and the additional interest expense totaling $93,736 incurred by Anchor and Brookridge for their funding transactions from an affiliated party. See "Note 8.".

The Company had a benefit for credit losses of $1,298 for the three months ended March 31, 2010 compared to a provision for credit losses for the three months ended March 31, 2009 of $6,063.

Operating expenses for three months ended March 31, 2010 were $703,997 compared to $711,197 for the three months ended March 31, 2009, a 1.0% decrease. Anchor's cost saving measures starting in the fourth quarter of 2009, resulted in a decrease of approximately $151,785 of operating expenses for the three months ended March 31, 2010. This decrease was offset by Brookridge's operating expenses of approximately $144,585 for the three months ended March 31, 2010.

Net loss for the three months ended March 31, 2010 was $(91,611) compared to $(325,881) for the three months ended March 31, 2009. This decrease in net loss is attributable to the combination of increased revenues from Brookridge and Anchor's reduced operating expenses.

The following table compares the operating results for the three months ended March 31, 2010 and March 31, 2009:

	Three Months Ended March 31,			
	2010	2009	$ Change	% Change
Finance revenues	$ 802,019	$ 404,278	$ 397,741	98.4
Interest income (expense), net	(174,844)	(12,899)	(161,945)	1,255.5
Net finance revenues	627,175	391,379	235,796	60.2
Benefit for recoveries (Provision for credit losses)	1,298	(6,063)	7,361	-
Finance revenues, net of interest expense and credit losses	628,473	385,316	243,157	63.1
Operating expenses	703,997	711,197	(7,200)	(1.0)
Net loss before income taxes	(75,524)	(325,881)	250,357	
Income tax (provision) benefit:				
Net loss	(75,524)	(325,881)	250,357	
Less: Noncontrolling interest share	16,087		16,087	
Controlling interest share	$ (91,611)	$ (325,881)	$ 234,270	

Second Quarter Credit Loss

In April 2010, the Company's 80% owned subsidiary, Brookridge, incurred a credit loss of approximately $670,000 due to what appears to be a fraud committed by a Brookridge client. Anchor's interest in this loss is 80% or approximately $536,000. Brookridge financed inventory purchased by this client who sold the inventory for the benefit of another company not funded by Brookridge resulting in the loss of Brookridge's collateral rights in the inventory. As a result, Brookridge is recording a charge of $670,000 for credit losses in April, 2010. Brookridge's March 31, 2010 outstanding advances to this client were subsequently paid; the charge relates to advances made in April 2010. Brookridge is reviewing all of its options and will pursue all collection remedies available to it under its purchase order and fa ctoring agreements, including enforcement of its rights under a personal guaranty by the client's principal.

The credit loss adversely impacts Brookridge's capital and liquidity. We believe that if MGM Funding, LLC continues to fund Brookridge and based on its current cash position, Brookridge can meet its cash needs for the next 12 to 15 months.

Liquidity

Cash Flow Summary

Cash Flows from Operating Activities

Net cash used by operating activities was $2,036,571 for the three months ended March 31, 2010 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 $2,562,934 in retained interest in accounts receivable resulting significantly from the addition of Brookridge's 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 $373,560 for the three months ended March 31, 2009 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 $107,760 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.

Cash Flows from Investing Activities

For the three months ended March 31, 2010, net cash used in investing activities was $8,162 for the purchase of property and equipment.

For the three months ended March 31, 2009, net cash used in investing activities was $9,874 for the purchase of property and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was $1,846,124 for the three months ended March 31, 2010 and was primarily due to increased borrowings from an affiliated lender to fund the purchase of accounts receivable and make purchase order advances.

Net cash provided by financing activities was $351,717 for the three months ended March 31, 2009 and was primarily due to increased borrowings from a financial institution to fund the purchase of accounts receivable.

