

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 12 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number: 0-52589

FlexShopperSM

FLEXSHOPPER, INC.

(Exact name of Registrant as specified in its charter)

Delaware

20-5456087

(State of jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

10801 Johnston Road, Suite 210
Charlotte, North Carolina

28226

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(866) 950-6669

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act: Common Stock, \$.0001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

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 the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act: smaller reporting company .

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

As of June 30, 2013, the number of shares of Common Stock held by non-affiliates was approximately 7,400,000 shares (excluding 376,387 shares of Series A Preferred Stock convertible into 1,919,574 common shares). The approximate market value based on the last sale (i.e. \$0.35 per share as of June 28, 2013) of the Company's Common Stock held by non-affiliates was approximately \$2,600,000.

The number of shares outstanding of the Registrant's Common Stock, as of March 1, 2014, was 21,148,862. The Registrant also has outstanding 376,387 shares of Series 1 Preferred Stock convertible into 1,919,574 shares of Common Stock.

Documents incorporated by reference: None.

FORWARD-LOOKING STATEMENTS

We believe this annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management, based on information currently available to our management. When we use words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "should," "likely" or similar expressions, we are making forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations set forth under "Business" and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Forward-looking statements reflect only our current expectations. We may not update these forward-looking statements, even though our situation may change in the future. In any forward-looking statement, where we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements due to a number of uncertainties, many of which are unforeseen, including:

- the timing and terms of sale of our factoring business;
- the timing and development of our FlexShopper business;
- the timing, magnitude and terms of a revised credit facility to accommodate our growth;
- competition within our industry; and
- the availability of additional capital on terms acceptable to us.

In addition, you should refer to the "Risk Factors" section of this Form 10-K under Item 1 for a discussion of other factors that may cause our actual results to differ materially from those implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Registration Statement will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all. Accordingly, you should not place undue reliance on these forward-looking statements.

We qualify all the forward-looking statements contained in this Form 10-K by the foregoing cautionary statements.

PART I

Item 1. Business

Introduction

FlexShopper, Inc. (formerly Anchor Funding Services, Inc.), is a corporation organized under the laws of the State of Delaware on August 16, 2006. FlexShopper, Inc. owns 100% of its operating subsidiaries, Anchor Funding Services LLC, a limited liability company, which was incorporated under the laws of the State of North Carolina on March 24, 2004 and FlexShopper, LLC, a limited liability company incorporated under the laws of North Carolina on June 24, 2013. (For a discussion of the corporate history of the Company, reference is made to Item 1 of the Company's Form 10-K for its fiscal year ended December 31, 2011.) Except as otherwise provided in this Form 10-K, unless the context otherwise requires, references in this Form 10-K to the "Company," "we," "us" and "our" refers collectively to the consolidated business and operations of FlexShopper, Inc. and its wholly-owned operating subsidiaries, Anchor Funding Services, LLC and FlexShopper, LLC. References to "Anchor" refer specifically to the business and operations of Anchor Funding Services, LLC, and references to "FlexShopper" refer specifically to the business and operations of FlexShopper, LLC, unless the context requires otherwise.

The following discussion which follows describes the new business operations of FlexShopper which commenced in December 2013 followed by the operations of Anchor which are expected to be sold to a competitor or, if such a sale is not successful on terms satisfactory to the Company, then discontinued in 2014.

Business Segments

Today, the Company operates in two industry segments designated as Anchor and FlexShopper. Anchor purchases company's accounts receivable, which provide businesses with critical working capital so they can meet their operational costs and obligations while waiting to receive payment from their customers. FlexShopper provides certain types of durable goods to consumers on a lease-to-own basis and also provides lease-to-own terms to consumers third party retailers and e-tailers.

For a description of the business and financial information on industry segments, see Note 14 of Item 8 of Part II of this report.

BUSINESS OF FLEXSHOPPER

Overview

In June 2013 we formed a wholly owned subsidiary of FlexShopper Inc., FlexShopper, LLC, for the purpose of developing a business that provides certain types of durable goods to consumers on a lease-to-own basis and also provide lease-to-own terms to consumers of third party retailers and e-tailers. The Company has been generating revenues from this new line of business since December 2013. Management believes that the introduction of FlexShopper's lease-to-own (LTO) programs support broad untapped expansion opportunities within the U.S. consumer e-commerce and retail marketplaces. FlexShopper and its online LTO products provide consumers the ability to acquire durable goods, including electronics, computers and furniture on an affordable payment, lease basis. Concurrently, e-tailers and retailers that work with FlexShopper may increase their sales by utilizing FlexShopper's online channels to connect with consumers that want to acquire products on an LTO basis. FlexShopper has been hiring employees to implement its business plan including a Chief Information Officer, Vice President of e-commerce, programmers and customer service and collections personnel.

The Company anticipates additional expenses of approximately \$250,000 per month or potentially higher due to developing this business as FlexShopper implements its programs and builds an infrastructure to support its revenues and business objectives. FlexShopper incurred a net loss of approximately \$655,000 which is reflected in the statements of operations for the year ended December 31, 2013. The Company expects these losses to continue into 2014.

GROWTH OPPORTUNITIES AND STRATEGIES

The Company believes there is significant opportunity to expand the LTO industry online and into mainstream retail and e-tail. The LTO industry currently serves approximately 6 million consumers annually, generating approximately \$8.5 billion in sales primarily through approximately 10,000 LTO brick and mortar stores. Through its strategic sales channels the Company believes it will expand the LTO industry, also known as the rent-to-own or RTO industry. The Company has successfully developed and is currently processing LTO transactions using its "LTO Engine." The LTO Engine is the Company's proprietary technology that automates the process of consumers receiving spending limits and entering into leases for durable goods within a few minutes. The LTO engine is the basis for FlexShopper's primary sales channels which are expected to include 1) serving as the financial and technology partner for thousands of durable goods retailers and e-tailers 2) selling directly to consumers via the online FlexShopper LTO Marketplace featuring thousands of durable goods and 3) utilizing FlexShopper's patent pending LTO payment method at check out which FlexShopper is positioning as the payment option of choice for millions of consumers without sufficient cash or credit.

Since the LTO Engine is complete and working as designed, the Company launched its online LTO Marketplace in March 2014 and anticipates launching its LTO payment method in the second quarter of 2014. Retailers and e-tailers that sell furniture, electronics, computers, appliances and other durable goods, and partner with FlexShopper, will have three channels to increase their sales: in the store, online and on our marketplace. FlexShopper will enable merchants to sell to more than 50 million consumers that don't have sufficient credit or cash to buy from them. In addition, there's no risk to the merchant because FlexShopper pays the merchant.

INDUSTRY OVERVIEW

The lease-to-own industry offers customers an alternative to traditional methods of obtaining electronics, computers, home furnishings and appliances. In a typical industry lease-to-own transaction, the customer has the option to acquire merchandise over a fixed term, usually 12 to 24 months, normally by making weekly lease payments. The customers may cancel the agreement as prescribed in the lease agreement by returning the merchandise, generally with no further lease obligation if their account is current. If customers lease the item to the full term, they obtain ownership of the item, though they can choose to buy it at any time. FlexShopper's current fixed term to acquire ownership is fifty-two weeks.

The lease-to-own concept is particularly popular with consumers who cannot pay the full purchase price for merchandise at once or who lack the credit to qualify under conventional financing programs. Lease-to-own is also popular with consumers who, despite good credit, do not wish to incur additional debt, have only a temporary need for the merchandise or want to try out a particular brand or model before buying it.

We believe that there is significant market opportunity to expand the LTO market beyond brick and mortar stores by creating an online presence through an LTO e-commerce site and payment method. We believe that the segment of the population targeted by the industry comprises more than 50 million people in the United States and the needs of these consumers are generally underserved.

UNDERWRITING PROCESS

The Company has developed proprietary technology that automates the process of consumers receiving spending limits and entering into leases for durable goods within a few minutes. Included in the determination of a consumer spending limit are factors such as income and the frequency that they overdraw their bank account or prepaid debit card. We also have a standard procedure for processing customer applications manually. Our determination of a spending limit does not include a credit check.

CUSTOMERS

FlexShopper's customers typically do not have sufficient cash or credit to obtain durable goods. These consumers find the short-term nature and affordable payments of lease-to-own attractive. The lease-to-own industry serves a highly diverse customer base. According to the Association of Progressive Rental Organizations, approximately 83% of lease to-own customers have household incomes between \$15,000 and \$50,000 per year. In addition, each year the LTO industry serves approximately six million people. We believe we can expand the LTO market beyond brick and mortar stores with our LTO e-commerce site and online payment method. These sales channels will enable us to serve and target more than 50 million people that we believe do not have sufficient cash or credit for durable goods.

SALES AND MARKETING

We plan to promote our FlexShopper products and services through print advertisements, Internet sites, direct response marketing and a sales team, all of which are designed to increase our lease transactions and name recognition. Our advertisements emphasize such features as instant spending limit, affordable weekly payments and free delivery. We believe that as the FlexShopper name gains familiarity and national recognition through our advertising efforts, we will continue to educate our customers and potential customers about the lease-to-own payment alternative as well as solidify our reputation as a leading provider of high quality branded merchandise and services.

For each sales channel the Company has a marketing strategy that includes but is not limited to the following:

Online LTO Marketplace targeting consumers:

- Direct mail
- Search engine optimization; pay-per click
- Online affiliate networks
- Radio and television campaigns

Patent pending LTO Payment Method targeting durable goods e-tailers:

- Direct to e-tailers of durable goods
- Partnerships with e-commerce payment aggregators

Technology and LTO Funding Source targeting durable goods retailers:

- Telemarketing to independent, regional and national retailers
- Outside sales representatives canvassing key metropolitan markets and soliciting independent regional and national retailers.

MANAGEMENT INFORMATION SYSTEMS

FlexShopper uses computer-based management information systems to facilitate its entire business model including underwriting, processing transactions through its sales channels, managing collections and monitoring leased inventory. Through the use of our proprietary software developed in-house, each of our retail partners uses our online merchant portal that automates the process of consumers receiving spending limits and entering into leases for durable goods within a few minutes. The management information system generates reports which enable us to meet our financial reporting requirements.

GOVERNMENT REGULATIONS

FlexShopper operations are extensively regulated by and subject to the requirements of various federal, state and local laws and regulations. In general such laws regulate applications for leases, late fees, other finance rates, the form of disclosure statements, the substance and sequence of required disclosures, the content of advertising materials and certain collection procedures. Violations of certain provisions of these laws may result in penalties ranging from nominal amounts up to and including forfeiture of fees and other amounts due on leases. We are unable to predict the nature or effect on our operations or earnings of unknown future legislation, regulations and judicial decisions or future interpretations of existing and future legislation or regulations relating to our operations, and there can be no assurance that future laws, decisions or interpretations will not have a material adverse effect on our operations and earnings. See "Risk Factors."

COMPETITION

The lease-to-own industry is highly competitive. Our operation will compete with other national, regional and local lease-to-own businesses, as well as with rental stores that do not offer their customers a purchase option. With respect to customers desiring to purchase merchandise for cash or on credit, we also compete with retail stores. Competition is based primarily on store location, product selection and availability, customer service, and lease rates and terms. We believe we do not have significant competition for our on-line LTO marketplace and patent pending LTO payment method.

INTELLECTUAL PROPERTY

The Company has filed provisional patents for a system that enables consumers to buy products on a LTO basis using mobile devices and tablets and for a lease-to-own method of payment at check-out on e-commerce sites. We can provide no assurances that the Company will be granted any patents by the U.S. Patent and Trademark Office. We regard our pending patents, trademarks, service marks, copyrights, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success. In particular, we believe certain proprietary information, including but not limited to our underwriting model, and patent pending systems are central to our business model and we believe give us a key competitive advantage. We rely on trademark and copyright law, trade secret protection, and confidentiality, license and work product agreements with our employees, customers, and others to protect our proprietary rights. See "Risk Factors."

BUSINESS OF ANCHOR

Overview

Factoring

Factoring is the purchase of a company's accounts receivable, which provide businesses with critical working capital so they can meet their operational costs and obligations while waiting to receive payment from their customers. Factoring services also provide businesses with credit and accounts receivable management services. Typically, these businesses do not have adequate resources to manage internally their credit and accounts receivable functions. Factoring services are typically a non-recourse arrangement whereby the factor takes the entire credit risk if the customer does not pay due to insolvency for any period of time or on a partial non-recourse basis where the factor takes the credit risk for a period of time, which could be 30 to 90 days after the factor purchases an account receivable such that if a client's customer becomes insolvent during this specific period of time, the factor bears the loss. Under partial non-recourse factoring, after a specific period of time, if the accounts receivable invoice is not collected, the client is required to purchase the accounts receivable invoice back from Anchor. Factoring may also be on a full recourse basis whereby the factor bears no risk of loss if the client's customer becomes insolvent. We typically advance our clients 75% to 95% of the face value of invoices that we approve in advance on a partial non-recourse or full recourse basis and pay them the difference less our fees when the invoice is collected. For the years ended December 31, 2013 and 2012, our fees for services averaged approximately 2.8% and 2.6%, respectively of the invoice value and are tiered such that the longer it takes us to collect on the accounts receivable invoice, the greater our fee. Since our inception, Anchor has incurred net credit losses related to the volume of its invoice purchases totaling approximately \$63,000, \$42,000 and \$12,000 in 2013, 2012 and 2011, respectively. We also offer a factoring product to independent truckers and trucking companies through our transportation funding division, TruckerFunds.com. TruckerFunds.com focuses on buying freight bills from independent, owner operators of trucks and small fleets. We typically advance our trucking clients 90% to 95% of the invoices that we approve in advance on a non-recourse basis and pay them the difference less our fees when the invoice is collected. At times we offer non-recourse factoring to transportation companies.

Purchase Order Financing

Many businesses have orders from creditworthy companies, but do not have the financial resources to fill the orders by contracting for the manufacturing of the products ordered. Based on these orders which are generally non-cancelable, we pay our clients' suppliers and manufacturers directly so they may procure their products. This occurs after the products meet certain inspection requirements or specifications. Subsequently the products are shipped to the customer and billed by our client. Once billed, Anchor factors the invoice and collects payment from the customer. For purchase order financing, Anchor will pay for 100% of the product's cost.

GROWTH OPPORTUNITIES AND STRATEGIES

In December 2013, The Company announced that it is actively pursuing the sale of Anchor's factoring business to provide capital that FlexShopper can use to develop its lease-to-own business. See "Risk Factors."

