

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

July 16, 2010 (July 13, 2010)

ANCHOR FUNDING SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

0-52589

20-5456087

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

10801 Johnston Road, Suite 210
Charlotte, CA

28226

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, (866) 789-3863
including area code

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into Material Definitive Agreement.

On July 13, 2010, Anchor Funding Services, Inc. (the "Company") entered into a Memorandum Of Understanding (the "Agreement") with the Minority Members of its 80% owned subsidiary, Brookridge Funding Services, LLC ("Brookridge"). The purpose of this Agreement is to rescind the Company's acquisition of certain assets of Brookridge Funding, LLC that occurred on December 7, 2009.

Under the terms of the Agreement, the Minority Members of Brookridge have until October 7, 2010 to purchase Anchor's interest in Brookridge at book value and retire Brookridge's debt with its lender, MGM Funding, LLC. If this does not occur by October 7, 2010, then the Company has until October 12, 2010 to purchase the Minority Members interest at book value.

At the Closing of either of these transactions the parties will sign Mutual Releases and the party not purchasing the other party's interests will enter into a non-solicitation agreement preventing it from soliciting Brookridge customers for two years.

In April 2010, Brookridge incurred a credit loss of approximately \$650,000 due to what appears to be a fraud committed by a Brookridge client (hereinafter referred to as a "Sherburne Account" client). Anchor's interest in this loss is 80% or approximately \$520,000. 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 recorded a charge of \$650,000 for credit losses in April, 2010. Brookridge is currently pursuing all collection remedies available to it under its purchase order and factoring agreements. The Agreement provides for 80% of any recovery of the credit loss to benefit the Company and the remaining 20% to benefit the Minority Members.

Item 7.01. Regulation FD Disclosure

On July 16, 2010, the Company issued a press release, a copy of which is appended hereto.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibit.

The following exhibit is filed with this Form 8-K.

- 10.1 Memorandum of Understanding dated July 13, 2010 (Filed herewith).
 - 99.1 Press release dated July 16, 2010. (Filed herewith).
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SIGNATURE

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

ANCHOR FUNDING SERVICES, INC.,
a Delaware corporation

July 16, 2010

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

Memorandum of Understanding

July 13, 2010

Michael P. Hilton, John A. McNiff III (the “**Minority Members**”) and Anchor Funding Services, Inc. (“**Anchor**”) are the members of Brookridge Funding Services, LLC (“**Brookridge**”) and together with the Minority Members and Anchor, each a “**Party**” and together, the “**Parties**”) and are parties to the following agreements each dated December 7, 2009: the Asset Purchase Agreement among the parties and Brookridge Funding, LLC (the “**Purchase Agreement**”); the Operating Agreement of Brookridge (the “**Operating Agreement**”); and the employment agreements between Brookridge and each of the Minority Members (the “**Employment Agreements**”) and together with the Purchase Agreement and the Operating Agreement, the “**Transaction Documents**”). The Parties have agreed to rescind the transactions contemplated by the Transaction Documents on the terms specified herein. Capitalized terms used but not defined herein shall have the meaning ascribed thereto in the Operating Agreement.

1. Beginning on the date hereof and ending on October 7, 2010 (the “**Option Period**”) the Minority Members shall have the right to purchase 100% of Anchor’s Interest on the following terms:
 - (a) The Minority Members shall be entitled to approach potential financing sources to finance the purchase of Anchor’s Interest and the repayment of all debt owed by Brookridge to MGM Funding, LLC in their discretion.
 - (b) The closing of the transactions contemplated by this Section (the “**BR Closing**”) shall take place on a date mutually agreeable to the parties on or before the end of the Option Period. Each Party shall be responsible for its own costs and expenses incurred in connection with such transactions.
 - (c) The Purchase price for Anchor’s Interest shall consist of a cash payment equal to its Pro Rata share of the total book value of the Company as of the BR Closing determined in accordance with U.S. generally accepted accounting principles; provided, it is acknowledged and agreed that for valuation purposes all Brookridge’s rights with respect to the Sherburne account (the “**Sherburne Account**”) will be valued at \$0.
 - (d) Prior to the BR Closing the Company will operate in the ordinary course of business.
 - (e) At the BR Closing, the Sherburne Account and all rights with respect to Brookridge’s current website (but not including any rights with respect to the Brookridge name or web address/domain name) will be assigned to Anchor; provided, it is understood and agreed that such assignments shall have no impact on the determination of the purchase price for Anchor’s Interest and notwithstanding such assignment the Minority Members shall retain their right to share in any recovery with respect to the Sherburne Account in accordance with Section 3 below.
 - (f) At the BR Closing:
 - (1) All outstanding amounts owed by Brookridge to MGM Funding, LLC under its loan agreement with Brookridge shall be paid in full, Brookridge shall pay the purchase price for Anchor’s Interest and the Parties shall execute and deliver documents to effect the transfer of Anchor’s Interest.
 - (2) The Minority Members shall be released from their Personal Guaranties (as such term is defined in the Employment Agreements) and shall forfeit the options granted to them under the Employment Agreements.
 - (3) Anchor shall enter into a non-solicitation agreement with Brookridge under which it shall be prohibited for a period of two years from soliciting current customers of Brookridge.
 - (4) The Parties will be released from any and all obligations under the Transaction Documents and will sign mutual releases releasing each other from any and all liabilities relating thereto or otherwise existing.