2007 Financing

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 have the availability of a $7 million (expandable to $9 million) senior accounts receivable facility through November 2010 with an institutional asset based lender which advances funds against up to 90% of "eligible net factored accounts receivable" (minus client reserves as lender may establish in good faith) as defined in Anchor's agreement with its institutional lender. This facility is secured by our assets, and contains certain standard covenants, representations and warranties for loans of this type. In the event that we fail to comply with the covenant(s) and the lender does not waive such non-compliance, we could be in default of our credit facility, which could subject us to penalty rates of interest and accelerate the maturity of the outstanding balances. We also have entered in to a Senior Credit Agreement with MGM Funding, LLC, an affiliated entity owned by our co-chairmen of the Company and an outside investor, to provide loans directly to the operations of our Brookridge subsidiary. Loans made by this facility bear interest at the rate of 20% per annum and cannot exceed a maximum of $3.7 million dollars. The obligations to MGM are secured by the assets of Brookridge. The Credit Agreement contains standard representations, warrants and events of default for facilities of this type. Occurrences of an event of default under either one of our credit facilities allows the lender to accelerate the payment of the loans and/or terminate the commitments to lend, in addition to other legal remedies, including foreclosure on collateral. In the event we are not able to maintain adequate credit facilities for our factoring, purchase order financing and acquisition needs on commercially reasonable terms, our ability to operate our busines s and complete one or more acquisitions would be significantly impacted and our financial condition and results of operations could suffer. We can provide no assurances that replacement facilities will be obtained by us on terms satisfactory to us, if at all.

On March 23, 2010, the Board of Directors approved Anchor entering into a Promissory Note for up to $2 million from MGM Funding, LLC. Morry F. Rubin is the managing member of MGM. The money to be borrowed under the note is subordinate to Anchor's accounts receivable credit facility. The Promissory Note is to assist Anchor in funding up to 50% of the funds employed for a specific client that Anchor's senior lender will only fund up to 50% of the funds employed. The senior lender's limitation is based on the size of the client's credit facility. The MGM Promissory Note is a demand note. In addition, when Anchor typically has significant invoice purchase requests from clients, MGM periodically makes short-term loans to Anchor Funding Services, Inc. which then advances the funds to Anchor Funding Ser vices, LLC. Anchor does not receive same day availability of funds from its senior lender for its daily client invoice purchases requiring it to use its own capital and MGM to meet client demand. These loans are payable on demand and bear interest at 20% per annum. At March 31, 2010, Anchor owed $175,000 to MGM.

Based on our current cash position and our Credit Facilities, we believe can meet our cash needs for the next 12 to 15 months and support our anticipated organic growth. In the event we acquire another company, we may need additional equity or subordinated debt financing and/or a new credit facility to complete the transaction and our daily cash needs and liquidity could change based on the needs of the combined companies. At that time, in the event we are not able to obtain adequate new facilities and/or financing to complete the acquisition (if needed) and to operate the combined companies financing needs on commercially reasonable terms, our ability to operate and expand our business 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 objec tives, 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.

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 period January 1, 2009 through March 31, 2010, 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
March 2009 and December 2009	Common Stock Options (1)	356,500	Securities granted under Equity Compensation Plan; no cash received; no commissions paid	Employees, Directors and/or Officers	Section 4(2) of the Securities Act of 1933 and/or Rule 506 promulgated thereunder
March 2009 and December 2009	Common Stock Options (2)	805,000	Securities granted outside Equity Compensation Plan; no cash received; no commissions paid	Employees, Directors and/or Officers	Section 4(2) of the Securities Act of 1933 and/or Rule 506 promulgated thereunder
December 2009	Common Stock and Warrants	500,004 shares; 2,000,016 Warrants (1)	$500,004 received; no commissions paid	Accredited Investors	Section 4(2) of the Securities Act of 1933 and/or Rule 506 promulgated thereunder
Dec. 31, 2009	Preferred Stock Dividend	95,189 Shares	Dividend with an assumed value of $475,782; no commissions paid	Existing Stockholders	Section 2(3)
2009	Common Shares	652,587 shares (3)	Conversion of 124,915 Preferred Shares; no commissions paid	Existing Stockholders	Section 3(a)(9)
Jan. - March 2010	Common Stock (1)	2,184,145 shares (3)	Conversion of 436,829 Preferred Shares; no commission paid	Existing security holders	Rule 3(a(9)

(1) Warrants and options are for a period of ten years, exercisable at $1.00 per share.

(2) Options are for a period of five years, exercisable between $.62 per share and $1.00 per share.

(3) Convertible on the basis of five shares of Common Stock for every share of Preferred Stock.

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

(c) In the three months ended March 31, 2010, 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:

The following exhibits are all previously filed in connection with our Form 10-SB, as amended, unless otherwise noted.