INDUSTRY OVERVIEW

Factoring as it functions today has been in existence for nearly 200 years. Its historical focus has been in the textile and apparel industries, which provides products to major retailers. The factoring industry has expanded beyond the textile and apparel industries into other mainstream businesses. Anchor may provide funding to businesses where the performance of a service or the delivery of a product can be verified. We have the ability to check a company's credit and evaluate its ability to pay across most industries. Hence, Anchor's target prospects are most small businesses that sell to other businesses.

UNDERWRITING PROCESS

We have developed and utilize standard underwriting procedures, which are controlled in a checklist format that is reviewed and approved by members of the credit committee. The credit committee is presently comprised of our executive officers, although these functions have been delegated to other responsible personnel. A member or members of the credit committee approve all new accounts and conduct periodic credit reviews of the client portfolio. Underwriting criteria include the following:

- Background and credit checks are performed on the owners.
- Personal or validity guarantees are sometimes obtained from the owners.
- We “notify” all accounts that are purchased. Anchor is a notification factor, which means that we notify in writing all accounts purchased that we have purchased the account and payments are to be made to Anchor’s central lockbox. Our clients’ invoices also provide Anchor’s lockbox as address for payments. We typically also have a notification statement on our clients’ invoices that indicate we have purchased the account and payment is to be made to Anchor.
- Initially we attempt to verify most of a new customer’s accounts. Verification may include review of third-party documentation, telephone discussions or email correspondence with the client’s customer so that we may substantiate that invoices are valid and without dispute.
- We typically evaluate the creditworthiness on accounts with more than a \$2,500 balance.
- Other standard diligence testing includes payroll tax payment verification, company status with state of incorporation, pre and post filing lien searches and review of prior years’ corporate tax returns. For TruckerFunds.com accounts we do not verify payroll tax payments or review prior years’ tax returns.
- We require that our clients enter into a factoring and security agreement or purchase order finance agreement and file a first senior lien on purchased accounts, and on a case-by-case basis, sometimes on all of our clients’ tangible and intangible assets. For purchase order financings we also have a senior lien on inventory.

CREDIT MANAGEMENT

To efficiently and quickly determine the credit worthiness of an account, we utilize an instant credit checking system that we call Creditguard. Creditguard is an in-house evaluation tool that we have developed, but we do not claim any proprietary rights at this time. Creditguard utilizes a proven credit formula that combines various Dun & Bradstreet credit data elements. This formula and system provide an initial credit limit so that accounts can be approved or rejected quickly. If additional credit is necessary beyond the initial credit limit, we then independently check three vendor references and a bank reference to determine if additional credit can be extended. Collection calls are usually made in advance of their due date to secure a commitment or estimated time to receive payment.

CUSTOMERS

Our clients are all small businesses that typically range in size from start-up to \$30 million in annual sales. We provide our factoring services to any type of business where we can verify and substantiate an accounts receivable invoice for delivery of a product or performance of a service. Examples of current factoring clients include a commercial janitorial company, transportation company, medical staffing firm, and an IT consulting company. We typically provide our purchase order finance services to companies that have non-cancelable orders from credit worthy companies. Examples of current purchase order finance clients include an importer/distributor of after-market auto parts and a distributor of plastics.

MANAGEMENT INFORMATION SYSTEMS

We utilize a factoring industry software program designed to effectively manage and operate a factoring company. This system currently manages multiple functions from purchasing invoices, advancing funds, recording collections and rebating clients. The system generates, on demand, numerous management reports including purchase activity, collections activity, return on capital, advances outstanding, accounts receivable trends, and credit reports which provide us with the ability to track, monitor and control the collateral (purchased accounts receivable). In addition, the software integrates with our general ledger accounting package, which enables us to meet our financial reporting requirements. Our clients can retrieve key on-line management reports and statements.

Purchase order financing transactions are also currently managed through the factoring software.

All our current software platforms can support our growth. Hardware redundancy, backup strategies and disaster recovery have been planned to reduce the risk of downtime.

GOVERNMENT REGULATIONS

To management’s knowledge, factoring receivables and purchase order financing are not regulated industries, as we do not make loans. Nevertheless, if any of the transactions entered into by us are deemed to be loans or financing transactions by a court of law instead of a true purchase of accounts receivable, then various state laws and regulations would become applicable to us and could limit the fees and other charges we are able to charge our customers and may further subject us to any penalties under such state laws and regulations. These laws would also:

- regulate credit granting activities, including establishing licensing requirements, if any, in various jurisdictions,
- require disclosures to customers,
- govern secured transactions,
- set collection, foreclosure, repossession and claims handling procedures and other trade practices,
- prohibit discrimination in the extension of credit, and
- regulate the use and reporting of information related to a seller's credit experience and other data collection.

This could have a material adverse effect on our business, financial condition, liquidity and results of operations. See "Risk Factors.

COMPETITION

The factoring and financial service industry is highly fragmented and competitive. Competitive factors vary depending upon financial services products offered, customer, and geographic region. Competitive forces may limit our ability to charge our customary fees and raise fees to our customers in the future. Pressure on our margins is intensive and we cannot assure you that we will be able to successfully compete with our competitors. We are currently an insignificant competitor in our industry, which includes national, regional and local independent and bank owned factoring and finance companies and other full service factoring and financing organizations. Many of these competitors are larger than we are and may have access to capital at a lower cost than we do. Management estimates, based on examination of Dun & Bradstreet data and a market overview provided by a merger and acquisition advisory firm, that there are approximately 2,900 accounts receivable factoring and/or business financing firms in the United States, including us. To our knowledge, no single firm dominates the small business segment of the industry.

Operations and Employees of the Company

Our executive officers, namely Morry F. Rubin, CEO and Brad Bernstein, President/CFO, manage our day-to-day operations and internal growth and oversee our growth strategy. Anchor has two account executives, an underwriter, a Controller/Vice President of factoring operations, and two sales people. Our Controller/Vice President of factoring operations monitors the portfolio (along with the President), oversees credit, maintains our books and records, wires funds daily to clients and provides back office oversight. The underwriter analyzes prospective funding transactions. FlexShopper has hired a Chief Information Officer, a Vice President of e-commerce, along with programmers and sales representatives. In addition, FlexShopper has hired customer service and collections personnel, forming a customer service and collections call center. As of March 16, 2014, we have 19 full-time employees.

Item 1A. Risk Factors

You should carefully consider the following risk factors, in addition to the other information presented in this Form 10-K, in evaluating us and our business. Any of the following risks, as well as other risks and uncertainties, could harm our business and financial results and cause the value of our securities to decline, which in turn could cause you to lose all or part of your investment.

Sale of Anchor

We are seeking to sell the Anchor factoring business in order to provide capital to support the expansion of the FlexShopper business. In December 2013, the Company announced that it is actively pursuing the sale of its Anchor Funding Services business. Since June 2013 the Company has been focused on developing its FlexShopper business which will provide certain types of durable goods to consumers on a lease-to-own (LTO) basis and also provide lease-to-own terms to customers of third party retailers and e-tailers. The sale of Anchor Funding Services business would provide capital that FlexShopper could use to support development of this new business. The Company has not set a definitive timetable for the completion of a transaction and there can be no assurance that a transaction will occur or if a transaction is undertaken, the terms or timing of such a transaction. On March 6, 2014, Anchor signed a non-binding letter of intent with a financial institution to sell its factoring business. We can provide no assurances that the sale of Anchor's factoring business will be completed on terms satisfactory to the Company, if at all.

FlexShopper Risks

Limited operating history. FlexShopper, LLC was formed in 2013 to enter the lease-to-own business. FlexShopper has no operating history upon which investors may judge our performance. Future operating results will depend upon many factors, including, without limitation our ability to execute our growth strategy and technology development, develop relationships with third party retail partners, fluctuations in the economy, and the degree and nature of competition. We can provide no assurances that our operations will result in us meeting our anticipated level of projected profitable operations, if at all.

Commercial credit provided by external financing sources and capital is crucial to our business operations. We are currently using our own capital to fund the working capital requirements of FlexShopper and to fund purchases of merchandise to provide to consumers on a lease-to own basis. Currently we do not have external financing sources to fund purchases; to sustain our growth we will need substantial external equity and/or debt funding sources. Our inability to secure such financing on terms satisfactory to us (if at all) would materially and adversely affect our ability to purchase merchandise to lease to our customers, our ability to meet our cash flow needs, and our results of operations. Further, the sale of equity securities or debt securities convertible into Common Stock, may further dilute the beneficial ownership of our holders of Common Stock.

FlexShopper LTO revenue and earnings growth depend on our ability to execute our growth strategies. Our primary growth strategies are our FlexShopper LTO online products to consumers and utilization by retailers of FlexShopper's online channels to connect with customers that want to acquire products on a LTO basis. Effectively managing the development and growth can be challenging particularly as we develop the management and operational systems necessary to develop this line of business. If we are unable to successfully execute these growth strategies revenue from this line of business will grow slowly or not at all.

Our LTO business depends on the success of our third-party retail partners and our continued relationships with them. Our LTO revenues depend in part on the ability of unaffiliated third-party retailers to attract customers. In addition, in most cases, our agreements with such third-party retailers may be terminated at the retailer's election. The failure of our third-party retail partners to maintain quality and consistency in their operations and their ability to continue to provide products and services, or the loss of the relationship with any of these third-party retailers and an inability to replace them, could cause our LTO business to lose customers, substantially decreasing the revenues and earnings growth in our LTO business.

Our growth will depend on our ability to develop our brands, and these efforts may be costly. Our ability to develop the FlexShopper brand will be critical to achieving widespread acceptance of our services, and will require a continued focus on active marketing efforts. We will need to continue to spend substantial amounts of money on, and devote substantial resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among our customers. If we fail to promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, our business would be harmed.

Our LTO business will depend on the continued growth of online and mobile commerce. The business of selling goods over the Internet and mobile networks is dynamic and relatively new. Concerns about fraud, privacy and other problems may discourage additional consumers from adopting the Internet or mobile devices as modes of commerce, or may prompt consumers to offline channels. In order to expand our user base, we must appeal to and acquire consumers who historically have used traditional means of commerce to purchase goods and may prefer Internet analogues to such traditional re-tail means, such as the re-tailer's own website, to our offerings. If these consumers prove to be less active than due to lower levels of willingness to use the Internet or mobile devices for commerce for any reason, including lack of access to high-speed communications equipment, congestion of traffic on the Internet, Internet or mobile network outages or delays, disruptions or other damage to users' computers or mobile devices, and we are unable to gain efficiencies in our operating costs, including our cost of acquiring new users, our business could be adversely impacted.

Our operations are regulated by and subject to the requirements of various federal and state laws and regulations. These laws and regulations, which may be amended or supplemented or interpreted by the courts from time to time, could expose us to significant compliance costs or burdens or force us to change our business practices in a manner that may be materially adverse to our operations, prospects or financial condition. Currently, 47 states and the District of Columbia specifically regulate rent-to-own, lease-to-own transactions. At the present time, no federal law specifically regulates the rent-to-own industry, although federal legislation to regulate the industry has been proposed from time to time. Any adverse changes in existing laws, or the passage of new adverse legislation by states or the federal government could materially increase both our costs of complying with laws and the risk that we could be sued or be subject to government sanctions if we are not in compliance. In addition, new burdensome legislation might force us to change our business model and might reduce the economic potential of our sales and lease ownership operations.

Most of the states that regulate rent-to-own transactions have enacted disclosure laws which require rent-to-own companies to disclose to their customers the total number of payments, total amount and timing of all payments to acquire ownership of any item, any other charges that may be imposed and miscellaneous other items. The more restrictive state lease purchase laws limit the total amount that a customer may be charged for an item, or regulate the "cost-of-rental" amount that rent-to-own companies may charge on rent-to-own transactions, generally defining "cost-of-rental" as lease fees paid in excess of the "retail" price of the goods.

There has been increased legislative attention in the United States, at both the federal and state levels, on consumer debt transactions in general, which may result in an increase in legislative regulatory efforts directed at the rent-to-own industry. We cannot guarantee that the federal government or states will not enact additional or different legislation that would be disadvantageous or otherwise materially adverse to us.

In addition to the risk of lawsuits related to the laws that regulate rent-to-own and consumer lease transactions, we could be subject to lawsuits alleging violations of federal and/or state laws and regulations and consumer tort law, including fraud, consumer protection, information security and privacy laws, because of the consumer-oriented nature of the rent-to-own industry. A large judgment against the Company could adversely affect our financial condition and results of operations. Moreover, an adverse outcome from a lawsuit, even one against one of our competitors, could result in changes in the way we and others in the industry do business, possibly leading to significant costs or decreased revenues or profitability.

We currently utilize a federal consumer lease and consumer lease agreements in certain states that comply with the state rental purchase statutes.

If we fail to protect the integrity and security of customer and employee information, we could be exposed to litigation or regulatory enforcement and our business could be adversely impacted. We collect and store certain personal information provided to us by our customers and employees in the ordinary course of our business. Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate our network security and, if successful, misappropriate confidential customer or employee information. In addition, one of our employees, contractors or other third party with whom we do business may attempt to circumvent our security measures in order to obtain such information, or inadvertently cause a breach involving such information. Loss of customer or employee information could disrupt our operations, damage our reputation, and expose us to claims from customers, employees, regulators and other persons, any of which could have an adverse effect on our business, financial condition and results of operations. In addition, the costs associated with information security, such as increased investment in technology, the costs of compliance with privacy laws, and costs incurred to prevent or remediate information security breaches, could adversely impact our business.

The loss of any of our key personnel could harm our business. Our future financial performance will depend to a significant extent on our ability to motivate and retain key management personnel. Further, the Company is seeking to hire additional qualified management for its FlexShopper business. Competition for qualified management personnel is intense and there can be no assurance that we will be able to hire additional qualified management on terms satisfactory to the Company. Further, in the event we experience turnover in our senior management positions, we cannot assure you that we will be able to recruit suitable replacements. We must also successfully integrate all new management and other key positions within our organization to achieve our operating objectives. Even if we are successful, turnover in key management positions may temporarily harm our financial performance and results of operations until new management becomes familiar with our business. At present, we do not maintain key-man life insurance on any of our executive officers, although we entered into employment contracts with each of Morry F. Rubin, Chief Executive Officer, and Brad Bernstein, President. Our Board of Directors is responsible for approval of all future employment contracts with our executive officers. We can provide no assurances that said future employment contracts and/or their current compensation is or will be on commercially reasonable terms to us in order to retain our key personnel. The loss of any of our key personnel could harm our business.

Worsening of current economic conditions could result in decreased revenues or increased costs. Although we believe an economic downturn can result in increased business in the lease-to-own market as consumers increasingly find it difficult to purchase home furnishings, electronics and appliances from traditional retailers on store installment credit, it is possible that if the conditions continue for a significant period of time, or get worse, consumers may curtail spending on all or some of the types of merchandise we offer, in which event our revenues may suffer.