2. If for any reason the Closing shall not have occurred during the Option Period Anchor shall purchase 100% of the Minority Members' Interests on the following terms:
- (a) The closing of the transactions contemplated by this Section (the "**Anchor Closing**") shall take place on a date mutually agreeable to the parties on or before October 12, 2010. Each Party shall be responsible for its own costs and expenses incurred in connection with such transactions.
 - (b) The Purchase price for Minority Members' Interests shall consist of a cash payment equal to their Pro Rata share of the total book value of the Company as of the Anchor Closing determined in accordance with U.S. generally accepted accounting principles; provided, it is acknowledged and agreed that for valuation purposes the Sherburne Account will be valued at \$0.
 - (c) Notwithstanding the Anchor Closing the Minority Members shall retain their right to share in any recovery with respect to the Sherburne Account in accordance with Section 3 below.
 - (d) At the Anchor Closing:
 - (1) Anchor shall pay the purchase price for the Minority Members' Interests and the Parties shall execute and deliver documents to effect the transfer of such Interests.
 - (2) All rights with respect to Brookridge's name and web address/domain name (but not including any rights with respect to the Brookridge website) will be assigned to the Minority Members; provided, it is understood and agreed that such assignment shall have no impact on the determination of the purchase price for the Minority Members' Interests.
 - (3) The Minority Members shall be released from their Personal Guaranties (as such term is defined in the Employment Agreements) and shall forfeit the options granted to them under the Employment Agreements.
 - (4) The Minority Members shall enter into a non-solicitation agreement with Anchor under which they shall be prohibited for a period of two years from soliciting current customers of Brookridge and a confidentiality agreement covering Anchor (but not Brookridge) information.
 - (5) The Parties will be released from any and all obligations under the Transaction Documents and will sign mutual releases releasing each other from any and all liabilities relating thereto or otherwise existing.
3. With respect to the Sherburne Account the Parties acknowledge and agree that:
- (a) Anchor shall control collection and recovery efforts and shall keep the Minority Members reasonably informed concerning substantive developments pertaining thereto.
 - (b) Prior to the first to occur of the BR Closing and the Anchor Closing, Brookridge shall bear all costs and expenses incurred in connection with such collection and recovery efforts.
 - (c) Following the first to occur of the BR Closing and the Anchor Closing, the Parties shall share all out-of-pocket costs and expenses as well as all collections on a Pro Rata basis based on the Parties' current Percentage Interests. Anchor shall invoice the Minority Members for such expenses as they are incurred which such invoices shall be payable within 20 days after delivery. In the event the Minority Members shall fail to make any payment due in accordance with the foregoing within 10 days after receiving notice concerning a failure to pay any such invoice they shall forfeit any and all rights to share in collections.
4. The parties agree that the Operating Agreement is hereby amended to effect the foregoing. Except as specifically modified herein, the Transaction Documents shall remain in full force and effect.

[Signature page follows]

Acknowledged and agreed:

/s/ Michael P. Hilton

Michael P. Hilton

/s/ John A. McNiff III

John A. McNiff III

Anchor Funding Services, Inc.

/s/ Brad Bernstein

Name: Brad Bernstein

Title: President

FOR IMMEDIATE RELEASE – July 16, 2010

Anchor Funding Services, Inc. (OTC Bulletin Board Symbol “AFNG.OB”) reports entering into a Memorandum of Understanding to rescind its acquisition of certain assets of Brookridge Funding LLC.

Boca Raton, FL (PR Newswire) July 16, 2010 – Anchor Funding Services, Inc. (OTC Bulletin Board Symbol “AFNG.OB”) announced today that it entered into Memorandum Of Understanding (the "Agreement") with the Minority Members of its 80% owned subsidiary, Brookridge Funding Services, LLC ("Brookridge"). The purpose of this Agreement is to rescind Anchor's acquisition of certain assets of Brookridge Funding, LLC that occurred on December 7, 2009. Under the terms of the Agreement, the Minority Members of Brookridge have until October 7, 2010 to purchase Anchor's interest in Brookridge at book value and retire Brookridge's debt with its lender, MGM Funding, LLC. If this does not occur by October 7, 2010, then Anchor has until October 12, 2010 to purchase the Minority Members interest at book value. At the Closing of either of these transactions the parties will sign Mutual Releases and the party not purchasing the other party's interests will enter into a non-solicitation agreement preventing it from soliciting Brookridge customers for two years.

In April 2010, Brookridge incurred a credit loss of approximately \$650,000 due to what appears to be a fraud committed by a Brookridge client (hereinafter referred to as a "Sherburne Account" client). Anchor's interest in this loss is 80% or approximately \$520,000. 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 recorded a charge of \$650,000 for credit losses in April, 2010. Brookridge is currently pursuing all collection remedies available to it under its purchase order and factoring agreements. The Agreement provides for 80% of any recovery of the credit loss to benefit Anchor and the remaining 20% to benefit the Minority Members.

Based on the anticipated continued growth in Anchor's core factoring business and continued success with its marketing programs, we expect Anchor's factoring subsidiary, Anchor Funding Services, LLC, which after the rescission of Brookridge described above, will be Anchor's sole operating business, to achieve profitability in the third quarter of 2010.

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 currently 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 8-K 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 as a result of various factors including those risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of our most recently filed Annual Report on Form 10-K and our subsequently filed Quarterly Reports of Form 10-Q. 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. We urge you to consider those risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

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