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
3.6	Amendment to Certificate of Incorporation filed October 2009*
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	Loan and Security Agreement (1)
10.9	Revolving Note (1)
10.10	Debt Subordination Agreement (1)
10.11	Guaranty Agreement (Morry Rubin) (1)
10.12	Guaranty Agreement (Brad Bernstein)(1)
10.13	Continuing Guaranty Agreement (1)
10.14	Pledge Agreement (1)
10.16	Asset Purchase Agreement between the Company and Brookridge Funding LLC (2).
10.17	Senior Credit Facility between the Company and MGM Funding LLC (2)
10.18	Senior Credit Facility Guarantee - Michael P. Hilton and John A. McNiff III (4)
10.19	Employment Agreement - Michael P. Hilton (4)
10.20	Employment Agreement - John A. McNiff (4)
10.21	Accounts Receivable Credit Facility with Greystone Commercial Services LP (3)
21.1	Subsidiaries of Registrant listing state of incorporation (4)
31.1	Rule 13a-14(a) Certification – Chief Executive Officer *
31.2	Rule 13a-14(a) Certification – Chief Financial Officer *
32.1	Section 1350 Certification – Chief Executive Officer *
32.2	Section 1350 Certification – Chief Financial Officer *
99.1	2007 Omnibus Equity Compensation Plan
99.2	Form of Non-Qualified Option under 2007 Omnibus Equity Compensation Plan
99.3	Amendment to 2007 Omnibus Equity Compensation Plan increasing the Plan to 4,200,000 shares *
99.4	Press Release - Results of Operations - First Quarter 2010 *

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* Filed herewith.

(1) Incorporated by reference to the Registrant's Form 8-K filed November 24, 2008 (date of earliest event November 21, 2008).
(2) Incorporated by reference to the Registrant's Form 8-K filed December 8, 2009 (date of earliest event - December 4, 2009).
(3) Incorporated by reference to the Registrant's Form 8-K filed December 2, 2009 (date of earliest event - November 30, 2009).
(4) Incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 2009.

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: May 21, 2010

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

Date: May 21, 2010

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

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
ANCHOR FUNDING SERVICES, INC.

Anchor Funding Services, Inc., a corporation organized and existing under and by virtue of The General Corporation Law of Delaware, does hereby certify:

FIRST: That at a duly held meeting of the Board of Directors of said Corporation, the Board duly adopted the following resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said Corporation:

"RESOLVED, that the Board of Directors deems it advisable, and hereby declares it to be advisable, that Article Fourth of the Corporation's presently existing Certificate of Incorporation be amended, changed and altered so that, as amended, said Article shall be and read as follows:

FOURTH

Section 1. Authorization of Shares.

The aggregate number of shares of capital stock which the Corporation will have authority to issue is 75,000,000 shares, consisting of 65,000,000 shares of common stock, having a par value of $.0001 per share ("Common Stock"), and 10,000,000 shares of Preferred Stock, having a par value of $.001 per share ("Preferred Stock").

Section 2. Common Stock.

2.1 Dividends. The holders of shares of Common Stock shall be entitled to receive such dividends as from time to time may be declared by the Board of Directors of the Corporation, subject to any preferential payments to which the holders of shares of any series of Preferred Stock shall be entitled as may be stated and expressed pursuant to the resolution establishing any such series of Preferred Stock.

2.2 Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment shall have been made to any holders of shares of any series of Preferred Stock then outstanding of the full amounts of preferential payments to which they shall respectively be entitled as may be stated and expressed pursuant to the resolution establishing any such series of Preferred Stock, the holders of shares of Common Stock then outstanding shall be entitled to share ratably based upon the number of shares of Common Stock held by them in all remaining assets of the Corporation available for distribution to its shareholders.

2.3 Voting Rights. All shares of Common Stock shall be identical with each other in every respect. The shares of Common Stock shall entitle the holders thereof to one vote for each share upon all matters upon which shareholders have the right to vote.

Section 3. Preferred Stock.

The Board of Directors is authorized to establish, from time to time, one or more series of any class of shares, to increase or decrease the number within each series, and to fix the designations, powers, preferences and relative, participating, optional or other rights of such series and any qualification, limitations or restrictions thereof. All shares of any one series of Preferred Stock will be identical except as to the dates of issue and the dates from which dividends on shares of the series issued on different dates will cumulate, if cumulative. Authority is hereby expressly granted to the Board of Directors to authorize the issuance of one or more series of Preferred Stock, and to fix by resolution or resolutions providing for the issue of each such series the voting powers, des ignations, preferences, and relative, participating, optional, redemption, conversion, exchange or other special rights, qualifications, limitations or restrictions of such series, and the number of shares in each series, to the full extent now or hereafter permitted by law.