Our customer base presents significant risk of default for non-payment. We bear the risk of non-payment or slow payment by our customers. The nature of our customer base makes it sensitive to adverse economic conditions and less likely to meet our prevailing underwriting standards, which may be more restrictive in an adverse economic environment. As a result, during such periods we may experience decreases in the growth of new customers and we may curtail spending limits to existing customers which may adversely affect our net sales.

We rely on third party credit/debit card and ACH (Automated Clearing House) processors to process collections from customers on a weekly basis. Our ability to collect from customers could be impaired if these processors did not work with us. These third-party payment processors may consider our business a high risk since our customer base could have a high incidence of insufficient funds and rejected payments. This could cause a processor to discontinue its services to us and we may not be able to find a replacement processor. If this occurred, we would have to collect from our customers using less efficient methods which could adversely impact our collections, revenues and our financial performance.

We rely on internal models to manage risk, to provide accounting estimates and to make other business decisions. Our results could be adversely affected if those models do not provide reliable estimates or predictions of future activity. The accurate modeling of risks is critical to our business, particularly with respect to managing underwriting and spending limits for our customers. Our expectations regarding, customer repayment levels, as well as our allowances for doubtful accounts and other accounting estimates, are based in large part on internal modeling. We also rely heavily on internal models in making a variety of other decisions crucial to the successful operation of our business. It is therefore important that our models are accurate, and any failure in this regard could have a material adverse effect on our results.

Models are inherently imperfect predictors of actual results because they are based on historical data available to us and our assumptions about factors such as demand, payment rates, default rates, delinquency rates and other factors that may overstate or understate future experience. Our models could produce unreliable results for a number of reasons, including the limitations or lack of historical data to predict results, invalid or incorrect assumptions underlying the models, the need for manual adjustments in response to rapid changes in economic conditions, incorrect coding of the models, incorrect data being used by the models or inappropriate application of a model to products or events outside of the model's intended use. In particular, models are less dependable when the economic environment is outside of historical experience, as has been the case recently.

Due to the factors described above unanticipated and excessive default and charge-off experience can adversely affect our profitability and financial condition, breach covenants in future credit facilities, limit our ability to secure a credit facility and adversely affect our ability to finance our business.

Changes in regulations or customer concerns, in particular as they relate to privacy and protection of customer data, could adversely affect our business. Our business is subject to laws relating to the collection, use, retention, security and transfer of personally identifiable information about our customers. The interpretation and application of privacy and customer data protection laws are in a state of flux and may vary from jurisdiction to jurisdiction. These laws may be interpreted and applied inconsistently and our current data protection policies and practices may not be consistent with those interpretations and applications. Complying with these varying requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. Any failure, or perceived failure, by us to comply with our own privacy policies or with any regulatory requirements or orders or other privacy or consumer protection related laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity and adversely affect our operating results.

System interruption and the lack of integration and redundancy in our order entry and online systems may adversely affect our net sales. Customer access to our customer service center and websites is key to the continued flow of new orders. Anything that would hamper or interrupt such access could adversely affect our net sales, operating results and customer satisfaction. Examples of risks that could affect access include problems with the Internet or telecommunication infrastructure, limited web access by our customers, local or more systemic impairment of computer systems due to viruses or malware, or impaired access due to breaches of Internet security or denial of service attacks. Changes in the policies of service providers or others that increase the cost of telephone or Internet access could inhibit our ability to market our products or transact orders with customers.

In addition, our ability to operate our business from day-to-day, largely depends on the efficient operation of our computer hardware and software systems and communications systems. Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, earthquakes, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins or denial of service attacks, improper operation by employees, and similar events or disruptions. Any of these events could cause system interruption, delays, and loss of critical data, and could prevent us from accepting and fulfilling customer orders and providing services, which would impair our operations. Certain of our systems are not redundant and we have not fully implemented a disaster recovery plan. In addition, we may have inadequate insurance coverage to compensate us for any related losses. Interruptions to customer ordering, particularly if prolonged, could damage our reputation and be expensive to remedy and have significant adverse effects on our financial results.

We face risk related to the strength of our operational, technological and organizational infrastructure. We are exposed to operational risks that can be manifested in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees, contractors or third parties and exposure to external events. In addition, we are heavily dependent on the strength and capability of our technology systems which we use to manage our internal financial, credit and other systems, interface with our customers and develop and implement effective marketing campaigns. Our ability to operate our business to meet the needs of our existing customers and attract new ones and to run our business in compliance with applicable laws and regulations depends on the functionality of our operational and technology systems. Any disruptions or failures of our operational and technology systems, including those associated with improvements or modifications to such systems, could cause us to be unable to market and manage our products and services and to report our financial results in a timely and accurate manner, all of which could have a negative impact on our results of operations. In some cases, we outsource delivery, maintenance and development of our operational and technological functionality to third parties. These third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. Any increase in the amount of our infrastructure that we outsource to third parties may increase our exposure to these risks.

If we do not respond to technological changes, our services could become obsolete and we could lose customers. To remain competitive, we must continue to enhance and improve the functionality and features of our e-commerce websites and other technologies. We may face material delays in introducing new products and enhancements. If this happens, our customers may forego the use of our websites and use those of our competitors. The Internet and the online commerce industry are rapidly changing. If competitors introduce new products and services using new technologies or if new industry standards and practices emerge, our existing websites and our proprietary technology and systems may become obsolete. Our failure to respond to technological change or to adequately maintain, upgrade and develop our computer network and the systems used to process customers' orders and payments could harm our business, prospects, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties. The Company has filed provisional patents for a system that enables consumers to buy products on a LTO basis using mobile devices and tablets and for a lease-to-own method of payment at check-out on e-commerce sites. We can provide no assurances that the Company will be granted any patents by the U.S. Patent and Trademark Office. We regard our pending patents, trademarks, service marks, copyrights, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success. In particular, we believe certain proprietary information, including but not limited to our underwriting model, and patent pending systems are central to our business model and we believe give us a key competitive advantage. We rely on trademark and copyright law, trade secret protection, and confidentiality, license and work product agreements with our employees, customers, and others to protect our proprietary rights.

We may be unable to prevent third parties from acquiring trademarks, service marks and domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. We may be unable to prevent third parties from acquiring and maintaining domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. Failure to protect our domain names could affect adversely our reputation and brand, and make it more difficult for users to find our website. We may be unable to discover or determine the extent of any unauthorized use of our proprietary rights. The protection of our intellectual property may require the expenditure of significant financial and managerial resources.

In addition, the steps we take to protect our intellectual property may not adequately protect our rights or prevent parties from infringing or misappropriating our proprietary rights. We can be at risk that others will independently develop or acquire equivalent or superior technology or other intellectual property rights. The use of our technology or similar technology by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our business.

We cannot be certain that the intellectual property used in our business does not and will not infringe the intellectual property rights of others, and we are from time to time subject to third party infringement claims. Due to recent changes in patent law, we face the risk of a temporary increase in patent litigation due to new restrictions on including unrelated defendants in patent infringement lawsuits in the future particularly from entities that own patents but that do not make products or services covered by the patents. Any third party infringement claims against us, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us or the payment of damages. Moreover, should we be found liable for infringement, we may be required to seek to enter into licensing agreements, which may not be available on acceptable terms or at all.

Our information and computer processing systems are critical to the operations of our business and any failure could cause significant problems. Our information technology systems, located at our Boca Raton, Florida offices, are essential for data exchange and operational communications to service our customers. Any interruption, impairment or loss of data integrity or malfunction of these systems could severely hamper our business and could require that we commit significant additional capital and management resources to rectify the problem.

Anchor Risks

If we are not able to maintain adequate lines of credit on commercially reasonable terms, our financial condition or results of operations could suffer. We have the availability of a \$10 million Rediscount Credit Facility with a Commercial Bank. The maximum amount that can be borrowed under the facility is \$10 million and the Bank advances up to 80% of Anchor's advances to its clients. The agreement's anniversary date is November 30, 2014 and automatically renews each year for an additional year provided that the Company has not provided 60 days notice to the financial institution in advance of the anniversary date. 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. The Credit Agreement contains standard representations, warranties and events of default for facilities of this type. Occurrences of an event of default under our credit facility allow 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 business 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.

We are currently seeking to sell our factoring business and we are not using our resources to expand this business. The Company is seeking to sell its Anchor factoring business in order to devote its capital resources to the expansion of the FlexShopper business. There are no sales and marketing efforts occurring to increase sales of the factoring business.

Competition for customers in our industry is intense, and if we are not able to effectively compete, our financial results could be harmed and the price of our shares could decline. The factoring and financial service industry is highly competitive. There are many large full-service and specialized financing companies, as well as local and regional companies, which compete with us in the factoring and purchase order financing industry. Competition in our markets is intense. These competitive forces limit our ability to raise fees to our customers. Pressure on our margins is intense, and we cannot assure you that we will be able to successfully compete with our competitors, many of whom have substantially greater resources than we do. If we are not able to effectively compete in our targeted markets, our operating margins and other financial results will be harmed and the market price of our securities could decline.

We purchase accounts receivable primarily from and make purchase order advances to privately owned small companies, which present a greater risk of loss than purchasing accounts receivable from and purchase order advances to larger companies. Our portfolio consists primarily of accounts receivable and purchase order advances from small, privately owned businesses with annual revenues ranging from start-up to \$30 million. Compared to larger, publicly owned firms, these companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. These financial challenges may make it difficult for our clients to continue as a going concern. Accordingly, advances made to these types of clients entail higher risks than advances made to companies who are able to access traditional credit sources. In part because of their smaller size, our clients may:

- experience significant variations in operating results;
- have narrower product lines and market shares than their larger competitors;
- be particularly vulnerable to changes in customer preferences and market conditions;
- be more dependent than larger companies on one or more major customers, the loss of which could materially impair their business, financial condition and prospects;
- face intense competition, including from companies with greater financial, technical, managerial and marketing resources;
- depend on the management talents and efforts of a single individual or a small group of persons for their success, the death, disability or resignation of whom could materially harm the client's financial condition or prospects;
- have less skilled or experienced management personnel than larger companies; and/or
- do business in regulated industries, such as the healthcare industry, and could be adversely affected by policy or regulatory changes.

Accordingly, any of these factors could impair a client's cash flow or result in other events, such as bankruptcy, which could limit our ability to collect on this client's purchased accounts receivable or purchase order advances, and may lead to losses in our portfolio and a decrease in our revenues, net income and assets.

We may be adversely affected by deteriorating economic or business conditions. Our factoring business, financial condition and results of operations may be adversely affected by various economic factors, including the level of economic activity in the markets in which we operate. Delinquencies and credit losses generally increase during economic slowdowns or recessions. Because we fund primarily small businesses, many of our clients may be particularly susceptible to economic slowdowns or recessions and could impair a client's cash flow or result in other events, such as bankruptcy, which could limit our ability to collect on this client's purchased accounts receivable and purchase order advances, and may lead to losses in our portfolio and a decrease in our revenues, net income and assets. Unfavorable economic conditions may also make it more difficult for us to maintain both our new business origination volume and the credit quality of new business at levels previously attained. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could significantly harm our operating results.

Our limited operating history makes it difficult for us to accurately judge the credit performance of our portfolio and, as a result, increases the risk that our allowance for credit losses may prove inadequate. Our business depends on the creditworthiness of our clients' customers and our clients. While we conduct due diligence and a review of the creditworthiness of most of our clients' customers and all of our clients, this review requires the application of significant judgment by our management. Our judgment may not be correct. We maintain an allowance for credit losses on our consolidated financial statements in an amount that reflects our judgment concerning the potential for losses inherent in our portfolio. Management periodically reviews the appropriateness of our allowance considering economic conditions and trends, collateral values and credit quality indicators. We cannot assure you that our estimates and judgment with respect to the appropriateness of our allowance for credit losses are accurate. Our allowance may not be adequate to cover credit losses in our portfolio as a result of unanticipated adverse changes in the economy or events adversely affecting specific clients, industries or markets. If our allowance for credit losses is not adequate, our net income will suffer, and our financial performance and condition could be significantly impaired.

We may not have all of the material information relating to a potential client at the time that we make a credit decision with respect to that potential client or at the time we advance funds to the client. As a result, we may suffer credit losses or make advances that we would not have made if we had all of the material information. There is generally no publicly available information about the privately owned companies to which we generally purchase accounts receivable from. Therefore, we must rely on our clients and the due diligence efforts of our employees to obtain the information that we consider when making our credit decisions. To some extent, our employees depend and rely upon the management of these companies to provide full and accurate disclosure of material information concerning their business, financial condition and prospects. If we do not have access to all of the material information about a particular client's business, financial condition and prospects, or if a client's accounting records are poorly maintained or organized, we may not make a fully informed credit decision which may lead, ultimately, to a failure or inability to collect our purchased accounts receivable and purchase order advances in their entirety.

We may make errors in evaluating accurate information reported by our clients and, as a result, we may suffer credit losses. We underwrite our clients and clients' customers based on certain financial information. Even if clients provide us with full and accurate disclosure of all material information concerning their businesses, we may misinterpret or incorrectly analyze this information. Mistakes by our staff and credit committee may cause us to make purchase order advances and purchase accounts receivable that we otherwise would not have purchased, to fund advances that we otherwise would not have funded or result in credit losses.

Risks related to our financing activities. In April 2010, our then 80% owned subsidiary suffered a credit loss of approximately \$650,000 due to an alleged fraud by one of its clients. We are currently pursuing all legal remedies to recover our losses incurred in connection with such fraud as described under "Item 3." As described under "Item 3, a food service company misdirected certain payments due to Anchor and filed for Chapter 11 bankruptcy. While the Company expects to recoup all of its monies from this food service company, if we were to experience other material losses on our accounts receivable and purchase order portfolio, they could have a material adverse effect on (i) our ability to fund our business and, (ii) to the extent the losses exceed our provision for credit losses, our revenues, net income and assets.

A client's fraud could cause us to suffer material losses. A client could defraud us by, among other things:

- directing the proceeds of collections of its accounts receivable to bank accounts other than our established lockboxes;
- failing to accurately record accounts receivable aging;
- overstating or falsifying records showing accounts receivable or inventory;
- providing inaccurate reporting of other financial information;
- falsifying purchase orders to suppliers and from customers or;
- stealing inventory that we have purchased.