SECOND: That in lieu of a meeting and vote of stockholders, written consent of stockholders to said amendment has been given in accordance with the provisions of Section 228 of The General Corporation Law of the State of Delaware, and written notice of the adoption of the amendment has been given as provided in Section 228 of The General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of The General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Anchor Funding Services, Inc. has caused this Certificate to be signed by Morry F. Rubin, Chief Executive Officer, and attested by Brad Bernstein, Secretary, this 19th day of October, 2009.

ANCHOR FUNDING SERVICES, INC.

____
Morry F. Rubin, Chief Executive Officer

ATTEST:

____
Brad Bernstein, Secretary

EXHIBIT 31.1

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: May 21, 2010

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: May 21, 2010

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

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18U.S.C. SECTION 1350

In connection with the Quarterly Report of Anchor Funding Services, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Morry Rubin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ MORRY F. RUBIN
Morry F. Rubin
Chief Executive Officer
May 21, 2010

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18U.S.C. SECTION 1350

In connection with the Quarterly Report of Anchor Funding Services, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Bernstein, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ BRAD BERNSTEIN
Brad Bernstein,
President and Chief Financial Officer
May 21, 2010

EXHIBIT 99.3

Amendment to 2007 Omnibus Equity Compensation Plan

Section 4(a) is hereby amended to read as follows:

"(a) Shares authorized.

Subject to adjustment as described in subsection (d) below, the aggregate number of shares of common stock that may be issued or transferred under the Plan is 4,200,000 shares."

EXHIBIT 99.4

FOR IMMEDIATE RELEASE – May 21, 2010

Anchor Funding Services, Inc. reports first quarter fiscal 2010 results.

Boca Raton, Fl. (PR Newswire) May 21, 2010– Anchor Funding Services, Inc. (OTC Bulletin Board Symbol "AFNG.OB") announced today its results of operations for the quarter ended March 31, 2010. The company reported first quarter 2010 net finance revenues of $627,175 as compared to $391,379 for the comparable period of the prior year. The company reported a net loss of $91,611 for the three month ended March 31, 2010 as compared to a net loss of $325,881 for the comparable period of the prior year. The increase in net financing revenues and significantly lower net loss is attributable to an increase in revenues of Anchor's base business and income contribution from its 80% owned subsidiary, Brookridge Funding Services, LLC ("Brookridge"). We c ontinue to experience demand from businesses in many industries seeking credit and accounts receivable financing. As a result, Anchor has enjoyed continued growth in its accounts receivable portfolio having achieved its highest accounts receivable purchase month in April 2010, of approximately $8.4 million, as compared to $ 4.1 million in April 2009. This does not include Brookridge's accounts receivable purchases.

In addition, in the first quarter of 2010, Anchor began enjoying the benefits of cost saving measures it started in the fourth quarter of 2009. Anchor's operating expenses for its factoring subsidiary decreased by approximately $151,785 for the three months ended March 31, 2010. This decrease was offset by Brookridge's operating expenses of approximately $144,585 for the three months ended March 31, 2010. Anchor's total operating expenses for the three months ended March 31, 2010 were $703,997 compared to $711,197 for the three months ended March 31, 2009, a 1.0% decrease.

In April 2010, Brookridge incurred a credit loss of approximately $670,000 due to what appears to be a fraud committed by a Brookridge client. Anchor's interest in this loss is 80% or approximately $536,000. Brookridge financed inventory purchased by this client who sold the inventory for the benefit of another company not funded by Brookridge resulting in the loss of Brookridge's collateral rights in the inventory. As a result, Brookridge is recording a charge of $670,000 for credit losses in April, 2010. Brookridge's March 31, 2010 outstanding advances to this client were subsequently paid; the charge relates to advances made in April 2010. Brookridge is reviewing all of its options and will pursue all collection remedies available to it under its purchase order and factoring agreements, including enforcement of its rights under a personal guaranty by the client's principal.

The credit loss adversely impacts Brookridge's capital and liquidity. Nevertheless, we believe that if MGM Funding, LLC, a company principally owned by the co-chairpersons of Anchor, including its Chief Executive Officer, continues to fund Brookridge and based on its current cash position, Brookridge can meet its cash needs for the next 12 to 15 months.

We are excited about our future expansion opportunities and will continue to communicate important developments as they occur.

About Anchor

Anchor provides innovative accounts receivable funding and credit management services to small and mid-size U.S. businesses. We also provide purchase order financing through our 80% owned subsidiary, Brookridge Funding Services, LLC. Our funding program which is based upon creditworthiness of accounts receivable, provides rapid and flexible financing to support small businesses' daily working 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
Email: mrubin@anchorfundingservices.com