As of December 31, 2013, clients that represent 5% or more of our accounts receivable and purchase order portfolio include a trucking company in Michigan that accounts for 8.7%, a cable trenching utility in Florida that accounts for 6.4%, an importer in Michigan that accounts for 8.4%, an aerospace servicer in New Mexico that accounts for 6.2% and a trucking company in Virginia that accounts for 6.4%. A client's fraud could cause us to suffer material losses.

We may be unable to recognize or act upon an operational or financial problem with a client in a timely fashion so as to prevent a credit loss of purchased accounts receivable from that client or purchase order advances to that client. Our clients may experience operational or financial problems that, if not timely addressed by us, could result in a substantial impairment or loss of the value of our purchased accounts receivable or collateral underlying our purchase order advances. We may fail to identify problems because our client did not report them in a timely manner or, even if the client did report the problem, we may fail to address it quickly enough or at all. As a result, we could suffer credit losses, which could have a material adverse effect on our revenues, net income and results of operations.

The security interest that we have in our clients' assets may not be sufficient to protect us from a partial or complete loss if we are required to foreclose. While we are secured by a lien on specified collateral of the client, there is no assurance that the collateral will protect us from suffering a partial or complete loss if we move to foreclose on the collateral. The collateral is primarily the purchased accounts receivable for factoring transactions and inventory for purchase order transactions. Factors that could reduce the value of the collateral that we have a security interest in include among other things:

- problems with the client's underlying product or services which result in greater than anticipated returns or disputed accounts;
- unrecorded liabilities such as rebates, warranties or offsets;

- the disruption or bankruptcy of key customers who are responsible for material amounts of the accounts receivable; and
- the client misrepresents, or does not keep adequate records of, important information concerning the accounts receivable.

Any one or more of the preceding factors could materially impair our ability to collect purchase order advances and all of the accounts receivable we may purchase from a client.

Errors by or dishonesty of our employees could result in credit losses. We rely heavily on the performance and integrity of our employees in making our initial credit decision with respect to our clients and on-going credit decisions on our clients' customers. Because there is generally little or no publicly available information about our clients or clients' customers, we cannot independently confirm or verify the information our employees provide us for use in making our credit and funding decisions. Errors by our employees in assembling, analyzing or recording information concerning our clients and clients' customers could cause us to fund clients and purchase accounts receivable that we would not otherwise fund or purchase. This could result in losses. Losses could also arise if any of our employees were dishonest. A dishonest employee could collude with our clients to misrepresent the creditworthiness of a prospective client or client customers or to provide inaccurate reports or invoices. If, based on an employee's dishonesty, we may have funded a client and purchased accounts that were not credit worthy, this could result in our suffering credit losses.

We may incur lender liability as a result of our funding activities. A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. We may be subject to allegations of lender liability if it were determined that our advances were in fact loans and the relationship between Anchor and a client was that of lender and borrower rather than purchaser and seller. We cannot assure you that these claims will not arise or that we will not be subject to significant liability if a claim of this type did arise.

We may incur liability under state usury laws or other state laws and regulations if any of our funding arrangements are deemed to be loans or financing transactions instead of a true purchase of accounts receivable. Various state laws and regulations limit the interest rates, fees and other charges lenders are allowed to charge their borrowers. If any of the factoring transactions entered into by us are deemed to be loans or financing transactions instead of a true purchase of accounts receivable, such laws and regulations may become applicable to us and could limit the interest rates, fees and other charges we are able to charge our customers and may further subject us to any penalties under such state laws and regulations. This could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We are in a highly competitive business and may not be able to take advantage of attractive funding opportunities. The factoring and purchase order finance industries are highly competitive. We have competitors who offer the same types of services to small privately owned businesses that are our target clients. Our competitors include a variety of:

- specialty and commercial finance companies; and
- national and regional banks that have factoring and purchase order divisions or subsidiaries.

Some of our competitors have greater financial, technical, marketing and other resources than we do. They also have greater access to capital than we do and at a lower cost than is available to us. Furthermore, we would expect to face increased price competition if other factors seek to expand within or enter our target markets. Increased competition could cause us to reduce our pricing and advance greater amounts as a percentage of a client's eligible accounts receivable. Even with these changes, in an increasingly competitive market, we may not be able to attract and retain new clients. If we cannot engage new clients, our net income could suffer, and our financial performance and condition could be significantly impaired.

Our information and computer processing systems are critical to the operations of our business and any failure could cause significant problems. Our information technology systems, located at our Charlotte, North Carolina headquarters, are essential for data exchange and operational communications to service our clients. Any interruption, impairment or loss of data integrity or malfunction of these systems could severely hamper our business and could require that we commit significant additional capital and management resources to rectify the problem.

We are continually subject to the risk of new regulation, which could harm our business and/or operating results. Congress and/or various state legislatures may pass new regulations governing the financial services industry. The enactment of any such new laws or regulations may negatively impact our business, financial condition and/or our financial results.

General Risks

Lack of Committees. Currently we have no audit, compensation, nominating or other committees of the board. In the future, we may establish committees at such time as the board deems it to be in the best interest of our stockholders. We can provide no assurances that our lack of committees will not continue in future operating periods. Since we have no audit committee composed solely of independent directors, as required by the Sarbanes-Oxley Act of 2002, as amended, our board of directors has all the responsibilities of the audit committee.

Control of the Company. Our executive officers, directors and principal stockholders beneficially own more than 50% of the voting control of our capital stock. As a result, such persons, in the event that they act in concert, will have the ability to affect the election of all of our directors and the outcome of all issues submitted to our stockholders. Such concentration of ownership could limit the price that certain investors might be willing to pay in the future for shares of Common Stock, and could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us. See “Item 12.”

We have no established public market for our Securities. Our outstanding Common Stock and Series 1 Convertible Preferred Stock (collectively the “Securities”) do not have an established trading market in the Over-the-Counter Market, although our Common Stock has been quoted on the OTCGB under the symbol “FPAY.” Trading in our Common Stock has been sporadic since it began in December 2007. The availability for sale of restricted securities pursuant to Rule 144 or otherwise could adversely affect the market for our Common Stock, if any. We can provide no assurances that an established public market will ever develop or be sustained for our common stock in the future. Further, we do not anticipate a public market will ever develop for our Series 1 Convertible Preferred Stock.

The price of our Common Stock may fluctuate significantly. The market price for our Common Stock, if any, can fluctuate as a result of a variety of factors, including the factors listed above, many of which are beyond our control. These factors include: actual or anticipated variations in quarterly operating results; announcements of new services by our competitors or us; announcements relating to strategic relationships or acquisitions; changes in financial estimates or other statements by securities analysts; and other changes in general economic conditions. Because of this, we may fail to meet or exceed the expectations of our shareholders or others, and the market price for our Common Stock could fluctuate as a result.

Our Common Stock is considered to be a “penny stock” and, as such, the market for our Common Stock, should one develop, may be further limited by certain Commission rules applicable to penny stocks. To the extent the price of our Common Stock remains below \$5.00 per share or we have net tangible assets of \$2,000,000 or less, our common shares will be subject to certain “penny stock” rules promulgated by the Securities and Exchange Commission. Those rules impose certain sales practice requirements on brokers who sell penny stock to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000). For transactions covered by the penny stock rules, the broker must make a special suitability determination for the purchaser and receive the purchaser’s written consent to the transaction prior to the sale. Furthermore, the penny stock rules generally require, among other things, that brokers engaged in secondary trading of penny stocks provide customers with written disclosure documents, monthly statements of the market value of penny stocks, disclosure of the bid and asked prices and disclosure of the compensation to the brokerage firm and disclosure of the sales person working for the brokerage firm. These rules and regulations adversely affect the ability of brokers to sell our common shares in the public market should one develop and they limit the liquidity of our Shares.

An investment in the Company is subject to dilution. We may require substantial additional financing in order to achieve our business objectives. The Company may generate such financing through the sale of securities (including potentially to the owners of businesses we acquire) that would dilute the ownership of its existing security holders. In subsequent rounds of financing, the Company may issue securities that will have rights, preferences or privileges senior to our outstanding securities and that will include financial and other covenants that will restrict the Company’s flexibility.

We have never declared or paid cash dividends on our common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay cash dividends will be dependent upon our financial condition, operating results, capital requirements, applicable contractual restrictions and other such factors as our Board of Directors may deem relevant.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INHERENT IN AN INVESTMENT IN THE COMPANY.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company has lease agreements for office space in Charlotte, NC, and Boca Raton, FL. All lease agreements are with unrelated parties. The Company has two Charlotte leases for adjoining space that expire May 31, 2014. 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, and on November 1, 2012 renewed for another two years. This lease expired on September 30, 2013 and was not renewed. The monthly rental was approximately \$1,413. On August 1, 2013, FlexShopper entered into a 39 month lease for additional office space in Boca Raton, FL to accommodate the FlexShopper business and its additional employees. The monthly rent was approximately \$6,800. This lease agreement was amended in January 2014 to reflect a 63 month term for a larger suite in an adjoining building. Upon commencement the monthly base rent including operating expenses for the first year will be approximately \$15,800 with annual three percent increases throughout the lease term.

Anchor had a lease for office space in Medley, FL, which was to expire on May 12, 2014. Anchor terminated this lease early and forfeited its security deposit.

Item 3. Legal Proceedings

We are not a party to any pending material legal proceedings except as described below. To our knowledge, no governmental authority is contemplating commencing a legal proceeding in which we would be named as a party.

On October 22, 2010, Anchor filed a complaint in the Superior Court of Stamford/Norwalk, Connecticut against the Administrators of the Estate of David Harvey ("Harvey") to recoup a credit loss incurred by the Company's former subsidiary, Brookridge Funding Services, LLC. Harvey was the owner of a Company that caused the credit loss and the Company is pursuing its rights under the personal guarantee that Harvey provided. The Complaint is demanding principal of approximately \$485,000 plus interest and damages. During the twelve months ended December 31, 2013, there were no current developments involving the current legal proceeding.

As of December 31, 2013, Anchor was owed \$250,000 from a Food Service Company from whom Anchor had purchased invoices. In July 2013, Anchor determined that the Food Service Company had misdirected certain payments due to Anchor, and Anchor ceased funding this client. On August 8, 2013, the Food Service Company filed Chapter 11 Bankruptcy. At the time of the bankruptcy filing, Anchor's total funding employed to the Food Service Company was approximately \$1,450,000. Under a Court Order approved settlement with the Food Service Company, Anchor collected approximately \$950,000 of the Food Service Company's accounts receivable through December 31, 2013, leaving a remaining balance of \$503,500. Subsequent to December 31, 2013, Anchor was paid an additional \$203,500; by Court Order, the final balance of \$300,000 is to be paid to Anchor in twelve monthly installments of \$25,000 beginning November 8, 2013. The food service company is current with its monthly payments.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is quoted on the OTCQB under the symbol "FPAY." The following table sets forth the range of high and low closing sale prices of our Common Stock for our last two fiscal periods.

Quarters Ended	High	Low
March 31, 2012	\$ 0.80	\$ 0.15
June 30, 2012	\$ 0.51	\$ 0.05
September 30, 2012	\$ 0.51	\$ 0.30
December 31, 2012	\$ 0.30	\$ 0.30
March 31, 2013	\$ 0.22	\$ 0.22
June 30, 2013	\$ 0.35	\$ 0.35
September 30, 2013	\$ 0.50	\$ 0.50
December 31, 2013	\$ 0.63	\$ 0.63

All quotations reflect inter-dealer prices, without e-tail mark-up, markdown or commissions, and may not necessarily represent actual transactions.

As of March 1, 2014, there were 21,148,862 shares of Common Stock issued and outstanding, as well as the following derivative securities: (i) outstanding options to purchase 3,015,000 shares of our Common Stock, (ii) outstanding warrants to purchase 1,342,500 shares of our Common Stock, and (iii) outstanding 376,387 shares of our Series 1 Preferred Stock which are convertible into 1,919,574 shares of our Common Stock.

In January 2007, we had an initial float of 525,555 shares which were issued as free trading shares by the Bankruptcy Court under Section 1145(a)(1) of the Bankruptcy Code. Since then, our remaining outstanding equity securities (except for securities issued in the fourth quarter of 2013 as described herein) have become eligible for sale pursuant to the requirements of Rule 144 of the Securities Act of 1933, as amended. In this respect, shares of our common stock beneficially owned by a person for at least six months (as defined in Rule 144) are eligible for resale under Rule 144 subject to the availability of current public information about us and, in the case of affiliated persons, subject to certain additional volume limitations, manner of sale provisions and notice provisions. Pursuant to Rule 144(b)(1) of the Securities Act, our non-affiliates (who have been non-affiliates for at least three months) may sell their common stock that they have held for one year (as defined in Rule 144) without compliance with the availability of current information.

During the last quarter of 2013, the Company raised \$1,000,000 from the sale of its restricted Common Stock at \$.40 per share. An aggregate of 2,500,000 shares of Common Stock were sold under Rule 506 and/or Section 4(2) of the Securities Act of 1933 as amended.

Holders of Record

As of December 31, 2013, there were 606 holders of record of shares of Common Stock and 68 holders of record of our Series 1 Preferred Stock. The Company's Transfer Agent is Continental Stock Transfer & Trust Company, 17 Battery Place, New York, NY 10004.

Dividend Policy

The holders of our Series 1 Preferred Stock were entitled to receive dividends from issuance in 2007 through December 31, 2009 as more fully described below. We have not paid or declared any cash dividends on our Common Stock. We currently intend to retain any earnings for future growth and, therefore, do not expect to pay cash dividends on our Common Stock in the foreseeable future.

Cumulative annual dividends are payable in shares of Series 1 Preferred Stock or, in certain instances in cash, at an annual rate of 8% (\$.40 per share of Series 1 Preferred Stock), on December 31 of each year commencing December 31, 2007. Dividends payable on outstanding Shares of Series 1 Preferred Stock began to accrue on the date of each closing and ceased to accrue and accumulate on the earlier of December 31, 2009 or the applicable Conversion Date (the "Final Dividend Payment Date"). Thereafter, the holders of Series 1 Preferred Stock shall have the same dividend rights as holders of Common Stock of the Company, as if the Series 1 Preferred Stock has been fully converted into Common Stock.

Recent Sales of Unregistered Securities

(a) The following sales of unregistered securities took place during the year ended December 31, 2013:

Date of Sale	Title of Security	Number Sold	Consideration Received	Purchasers	Exemption from Registration Claimed
June 2013	Common Stock Options (1)	100,000	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
July 2013	Common Stock Options (2)	60,000	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
September 2013	Common Stock Options (3)	35,000	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
October 2013	Common Stock	975,000	\$390,000 no commissions paid	Accredited Investors	Section 4(2) of the Securities Act of 1933 and/or Rule 506 promulgated thereunder
November 2013	Common Stock	1,250,000	\$500,000 no commission paid	Accredited Investors	Section 4(2) of the Securities Act of 1933 and/or Rule 506 promulgated thereunder
November 2013	Common Stock	14,493	Services rendered; no commissions paid	Accredited Investors	Section 4(2) of the Securities Act of 1933 And/or Rule 506
December 2013	Common Stock	275,000	\$110,000 no commission paid	Accredited Investors	Section 4(2) of the Securities Act of 1933 and/or Rule 506 promulgated thereunder

(1) Options are exercisable at \$0.35 per share.

(2) Options are exercisable at \$0.30 per share.

(3) Options are exercisable at \$0.45 per share.

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

Recent Purchases of Securities

During the year ended December 31, 2013, the Company had no repurchases of its Common Stock.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing elsewhere in this Form 10-K. All statements contained herein that are not historical facts, including, but not limited to, statements regarding anticipated future capital requirements, our future plan of operations, our ability to obtain debt, equity or other financing, and our ability to generate cash from operations, are based on current expectations. These statements are forward-looking in nature and involve a number of risks and uncertainties that may cause the Company's actual results in future periods to differ materially from forecasted results.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements made by or on behalf of our Company. Our Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and other Company filings with the Securities and Exchange Commission and in our reports to stockholders. Statements that relate to other than strictly historical facts, such as statements about the Company's plans and strategies and expectations for future financial performance are forward-looking statements within the meaning of the Act. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "will" and other similar expressions identify forward-looking statements. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance, and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. See "Risk Factors" for a discussion of events and circumstances that could affect our financial performance or cause actual results to differ materially from estimates contained in or underlying our forward-looking statements.

Executive Overview

The results of operations below principally reflect the operations of Anchor our national financial services firm for small businesses providing accounts receivable funding (factoring), purchase order finance, outsourcing of accounts receivable management including collections and the risk of customer default and other specialty finance products including, but not limited to, trade finance and government contract funding. For certain service businesses, Anchor also provides back office support, including payroll and invoice processing services. We provide our services to clients nationwide. In December 2013 the company announced that it is actively pursuing the sale of this business. Our principal operations are located in Charlotte, North Carolina and we maintain an executive office in Boca Raton, Florida, which includes our sales and marketing functions.

In June 2013 we formed a wholly owned subsidiary of FlexShopper Inc., FlexShopper, LLC, for the purpose of developing a business that will provide certain types of durable goods to consumers on a lease-to-own basis and also provide lease-to-own terms to consumers of third party retailers and e-tailers. The Company began generating revenues from this new line of business in December 2013. Management believes that the introduction of FlexShopper's Lease-to-own (LTO) programs support broad untapped expansion opportunities within the U.S. consumer e-commerce and e-tail marketplaces. FlexShopper and its online LTO products will provide consumers the ability to acquire durable goods, including electronics, computers and furniture on an affordable payment lease basis. Concurrently, e-tailers and retailers that work with FlexShopper may increase their sales by utilizing FlexShopper's online channels to connect with consumers that want to acquire products on an LTO basis. The Company has also filed patents for a system that enables consumers to buy products on an LTO basis using mobile devices and tablets. FlexShopper has been hiring employees to implement its business plan including a Chief Information Officer, Vice President of e-commerce, programmers, and customer service and collections personnel. The Company anticipates additional expenses of approximately \$250,000 per month or potentially higher to develop this business as FlexShopper implements its programs and builds an infrastructure to support its revenues and business objectives. FlexShopper incurred a net loss of approximately \$655,000 which is reflected in the statements of income for the year ended December 31, 2013. The Company expects these losses to continue into 2014.

Results of Operations

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The following table compares the operating results for the years ended December 31, 2013 and 2012:

	Year Ended December 31,			
	2013	2012	\$ Change	% Change
Finance revenues	\$ 2,364,128	\$ 2,526,626	\$ (162,498)	(6.4)
Interest expense, net and commissions	(385,918)	(469,364)	83,446	(17.8)
Net finance revenues	1,978,210	2,057,262	(79,052)	(3.8)
Provision for credit losses, net	(62,603)	(41,797)	(20,806)	49.8
Finance revenues, net of interest expense and credit losses	1,915,607	2,015,465	(99,858)	(5.0)
Operating expenses	2,609,288	1,636,606	972,682	59.4
Net (loss) income from operations before income taxes	(693,681)	378,859	(1,072,540)	-
Income tax provision	-	-	-	-
Net (loss) income	\$ (693,681)	\$ 378,859	\$ (1,072,540)	-

Finance revenues decreased to \$2,364,128 for the year ended December 31, 2013 compared to \$2,526,626 for the year ended December 31, 2012, a 6.4% decrease. This decrease is primarily due to two large clients that terminated their relationships with Anchor and satisfied their obligations to Anchor. In addition, Anchor ceased funding another large client that filed for Chapter 11 bankruptcy. FlexShopper did not have material revenues in 2013.

The Company had net interest expense of \$385,918 for the year ended December 31, 2013 compared to net interest expense of \$469,364 for the year ended December 31, 2012. Since Anchor purchased more invoices last year, its average borrowings were higher for the year ended December 31, 2012 than for the year ended December 31, 2013.

The Company incurred net credit losses of \$62,603 for the year ended December 31, 2013 compared to net credit losses of \$41,797 for year ended December 31, 2012. The increase in credit losses for the period is primarily related to a client that ceased operations. The client's customers are claiming and taking credits against certain invoices that Anchor purchased. While the Company has reserved for amounts it estimates are uncollectible, it continues to examine and will pursue other collection remedies. Such credit losses are a risk factor in Anchor's business.

Operating expenses for the year ended December 31, 2013 were \$2,609,288 compared to \$1,636,606 for the year ended December 31, 2012, a 59.4% increase. This increase is primarily the result of approximately \$655,000 of additional operating expenses associated with FlexShopper, LLC, legal expense of approximately \$100,000 related to Anchor's representation to recover funds from a client that filed bankruptcy, compensation expense of approximately \$52,000 related to the issuance of stock options and additional operating expenses associated with the sales office in Medley, Florida that was opened and closed in 2013.

For the year ended December 31, 2013, the Company had a net loss, therefore no current taxes were incurred. For the year ended December 31, 2012, the Company was able to offset its taxable income through the utilization of net operating loss carryforwards, therefore no current taxes were incurred.

The Company had a net loss of \$693,681 for the year ended December 31, 2013 compared to net income of \$378,859 for the year ended December 31, 2012. The decrease in finance revenues combined with the increase in operating expenses associated with FlexShopper, LLC resulted in a net loss for the year.

Possible Sale of Anchor

In December 2013, the company announced that it is actively pursuing the sale of its Anchor Funding Services business. Since June 2013 the Company has been focused on developing its FlexShopper business which will provide certain types of durable goods to consumers on a lease-to-own (LTO) basis and also provide lease-to-own terms to customers of third party retailers and e-tailers. The sale of Anchor Funding Services business would provide capital that FlexShopper could use to support development of this new business. The Company has not set a definitive timetable for the completion of a transaction and there can be no assurance that a transaction will occur or if a transaction is undertaken, the terms or timing of such a transaction. On March 6, 2014, Anchor signed a non-binding letter of intent with a financial institution to sell its factoring business. See "Risk Factors."

Client Accounts

As of December 31, 2013, we have five clients that account for an aggregate of approximately 36.1% of our accounts receivable portfolio and approximately 16.3% of our revenues for the year ended December 31, 2013. The transactions and balances with these clients as of and for the year ended December 31, 2013 are summarized below:

Entity	Percentage of Accounts Receivable Portfolio As of December 31, 2013	Percentage of Revenues for the Twelve Months Ended December 31, 2013
Trucking company in MI	8.7%	4.3%
Cable trenching utility in FL	6.4%	3.4%
Importer in MI	8.4%	3.0%
Aerospace servicer in NM	6.2%	3.7%
Trucking Company in VA	6.4%	1.9%
	36.1%	16.3%

A client's fraud could cause us to suffer material losses. See "Item 1A" and "Item 3."

Liquidity and Capital Resources

Cash Flow Summary

Cash Flows from Operating Activities

Net cash provided by operating activities was \$1,199,322 for the year ended December 31, 2013 and was primarily due to our net loss for the period combined with cash provided by operating assets, primarily from a decrease of \$2,053,125 in purchased 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 in operating activities was \$229,521 for the year ended December 31, 2012 and was primarily due to cash used by operating assets, primarily to purchase accounts receivable. Cash used by continuing operating assets and liabilities was primarily due to an increase of \$751,256 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 year ended December 31, 2013 net cash used in investing activities was \$112,908 comprised of \$30,760 for patent costs and \$82,148 for the purchase of property and equipment.

For the year ended December 31, 2012, net cash used in investing activities was \$17,031 for the purchase of property and equipment.

Cash Flows from Financing Activities

Net cash used by financing activities was \$736,821 for the year ended December 31, 2013, and was due to payments of \$1,736,821 to a financial institution offset by \$1,000,000 raised in capital contributions.

Net cash provided by financing activities was \$550,420 for the year ended December 31, 2012. This was the result of \$550,420 of proceeds from a bank under the Company's Rediscount Credit Facility.

Capital Resources

We have the availability of a \$10 million Rediscount Credit Facility with a Commercial Bank. The maximum amount that can be borrowed under the facility is \$10 million and the Bank advances up to 80% of Anchor's advances to its clients. The agreement's anniversary date is November 30, 2013 and automatically renews each year for an additional year provided that the Company has not provided 60 days' notice to the financial institution in advance of the anniversary date. The facility was renewed through November 30, 2014. 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. The Credit Agreement contains standard representations, warranties and events of default for facilities of this type. Occurrences of an event of default under our credit facility allow 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 business 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 19, 2014, FlexShopper entered into two Promissory Notes totaling \$1,000,000, one with Morry Rubin and the other with a major shareholder and Director of the company. Each demand Promissory Note is for \$500,000 and earns interest (payable monthly) at 10% per annum. The Promissory Notes are to assist FlexShopper in purchasing merchandise for lease to support FlexShopper's growth.

On June 5, 2012, upon approval of the Board, Anchor entered into two Promissory Notes totaling \$400,000, one with Morry Rubin and the other with a major shareholder of the company. Each Promissory Note was for \$200,000, had a 90 day term, and earned interest (payable monthly) at 15% per annum. The Promissory Notes were to assist Anchor in providing factoring and purchase order funding facilities to some of its clients. The Promissory Notes were subordinate to and supplemented Anchor's \$10 Million Rediscount Credit Facility with a Commercial Bank. Both promissory notes were paid on September 5, 2012. Anchor paid \$15,123 of interest on these notes for the year ended December 31, 2012.

On May 25, 2012, Anchor entered into a Participation Agreement with a funding company (Participant) whereby it sold an interest in one of its accounts so that it could accommodate the accounts funding requirements and also mitigate some of Anchor's credit exposure in the account. Anchor sold a 50% interest in the account to the Participant. Provided Anchor follows a standard of care as agreed to in the Participation Agreement, any credit losses, if they occur, would be shared equally between Anchor and the Participant. The Participant's fee is paid monthly and is charged at the rate of 21% per annum of the average outstanding balance due to the Participant. The fee paid to the Participant was \$25,020 for the year ended December 31, 2012, and is included in interest expense - financial institutions. Anchor owed the Participant \$-0- as of December 31, 2012.

During the last quarter of 2013, the Company raised \$1,000,000 from the sale of its restricted Common Stock at \$.40 per share. An aggregate of 2,500,000 shares of Common Stock were sold under Rule 506 and/or Section 4(2) of the Securities Act of 1933 as amended.

Summary of Critical Accounting Policies and Estimates

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 – Anchor 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, Anchor 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, Anchor recognizes revenue by using one of two methods depending on the type of customer. For new customers Anchor recognizes revenue using the cost recovery method. For established customers Anchor 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.

Anchor 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 Anchor obtains sufficient historical experience, it will begin using the accrual method to recognize revenue.

For established customers Anchor uses the accrual method of accounting. Anchor 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 Anchor's last six months of experience with the customer along with Anchor'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, Anchor 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.

Revenue Recognition FlexShopper – Lease revenues are recognized in the month they are due on the accrual basis of accounting. For internal management reporting purposes, lease revenues from sales and lease ownership agreements are recognized as revenue in the month the cash is collected. On a monthly basis, we record an accrual for lease revenues due but not yet received, net of allowances, and a deferral of revenue for lease payments received prior to the month due. Our revenue recognition accounting policy matches the lease revenue with the corresponding costs, mainly depreciation, associated with the leased merchandise.

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, Anchor 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 Anchor may have related to the purchased accounts receivable. For purchase order transactions Anchor advances and pays for 100% of the product's cost.

Anchor'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. Anchor has a security interest in the accounts receivable and inventory purchased and, on a case-by-case basis, may have additional collateral. Anchor 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, Anchor has varying types of personal guarantees from their customers relating to the purchased accounts receivable and purchase order advances.

Management considered approximately \$3,000 of their December 31, 2013 and \$80,500 of their December 31, 2012 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.

Intangible Assets - Intangible assets, primarily patent costs, are stated at cost less any accumulated amortization and any provision for impairment. Patent costs are amortized by using the straight line method over the shorter of their legal (20 years) or useful lives from the time they are first available for use.

Advertising Costs – The Company charges advertising costs to expense as incurred. Total advertising costs were approximately \$282,000 and \$267,000 for the years ended December 31, 2013 and 2012, respectively.

Earnings per Share (EPS) – 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 a dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants.

Also when there is a year-to-date loss from operations, potential common shares are not included in the computation of diluted earnings per share, since they have an anti-dilutive effect. For the year ending December 31, 2013 there was a loss from operations.

	2013			2012		
	(Numerator) Net Loss	(Denominator) Weighted-Average Shares	Per Share Amount	(Numerator) Net Income	(Denominator) Weighted-Average Shares	Per Share Amount
Year Ended December 31,						
Basic EPS	\$ (693,681)	18,987,702	\$ (0.04)	\$ 378,859	18,634,369	\$ 0.02
Effect of Dilutive Securities – Options and Convertible Preferred Stock	-	-	-	-	2,129,263	-
Diluted EPS	\$ (693,681)	18,987,702	\$ (0.04)	\$ 378,859	20,763,632	\$ 0.02

Stock Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee services (share-based payment transactions) is 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 9 to our financial statements for the impact on the operating results for the years ended December 31, 2013 and 2012.

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

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

- Expense related to the issuance of equity instruments
- Use of the reserve method of accounting for bad debts
- 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.

The Company applied the provisions of ASC 740-10-50, “Accounting for Uncertainty in Income Taxes”, which provides clarification related to the process associated with accounting for uncertain tax positions recognized in our financial statements. 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 years ended December 31, 2013 and 2012, the Company concluded that it had no material 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

The FASB amended the Comprehensive Income topic of the ASC in February 2013 with ASU No. 2013-02. The amendment addresses reporting of amounts reclassified out of accumulated other comprehensive income. Specifically, the amendment does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendment does require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, in certain circumstances an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amendment was effective for the Company on a prospective basis for fiscal year 2013. This amendment did not have a material effect on the Company's financial statements.

In February 2013, the FASB Issued ASU No. 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date". ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for obligations within the scope of this ASU, which is effective January 1, 2014. We do not expect this ASU to impact our financial statements.

In July 2013, the FASB issued ASU 2013-11 , "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, " which among other things, require an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as denoted within the ASU. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are currently evaluating the impact on our financial statements with respect to ASU 2013-11.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact in the Company's financial position, results of operations or cash flows.

Item 7A. 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 8. Financial Statements and Supplementary Data.

Consolidated Financial Statements

The report of the Independent Registered Public Accounting Firm, Consolidated Financial Statements and Schedules are set forth beginning on the following page.

FLEXSHOPPER, INC.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
FlexShopper, Inc. and Subsidiaries (formerly Anchor Funding Services, Inc.)

We have audited the accompanying consolidated balance sheets of FlexShopper, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ Scott and Company LLC

Columbia, South Carolina
March 31, 2014

FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS
December 31,

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash	\$ 960,032	\$ 610,439
Retained interest in purchased accounts receivable, net	4,966,338	7,019,463
Due from clients	256,313	-
Earned but uncollected fee income	138,480	168,805
Prepaid expenses and other	52,904	100,998
Lease merchandise	8,004	-
Total current assets	<u>6,382,071</u>	<u>7,899,705</u>
PROPERTY AND EQUIPMENT, net	<u>58,079</u>	<u>14,257</u>
OTHER ASSETS:		
Intangible assets – patent costs	30,760	-
Security deposits	9,485	6,023
	<u>40,245</u>	<u>6,023</u>
	<u>\$ 6,480,395</u>	<u>\$ 7,919,985</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Due to financial institution	\$ 3,240,942	\$ 4,977,763
Accounts payable	47,314	86,772
Accrued payroll and related taxes	68,141	69,338
Accrued expenses	55,412	59,252
Collected but unearned fee income	12,328	28,642
Total current liabilities	<u>3,424,137</u>	<u>5,221,767</u>
COMMITMENTS AND CONTINGENCIES		
CONVERTIBLE PREFERRED STOCK, net of issuance costs of \$1,209,383	671,409	671,409
COMMON STOCK	4,363	1,863
ADDITIONAL PAID IN CAPITAL	8,545,914	7,496,693
ACCUMULATED DEFICIT	<u>(6,165,428)</u>	<u>(5,471,747)</u>
	<u>3,056,258</u>	<u>2,698,218</u>
	<u>\$ 6,480,395</u>	<u>\$ 7,919,985</u>

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,	
	2013	2012
FINANCE REVENUES	\$ 2,364,128	\$ 2,526,626
INTEREST EXPENSE - financial institution	(385,918)	(454,241)
INTEREST EXPENSE – related parties	-	(15,123)
NET FINANCE REVENUES	1,978,210	2,057,262
PROVISION FOR CREDIT LOSSES, net of recoveries	(62,603)	(41,797)
FINANCE REVENUES, NET OF INTEREST EXPENSE AND CREDIT LOSSES	1,915,607	2,015,465
OPERATING EXPENSES	(2,609,288)	(1,636,606)
(LOSS) INCOME FROM OPERATIONS BEFORE INCOME TAXES	(693,681)	378,859
INCOME TAXES	-	-
NET (LOSS) INCOME	\$ (693,681)	\$ 378,859
BASIC EARNINGS PER COMMON SHARE:		
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (0.04)	\$ 0.02
DILUTED EARNINGS PER COMMON SHARE:		
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (0.04)	\$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	18,987,702	18,634,369
Dilutive	18,987,702	20,763,632

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2013 and 2012

	Preferred Stock	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total
Balance, January 1, 2012	\$ 671,409	\$ 1,863	\$ 7,465,386	\$ (5,850,606)	\$ 2,288,052
Provision for compensation expense related to issued stock options	-	-	10,229	-	10,229
Benefit for compensation expense related to expired stock options	-	-	21,078	-	21,078
Net income year ended December 31, 2012	-	-	-	378,859	378,859
Balance, December 31, 2012	671,409	1,863	7,496,693	(5,471,747)	2,698,218
Provision for compensation expense related to issued stock options	-	-	49,805	-	49,805
Provision for compensation expense related to issued warrants	-	-	1,916	-	1,916
Sale of common stock	-	2,500	997,500	-	1,000,000
Net loss year ended December 31, 2013	-	-	-	(693,681)	(693,681)
Balance, December 31, 2013	<u>\$ 671,409</u>	<u>\$ 4,363</u>	<u>\$ 8,545,914</u>	<u>\$ (6,165,428)</u>	<u>\$ 3,056,258</u>

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

CASH FLOWS FROM OPERATING ACTIVITIES:	2013	2012
Net (loss) income	\$ (693,681)	\$ 378,859
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	38,326	19,804
Compensation expense related to issuance of stock options and warrants	51,721	31,307
Allowance for uncollectible accounts	-	62,949
Decrease (increase) in retained interest in purchased accounts receivable	2,053,125	(751,256)
Increase in due from client	(256,313)	-
Decrease (increase) in earned but uncollected	30,325	(11,735)
Decrease (increase) in prepaid expenses and other	48,094	(30,074)
Increase in lease merchandise	(8,004)	-
Increase in security deposits	(3,462)	(537)
(Decrease) increase in accounts payable	(39,458)	41,396
(Decrease) increase in accrued payroll and related taxes	(1,197)	8,420
Decrease in collected but not earned	(16,314)	(8,297)
Increase (decrease) in accrued expenses	(3,840)	29,643
Net cash provided by (used in) operating activities	<u>1,199,322</u>	<u>(229,521)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Patent costs	(30,760)	-
Purchases of property and equipment	(82,148)	(17,031)
Net cash used in investing activities	<u>(112,908)</u>	<u>(17,031)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments to) proceeds from financial institution, net	(1,736,821)	550,420
Proceeds from capital contributions	1,000,000	-
Net cash (used in) provided by financing activities	<u>(736,821)</u>	<u>550,420</u>
INCREASE IN CASH	349,593	303,868
CASH, beginning of period	<u>610,439</u>	<u>306,571</u>
CASH, end of period	<u>\$ 960,032</u>	<u>\$ 610,439</u>

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

FLEXSHOPPER, INC.

Notes To Consolidated Financial Statements

December 31, 2013 and 2012

1. BACKGROUND AND DESCRIPTION OF BUSINESS:

The consolidated financial statements include the accounts of FlexShopper, Inc. (formerly Anchor Funding Services, Inc. the "Company") and its wholly owned subsidiaries, Anchor Funding Services, LLC ("Anchor") and FlexShopper, LLC ("FlexShopper").

FlexShopper, Inc. is a Delaware holding corporation. FlexShopper, Inc. has no operations; substantially all operations of the Company are the responsibility of Anchor.

Anchor is a North Carolina limited liability company. Today, the Company operates in two industry segments designated as Anchor and FlexShopper. Anchor purchases company's accounts receivable, which provide businesses with critical working capital so they can meet their operational costs and obligations while waiting to receive payment from their customers. Anchor also provides back office services to businesses located throughout the United States of America. The Company is actively pursuing the sale of this business. FlexShopper provides certain types of durable goods to consumers on a lease-to-own basis and also provides lease-to-own terms to consumers of third party retailers and e-tailers.

FlexShopper is a North Carolina limited liability company. FlexShopper is developing a business that will directly provide certain categories of durable goods to consumers on a lease-to-own basis and currently provides lease-to-own terms to consumers of third party retailers. FlexShopper began generating revenues in December 2013; the amount of these revenues is immaterial to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation - The accompanying consolidated financial statements include FlexShopper, Inc. (formerly Anchor Funding Services, Inc. the "Company") and its wholly owned subsidiaries, Anchor Funding Services, LLC ("Anchor") and FlexShopper, LLC ("FlexShopper").

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 - Anchor 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, Anchor 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, Anchor recognizes revenue by using one of two methods depending on the type of customer. For new customers Anchor recognizes revenue using the cost recovery method. For established customers Anchor 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.

Anchor 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 Anchor obtains sufficient historical experience, it will begin using the accrual method to recognize revenue.

For established customers Anchor uses the accrual method of accounting. Anchor 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 Anchor 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, Anchor 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.

Revenue Recognition FlexShopper – Lease revenues are recognized in the month they are due on the accrual basis of accounting. For internal management reporting purposes, lease revenues from sales and lease ownership agreements are recognized as revenue in the month the cash is collected. On a monthly basis, we record an accrual for lease revenues due but not yet received, net of allowances, and a deferral of revenue for lease payments received prior to the month due. Our revenue recognition accounting policy matches the lease revenue with the corresponding costs, mainly depreciation, associated with the leased merchandise.

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, Anchor 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 Anchor may have related to the purchased accounts receivable. For purchase order transactions the company advances and pays for 100% of the product's cost.

Anchor'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. Anchor has a security interest in the accounts receivable and inventory purchased and, on a case-by-case basis, may have additional collateral. Anchor 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, Anchor has varying types of personal guarantees from their customers relating to the purchased accounts receivable and purchase order advances.

Management considered approximately \$3,000 of their December 31, 2013 and \$80,500 of their December 31, 2012 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.

Intangible Assets - Intangible assets, primarily patent costs, are stated at cost less any accumulated amortization and any provision for impairment. Patent costs are amortized by using the straight line method over the shorter of their legal (20 years) or useful lives from the time they are first available for use.

Advertising Costs – The Company charges advertising costs to expense as incurred. Total advertising costs were approximately \$282,000 and \$267,000 for the years ended December 31, 2013 and 2012, respectively.

Earnings per Share ("EPS") – 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 a dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants.

	2013			2012		
	(Numerator) Net Loss	(Denominator) Weighted-Average Shares	Per Share Amount	(Numerator) Net Income	(Denominator) Weighted-Average Shares	Per Share Amount
Year Ended December 31,						
Basic EPS	\$ (693,681)	18,987,702	\$ (0.04)	\$ 378,859	18,634,369	\$ 0.02
Effect of Dilutive Securities – Options and Convertible Preferred Stock	-	-	-	-	2,129,263	-
Diluted EPS	\$ (693,681)	18,987,702	\$ (0.04)	\$ 378,859	20,763,632	\$ 0.02

Stock Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee services (share-based payment transactions) is 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 9 for the impact on the operating results for the years ended December 31, 2013 and 2012.

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 – Effective January 31, 2007, the Company became a “C” corporation for income tax purposes. In a “C” corporation income taxes are provided for the tax effects of transactions reported in the consolidated 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:

- Expenses related to the issuance of equity instruments
- Use of the reserve method of accounting for bad debts
- 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.

The Company applied the provisions of ASC 740-10-50, “Accounting for Uncertainty in Income Taxes”, which provides clarification related to the process associated with accounting for uncertain tax positions recognized in our financial statements. 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 years ended December 31, 2013 and 2012, the Company concluded that it had no material 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

The FASB amended the Comprehensive Income topic of the ASC in February 2013 with ASU No. 2013-02. The amendment addresses reporting of amounts reclassified out of accumulated other comprehensive income. Specifically, the amendment does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendment does require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, in certain circumstances an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amendment was effective for the Company on a prospective basis for fiscal year 2013. This amendment did not have a material effect on the Company's financial statements.

In February 2013, the FASB Issued ASU No. 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date". ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for obligations within the scope of this ASU, which is effective January 1, 2014. Upon adoption, we do not expect this ASU to impact our financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which among other things, require an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as denoted within the ASU. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are currently evaluating the impact on our financial statements with respect to ASU 2013-11.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact in the Company's financial position, results of operations or cash flows.

3. RETAINED INTEREST IN PURCHASED ACCOUNTS RECEIVABLE:

Retained interest in purchased accounts receivable consists of the following:

	December 31, 2013	December 31, 2012
Purchased invoices	\$ 6,085,940	\$ 8,921,203
Purchase order advances	365,394	21,156
Reserve account	(1,481,996)	(1,842,447)
Allowance for uncollectible invoices	(3,000)	(80,449)
	<u>\$ 4,966,338</u>	<u>\$ 7,019,463</u>

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

	December 31, 2013	December 31, 2012
Staffing	\$ 192,806	\$ 185,557
Transportation	1,592,900	1,773,290
Service	3,063,021	4,528,668
Manufacturing	120,611	612,397
	<u>\$ 4,969,338</u>	<u>\$ 7,099,912</u>

Adjustments to the allowance for uncollectible invoices were as follows:

	For the years ending December 31,	
	2013	2012
Balance - beginning of year	\$ 80,449	\$ 17,500
Provision for credit losses	12,200	62,949
Write-offs	(89,649)	-
Balance - end of year	<u>\$ 3,000</u>	<u>\$ 80,449</u>

Total purchased invoices and purchase order advances were as follows:

	For the years ending December 31,	
	2013	2012
Purchased invoices	\$ 83,653,644	\$ 95,875,787
Purchase order advances	843,193	435,928
	<u>\$ 84,496,837</u>	<u>\$ 96,311,715</u>

4. DUE FROM CLIENT

As of December 31, 2013, Anchor was owed approximately \$250,000 from a Food Service Company from whom Anchor had purchased invoices. In July 2013, Anchor determined that the Food Service Company had misdirected certain payments due to Anchor, and Anchor ceased funding this client. On August 8, 2013, the Food Service Company filed Chapter 11 Bankruptcy. At the time of the bankruptcy filing, Anchor's total funding employed to the Food Service Company was approximately \$1,453,500. Under a Court Order approved settlement with the Food Service Company, Anchor collected approximately \$1,153,500 of the Food Service Company's accounts receivable. By Court Order, the final balance of \$300,000 is to be paid to Anchor in twelve monthly installments of \$25,000 beginning November 8, 2013.

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	Estimated Useful Lives	December 31, 2013	December 31, 2012
Furniture and fixtures	2-5 years	\$ 64,945	\$ 46,818
Computers and software	3-7 years	251,525	187,505
		316,470	234,323
Less: accumulated depreciation		(258,391)	(220,066)
		<u>\$ 58,079</u>	<u>\$ 14,257</u>

Depreciation expense was \$38,326 and \$19,804 for the years ended December 31, 2013 and 2012, respectively.

6. DUE TO FINANCIAL INSTITUTION:

On November 8, 2011, Anchor entered into a Rediscount Credit Facility with a Commercial Bank that was effective November 30, 2011 and replaced its prior credit facility. The maximum amount that can be borrowed under the facility is \$10 million and the Bank will advance up to 80% of Anchor's advances to its clients. Anchor pays interest on advances monthly at the 90 Day Libor Rate plus 6.25% and various other monthly fees as defined in the agreement. The agreement requires that Anchor maintain at all times a ratio of debt to tangible net worth of not higher than four to one (4:1). As of December 31, 2013, the Company was in compliance. The agreement 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. The agreement's next anniversary date is November 30, 2014 and automatically renews each year for an additional year provided that the Company has not provided 60 days' notice to the Bank in advance of the anniversary date. The facility was renewed through November 30, 2014. This facility 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 in addition to other legal remedies, including foreclosure on collateral. The Company's President and CEO have provided validity guarantees to the Bank. Anchor owed this financial institution \$3,240,942 and \$4,977,763 as of December 31, 2013 and 2012, respectively.

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

The dividend rate on Series 1 Convertible Preferred Stock is 8%. Dividends are paid annually on December 31st in the form of additional Series 1 Convertible Preferred Stock unless the Board of Directors approves a cash dividend. Dividends on Series 1 Convertible Preferred Stock shall cease to accrue on the earlier of December 31, 2009, or on the date they are converted to Common Shares. Thereafter, the holders of Series 1 Convertible Preferred Stock have the same dividend rights as holders of Common Stock, as if the Series 1 Convertible Preferred Stock had been converted to Common Stock.

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.

During the last quarter of 2013, the Company raised \$1,000,000 from the sale of its restricted Common Stock at \$.40 per share. An aggregate of 2,500,000 shares of Common Stock were sold under Rule 506 and/or Section 4(2) of the Securities Act of 1933 as amended. The Company also issued 14,493 shares to consultants for services rendered.

The changes in Series 1 Convertible Preferred Stock and Common Stock shares for the years ended December 31, 2013 and 2012 is summarized as follows:

	Series 1 Convertible Preferred Stock	Common Stock
Balance, January 1, 2012	376,387	18,634,369
Preferred Stock Conversions	-	-
Common Stock Issuances	-	-
Balance, December 31, 2012	376,387	18,634,369
Preferred Stock Conversions	-	-
Common Stock Issuances	-	2,514,493
Balance, December 31, 2013	376,387	21,148,862

8. RELATED PARTY TRANSACTIONS:

Promissory notes payable

On March 19, 2014, FlexShopper entered into two Promissory Notes totaling \$1,000,000, one with Morry Rubin and the other with a major shareholder and Director of the company. Each demand Promissory Note is for \$500,000 and earns interest (payable monthly) at 10% per annum. The Promissory Notes are to assist FlexShopper in purchasing merchandise for lease to support FlexShopper's growth.

On June 5, 2012, upon approval of the Board, Anchor entered into two Promissory Notes totaling \$400,000, one with Morry Rubin and the other with a major shareholder of the company. Each Promissory Note was for \$200,000, had a 90 day term, and earned interest (payable monthly) at 15% per annum. The Promissory Notes were to assist Anchor in providing factoring and purchase order funding facilities to some of its clients. The Promissory Notes were subordinate to and supplemented Anchor's \$10 Million Rediscount Credit Facility with a Commercial Bank. Both promissory notes were paid on September 5, 2012. Anchor paid \$15,123 of interest on these notes for year ended December 31, 2012.

Options granted to officers and directors.

On March 20, 2012, M. Rubin and B. Bernstein were each granted 10 year options to purchase 250,000 shares of common stock each for a total of 500,000 shares, with the options vesting over a period of 10 years. Due to the anti-dilution provisions of our Series 1 Convertible Preferred Stock, this grant caused an adjustment of our preferred stock into common stock. Each share of Series 1 Preferred Stock is now convertible into 5.1 shares of the Company's Common Stock. The holders of the Series 1 Convertible Preferred Stock have the option to convert the shares to Common Stock at any time. See Note 7.

In June 2012, Paul Healy was granted 10-year non-statutory stock options to purchase 180,000 shares of Anchor's common stock exercisable at \$.25 per share. The options vest one-third immediately and one-third on each of the successive anniversary dates from Mr. Healy joining the board until fully vested.

In June 2013, the Company granted the Chief Information Officer of FlexShopper, which is a non-executive officer position, 10-year Incentive Stock Options to purchase 100,000 shares of Anchor's Common Stock, exercisable at \$.35 per share. The options vest one-third immediately, and one-third on each of the successive anniversary dates from the date the FlexShopper Chief Information Officer commenced work.

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.

The general purpose of the plan is to provide an incentive to the Company's employees, directors and consultants by enabling them to share in the future growth of the business.

At closing of the exchange transaction described above, M. Rubin and Brad Bernstein ("B. Bernstein"), the 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, 2015.

On August 8, 2013, the board agreed to modify M. Rubin's employment agreement and approved an annual salary of \$125,000. Previously M. Rubin received an annual salary of \$1.00. M. Rubin is eligible to receive periodic review of his base salary and 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 Plan. All of the aforementioned options are fully vested.

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

The employment agreement with B. Bernstein currently retains his services as President through January 31, 2015.

An annual salary of \$240,000. 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.

The Board approved an annual bonus program for Mr. Bernstein commencing with the 2012 fiscal year and ending with the 2014 fiscal year. The annual bonus is equal to 5% of annual net income provided net income is equal to or greater than \$200,000. The bonus is calculated on the Company's audited GAAP financial statements. 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 Plan. All of the aforementioned options are fully vested.

The following table summarizes information about stock options as of December 31, 2013:

Exercise Price	Number Outstanding	Remaining Contractual Life	Number Exercisable
\$ 1.25	1,605,000	4 years	1,605,000
\$ 1.00	45,000	6 years	33,750
\$ 0.62	500,000	6 years	500,000
\$ 0.17	500,000	9 years	500,000
\$ 0.25	180,000	10 years	120,000
\$ 0.35	100,000	10 years	33,333
\$ 0.30	60,000	10 years	20,000
\$ 0.45	25,000	10 years	8,333
	<u>3,015,000</u>		<u>2,820,416</u>

The Company measured the fair value of each option award on the date of grant using the Black Scholes option pricing model (BSM) with the following assumptions:

Exercise price	\$.17 to \$1.25
Term	10 years
Volatility	0.38 to 2.50
Dividends	0%
Discount rate	0.02% to 4.75%

The fair value amounts recorded for these options in the statement of operations was \$49,805 and \$10,229 for the years ended December 31, 2013 and 2012, respectively.

Stock option activity and weighted average exercise price is summarized as follows:

	2013		2012		2011	
	Options	Price	Options	Price	Options	Price
Outstanding at beginning of year	2,830,000	0.88	2,430,000	1.12	2,440,000	1.10
Granted	195,000	0.35	680,000	0.19	-	-
Cancelled	(10,000)	0.45	(280,000)	1.25	(10,000)	1.00
Exercised	-	-	-	-	-	-
Outstanding at end of year	<u>3,015,000</u>	0.85	<u>2,830,000</u>	0.88	<u>2,430,000</u>	1.12
Exercisable at end of year	<u>2,820,416</u>	0.88	<u>2,198,750</u>	1.08	<u>2,401,250</u>	1.12

10. WARRANTS:

In March, 2007, the Company's placement agent was issued warrants to purchase 1,342,500 shares of the Company's common stock. These warrants were due to expire on January 31, 2013, but were extended on the condition that each warrant holder accept a new exercise price of \$1.35 per share. Currently, these warrants are scheduled to expire on January 31, 2018 and are currently exercisable at the original price of \$1.10 per share. The following information was input into BSM to compute a per warrant price of \$.023:

Exercise price	\$	1.10
Term		7 years
Volatility		40%
Dividends		0%
Discount rate		.05%

For the year ended December 31, 2013, the Company recorded compensation expense of \$1,916 related to the issuance of these warrants.

On December 7, 2009, the Company received gross proceeds of \$500,002 from the sale of 500,002 shares of common stock and ten year warrants to purchase 2,000,004 shares of common stock exercisable at \$1.00 per share. BSM was used to compute the fair value of the warrants.

The following table summarizes information about stock warrants as of December 31, 2013:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
\$ 1.10	1,342,500	1 Month	1,342,500
\$ 1.00	2,000,004	7 years	2,000,004

11. CONCENTRATIONS:

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

Industry	For the year ending December 31,	
	2013	2012
Staffing	\$ 80,780	\$ 69,773
Transportation	627,095	782,058
Service	1,365,379	1,426,583
Other	20,357	105,483
Manufacturing	173,844	-
Apparel	96,673	142,729
	<u>\$ 2,364,128</u>	<u>\$ 2,526,626</u>

Major Customers – The Company did not have any major customers for the years ending December 31, 2013 and 2012 that represented 10% or more of its revenues.

Client Accounts - As of December 31, 2013, Anchor has five clients that account for an aggregate of approximately 36.1% of its accounts receivable portfolio and approximately 16.3% of its revenues for the year ended December 31, 2013. The transactions and balances with these clients as of and for the year ended December 31, 2013 are summarized below:

Entity	Percentage of Accounts Receivable Portfolio As of December 31, 2013	Percentage of Revenues for the Twelve Months Ended December 31, 2013
Trucking company in MI	8.7%	4.3%
Cable trenching utility in FL	6.4%	3.4%
Importer in MI	8.4%	3.0%
Aerospace servicer in NM	6.2%	3.7%
Trucking Company in VA	6.4%	1.9%
	<u>36.1%</u>	<u>16.3%</u>

Cash – The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides coverage up to \$250,000 per depositor at FDIC-insured depository institutions. At December 31, 2013, the Company had approximately \$546,000 on deposit in excess of the insured limits.

12. SUPPLEMENTAL DISCLOSURES OF CASH FLOW:

Cash paid for interest was as follows:

	For the year ending December 31,	
	2013	2012
To a financial institution	\$ 369,487	\$ 446,922
To a related party	-	15,123
Total	<u>\$ 369,487</u>	<u>\$ 462,045</u>

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

For the year ending 2013 –

None

For the year ending 2012 –

None

13. INCOME TAXES:

For the year ended December 31, 2013, the Company had losses from continuing operations, therefore no current taxes were incurred. For the year ended December 31, 2012, the Company was able to offset its taxable income through the utilization of net operating loss carryforwards, therefore no current taxes were incurred.

The following table reconciles the total provision for income taxes from continuing operations recorded in the consolidated statement of operations with the amounts computed at the statutory federal tax rate of 34%:

	2013	2012
Federal tax expense at statutory rate	\$ (235,000)	\$ 146,000
State tax expense	(10,000)	15,000
Permanent items	5,000	-
Change in valuation allowance	(240,000)	(161,000)
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Temporary differences between the amounts reported in the financial statements and the tax bases of assets and liabilities resulted in deferred taxes. Deferred tax assets at December 31, 2013 and 2012 were as follows; certain prior year numbers have been reclassified to conform to current year presentation.

	2013	2012
Equity based compensation	\$ 102,000	\$ 91,000
Allowance for doubtful accounts	1,000	31,000
Net operating loss carry-forwards	<u>1,660,000</u>	<u>1,385,000</u>
Gross deferred tax assets	1,763,000	1,507,000
Fixed assets and intangible basis difference	<u>(19,000)</u>	<u>(3,000)</u>
	1,744,000	1,504,000
Valuation allowance	<u>(1,744,000)</u>	<u>(1,504,000)</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Primarily due to a taxable loss in 2013 the Company's gross deferred tax asset increased to \$1,763,000. All available evidence, both positive and negative, was considered to determine whether any impairment of this asset should be recognized. Based on consideration of the available evidence including historical losses which must be treated as substantial negative evidence and the potential of future taxable income, a \$1,744,000 valuation allowance has been recognized to adjust deferred tax assets and liabilities to the amount of net operating losses that are expected to be realized. If realized, the tax benefit for this item will reduce current tax expense for that period as it did for the year ended December 31, 2012.

The Company has the following net operating loss carryforwards available to offset future taxable income:

	Amount	Expiration
Federal	<u>\$ 4,313,000</u>	<u>2022 - 2025</u>
State	<u>\$ 1,669,000</u>	<u>2022 - 2025</u>

The Company files tax returns in the U.S. federal jurisdiction and various states. At December 31, 2013, federal tax returns remained open for Internal Revenue Service review for tax years after 2010, while state tax returns remain open for review by state taxing authorities for tax years after 2009. There were no federal or state income tax audits being conducted as of December 31, 2013.

14. SEGMENT INFORMATION:

The Company's reportable segments consist of Anchor and FlexShopper. Anchor purchases company's accounts receivable, which provide businesses with critical working capital so they can meet their operational costs and obligations while waiting to receive payment from their customers. FlexShopper provides certain types of durable goods to consumers on a lease-to-own basis and also provides lease-to-own terms to consumers of third party retailers and e-tailers.

Information for the Company's segments is as follows:

	Year Ended December 31,	
	2013	2012
Assets:		
FlexShopper	\$ 718,896	\$ -
Anchor	5,761,499	7,919,985
Total	<u>\$ 6,480,395</u>	<u>\$ 7,919,985</u>
Revenues:		
FlexShopper	\$ 119	\$ -
Anchor	2,364,009	2,526,626
Total	<u>\$ 2,364,128</u>	<u>\$ 2,526,626</u>
Net (loss) income:		
FlexShopper	\$ (655,474)	\$ -
Anchor	(38,207)	378,859
Total	<u>\$ (693,681)</u>	<u>\$ 378,859</u>

15. COMMITMENTS AND CONTINGENCIES:

Lease Commitments

The Company has lease agreements for office space in Charlotte, NC, and Boca Raton, FL. All lease agreements are with unrelated parties.

The Company has two Charlotte leases for adjoining space that expire May 31, 2014. 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, and on November 1, 2012 renewed for another two years. This lease expired on September 30, 2013 and was not renewed. The monthly rent was approximately \$1,413.

On August 1, 2013, FlexShopper entered into a 39 month lease for additional office space in Boca Raton, FL to accommodate the FlexShopper business and its additional employees. The monthly rent was approximately \$6,800. This lease agreement was amended in January 2014 to reflect a 63 month term for a larger suite in an adjoining building. Upon commencement the monthly base rent including operating expenses for the first year will be approximately \$15,800 with annual three percent increases throughout the lease term.

Anchor had a lease for office space in Medley, FL, which was to expire on May 12, 2014. Anchor terminated this lease in 2013 and forfeited its security deposit.

The rental expense for the years ended December 31, 2013 and 2012 was approximately \$58,921 and \$46,571, respectively. The future minimum lease payments are approximately as follows:

2014	\$	86,900
2015		117,600
2016		122,000
2017		126,000
2018		129,600
Thereafter		77,200
	\$	<u>659,300</u>

Contingencies

We are not a party to any pending material legal proceedings except as described below. To our knowledge, no governmental authority is contemplating commencing a legal proceeding in which we would be named as a party.

On October 22, 2010, Anchor filed a complaint in the Superior Court of Stamford/Norwalk, Connecticut against the Administrators of the Estate of David Harvey ("Harvey") to recoup a credit loss incurred by the Company's former subsidiary, Brookridge Funding Services, LLC. Harvey was the owner of a Company that caused the credit loss and the Company is pursuing its rights under the personal guarantee that Harvey provided. The Complaint is demanding principal of approximately \$485,000 plus interest and damages.

16. SUBSEQUENT EVENTS

On March 6, 2014, Anchor signed a non-binding letter of intent with a financial institution to sell its factoring business. There can be no assurances given that the Company will sell its Anchor factoring business on terms satisfactory to the Company, if at all.

On March 19, 2014 upon approval of the Board, FlexShopper entered into two Promissory Notes totaling \$1,000,000, one with Morry Rubin and the other with a major shareholder and Director of the company. Each demand Promissory Note is for \$500,000 and earns interest (payable monthly) at 10% per annum. The Promissory Notes are to assist FlexShopper in purchasing merchandise for lease to support FlexShopper's growth.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9.A Controls and Procedures.

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2013. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our independent auditors have not audited and are not required to audit this assessment of our internal control over financial reporting for the fiscal year ended December 31, 2013.

Item 9.B. Other Information.

Not applicable.

Item 10. Directors, Executive Officers and Corporate Governance

The names, ages and principal occupations of the Company's present officers and directors are listed below.

Name (1)	Age	Position
George Rubin*	84	Co-Chairman of the Board and Co-Founder
Morry F. Rubin*	54	Co-Chairman of the Board, CEO, Co-Founder
Brad Bernstein	48	President, CFO, Director and Co-Founder
Paul B. Healy	50	Director

* George Rubin is the father of Morry F. Rubin.

- (1) Directors are elected at the annual meeting of stockholders and hold office until the following annual meeting.

The terms of all officers expire at the annual meeting of directors following the annual stockholders meeting. Officers serve at the pleasure of the Board and may be removed, either with or without cause, by the Board of Directors, and a successor elected by a majority vote of the Board of Directors, at any time, subject to their rights under employment agreements.

George Rubin has been a director of the Company since January 31, 2007. He served as Co-Chairman of Anchor Funding Services, LLC since its formation in 2003. Since October, 1998, George Rubin has been a director and a principal owner of Preferred Labor LLC, which completed the sale of its business on April 23, 2007. Mr. Rubin devotes to Anchor such time as is necessary for the performance of his duties. George Rubin was Chairman of the Board of ATC Group Services, Inc., a publicly held Company, from 1988 to 1998. ATC was sold to a financial investor group for approximately \$160 million. From 1961 to 1987, Mr. Rubin served as President, Treasurer and Director of Staff Builders, Inc. During that time, Staff Builders, Inc. was a publicly held corporation engaged in providing temporary personnel in the healthcare, light industrial and clerical fields. While he served as President, Staff Builders, Inc. operated through approximately 100 offices and generated revenues in excess of \$100 million. Mr. Rubin has over 40 years of management experience and serving on board of directors of various entities. Mr. Rubin has expertise in mergers and acquisitions and in the successful integration of acquired companies. All of these management and financial skills have allowed him to provide significant leadership and vision to the board of directors.

Morry F. Rubin has been a director and executive officer of the Company since January 31, 2007. He served as Co-Chairman and Chief Executive Officer of Anchor funding Services, LLC since its formation in 2003. Since 1998, Morry F. Rubin also has been Chairman, Chief Executive Officer and principal owner of Preferred Labor LLC which completed the sale of its business on April 23, 2007. On January 31, 2007, Mr. Rubin became an employee of our company and is devoting such time to the affairs of the Company as is necessary for the performance of his duties. Prior to his involvement with Preferred Labor, Mr. Rubin was President, Chief Executive Officer, Treasurer and a director of ATC Group Services, Inc. ("ATC"), a publicly held company, from 1988 to 1998. In January 1998, ATC was sold to a financial investor group for approximately \$160 million. Mr. Rubin was also President, Chief Executive Officer and Treasurer of Aurora Environmental, Inc. from May 1985 to June 1995, and was a director of Aurora from September 1983 to June 1995. In 1995, Morry Rubin was selected as a finalist for the Ernst & Young Entrepreneur of the Year under 40 Award for the New York City Region. From 1981 to 1987, Mr. Rubin was employed in sales and as director of acquisitions for Staff Builders, Inc., a publicly held company engaged in providing temporary personnel in the healthcare, light industrial and clerical fields. Mr. Rubin has over 25 years of management experience and serving on board of directors of various entities. Mr. Rubin has expertise in mergers and acquisitions and in the successful integration of acquired companies. All of these management and financial skills have allowed him to provide significant leadership and vision to the board of directors.

Brad Bernstein has been a director and executive officer of the Company since January 31, 2007. He served as President and Chief Financial Officer of Anchor Funding Services, LLC since its formation in 2003. Mr. Bernstein was employed by Preferred Labor LLC from March 1999 through January, 2007. Mr. Bernstein served Preferred as its Chief Financial Officer and later as its President. On January 31, 2007, Mr. Bernstein became a full-time employee of our company. Before joining Preferred Labor he was a partner of Miller, Ellin Consulting Group, LLP. Mr. Bernstein advised companies in many areas to improve their operations and increase their profitability. Mr. Bernstein's clients also included major commercial and investment banks, asset based lenders and alternative finance companies. These institutions relied on his ability to oversee due diligence engagements and evaluate a company's financial performance, its internal control structure and the quality of its assets before making investments or loans. Mr. Bernstein has used his banking relationships to raise debt and negotiate and structure financing for companies. Mr. Bernstein brings to the board his financial and business expertise as a Certified Public Accountant. Mr. Bernstein received a Bachelor of Arts degree from Columbia University.

Paul B. Healy has been a director of the Company since June 2012. Mr. Healy was added to our Board as he is an experienced media executive specializing in corporate finance, capital raising, investor relations and corporate governance. Mr. Healy currently serves as a Senior Adviser to Sonenshine Partners an investment bank providing strategic and financial advisory services in New York City. Previously, Mr. Healy served as CEO of Connexiti LLC, a supply-chain-centric intelligence database platform; Principal and Managing Director at Frank N. Magid Associates; Vice President, Corporate Development at Hollinger International Inc.; and Vice President of Media Private Banking at The Chase Manhattan Bank. He serves as a Trustee of Kenyon College and Board Chair of The Kenyon Review. Mr. Healy graduated from Kenyon College. He is an independent director.

Key Employees

In June 2013, the Company hired B. Lee Landers, Jr. as Chief Information Officer, a non-executive officer position. Mr. Landers was Vice President and Chief Information Officer of Aaron's, Inc. from 1999 to 2009. Aaron's is a leader in the furniture, appliance and electronics rent-to-own industry with over 2,200 stores in the United States and Canada. Mr. Landers was with The Southern Company in a variety of engineering and IT management roles from 1981 through 1999. He is an Industrial Engineering graduate of the Georgia Institute of Technology and earned an MBA in Finance from Georgia State University. He is a registered Professional Engineer in Georgia.

In July 2013, the Company hired Justin Metzl as Vice President of eCommerce. Mr. Metzl leads overall eCommerce strategy including marketing, user experience, product management, web analytics, search engine marketing, e-mail marketing, mobile and social media. Prior to joining FlexShopper, Mr. Metzl was Director of User Experience I eCommerce for 5 years at TigerDirect.com (Ranked Internet Retailer Top-25 largest eCommerce sites). He managed, defined and designed the online user experience, eCommerce strategy, alb/multivariate testing strategy, personalization and product recommendations, mobile strategy and socialmedia initiatives. Before TigerDirect, Mr. Metzl was Director of eCommerce for 7 years at Alienware (Dell Subsidiary). Mr. Metzl brings over 12 years of web & eCommerce experience in B2C & B2B to drive revenue, improve conversion and satisfy the overall customer experience. Mr. Metzl attended Virginia Polytechnic Institute and State University and majored in Management Science and Information Technology.

Board Vacancy

In June 2012, Kenneth Smalley and Anthony Woods resigned from the board. One of the vacancies was filled with the election of Mr. Healy. The other board seat remains vacant as of the filing date of this Form 10-K.

Corporate Governance

Our business, property and affairs are managed by, or under the direction of, our Board, in accordance with the General Corporation Law of the State of Delaware and our By-Laws. Members of the Board are kept informed of our business through discussions with the Chief Executive Officer and other key members of management, by reviewing materials provided to them by management.

We continue to review our corporate governance policies and practices by comparing our policies and practices with those suggested by various groups or authorities active in evaluating or setting best practices for corporate governance of public companies. Based on this review, we have adopted, and will continue to adopt, changes that the Board believes are the appropriate corporate governance policies and practices for our Company. We have adopted changes and will continue to adopt changes, as appropriate, to comply with the Sarbanes-Oxley Act of 2002 and subsequent rule changes made by the SEC and any applicable securities exchange.

Director Qualifications and Diversity

The board seeks independent directors who represent a diversity of backgrounds and experiences that will enhance the quality of the board's deliberations and decisions. Candidates shall have substantial experience with one or more publicly traded companies or shall have achieved a high level of distinction in their chosen fields. The board is particularly interested in maintaining a mix that includes individuals who are active or retired executive officers and senior executives, particularly those with experience in the finance and capital market industries.

In evaluating nominations to the Board of Directors, our Board also looks for certain personal attributes, such as integrity, ability and willingness to apply sound and independent business judgment, comprehensive understanding of a director's role in corporate governance, availability for meetings and consultation on Company matters, and the willingness to assume and carry out fiduciary responsibilities. Qualified candidates for membership on the Board will be considered without regard to race, color, religion, sex, ancestry, national origin or disability.

Risk Oversight

Enterprise risks are identified and prioritized by management and each prioritized risk is assigned to the full board for oversight. These risks include, without limitation, the following:

Risks and exposures associated with strategic, financial and execution risks and other current matters that may present material risk to our operations, plans, prospects or reputation.

Risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies, investment guidelines and credit and liquidity matters.

Risks and exposures relating to corporate governance; and management and director succession planning.

Risks and exposures associated with leadership assessment, and compensation programs and arrangements, including incentive plans.

Board Leadership Structure

The Chairman of the Board presides at all meetings of the Board. The Chairman is appointed on an annual basis by at least a majority vote of the remaining directors. Currently, the offices of Chairman of the Board and Chief Executive Officer are not entirely separated, as our Chief Executive officer is also Co-Chairman of the Board. The Company has no fixed policy with respect to the separation of the offices of the Chairman of the Board and Chief Executive Officer. The Board believes that ultimately the separation of the offices of the Chairman of the Board and Chief Executive Officer is likely to be part of the succession planning process and that it is in the best interests of the company to make this determination from time to time.

Limitation of Directors' Liability and Indemnification

Our directors are not personally liable to us or to any of our stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to us or our stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived any improper personal benefit. If the General Corporation Law of the State of Delaware or any other statute of the State of Delaware is amended to authorize the further elimination or limitation of the liability of our directors, then the liability of our directors will be limited to the fullest extent permitted by the statutes of the State of Delaware, as so amended, and such elimination or limitation of liability shall be in addition to, and not in lieu of, the provided limitation on the liability of a director. To the maximum extent permitted by law, we fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was our director or officer, or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding. To the extent permitted by law, we may fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was our employee or agent, or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding. We will, if so requested by a director or officer, advance expenses (including attorneys' fees) incurred by such director or officer in advance of the final disposition of such action, suit or proceeding upon the receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such director or officer is not entitled to indemnification. We may advance expenses (including attorneys' fees) incurred by an employee or agent in advance of the final disposition of such action, suit or proceeding upon such terms and conditions, if any, as our Board deems appropriate.

Committees

Currently the Company has no audit, compensation, corporate governance, nominating or other committee of the Board of Directors. The Sarbanes-Oxley Act of 2002, as amended, required each corporation to have an audit committee consisting solely of independent directors and to identify the independent directors who are considered to be a “financial expert.” Under the National Association of Securities Dealers Automated Quotations definition, an “independent director means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board’s discretion in determining director independence is not completely unfettered. Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than \$120,000 during the current or past three fiscal years; (3) has not (or whose immediately family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of \$200,000 or 5% of that organizations consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of Anchor has served on that company’s compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of Anchor’s outside auditor.

The term “Financial Expert” is defined under Sarbanes-Oxley Act of 2002, as amended, as a person who has the following attributes: an understanding of generally accepted accounting principles and financial statements; has the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the company’s financial statements, or experience actively supervising one or more persons engaged in such activities; an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions.

Board Members Who Are Deemed Independent

Our board of directors has determined that Paul Healy is an “independent director” and a “financial expert” as defined in accordance with the definitions above.

Code of Ethics

Effective March 3, 2003, the Securities & Exchange Commission requires registrants like the Company to either adopt a code of ethics that applies to the Company’s Chief Executive Officer and Chief Financial Officer or explain why the Company has not adopted such a code of ethics. For purposes of item 406 of Regulation S-K, the term “code of ethics” means written standards that are reasonably designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities & Exchange Commission and in other public communications made by the Company;
- Compliance with applicable governmental law, rules and regulations;
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

As of the date of this Form 10-K, we have not adopted a code of ethics and none is anticipated until an audit committee is appointed to oversee its anticipated provisions.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the “Commission”). Officers, directors and greater than ten percent stockholders are required by the Commission’s regulations to furnish us with copies of all Section 16(a) forms they file. During fiscal year 2013, none of our officers, directors or 10% or greater stockholders are believed to have filed any forms late to the best of our knowledge.

Item 11. Executive Compensation.

The following table sets forth the overall compensation earned over the fiscal years ended December 31, 2013 and 2012 by (1) each person who served as the principal executive officer of the Company or its subsidiary during fiscal year 2013; (2) our most highly compensated (up to a maximum of two) executive officers as of December 31, 2013 with compensation during fiscal year ended 2013 of \$100,000 or more; and (3) those two individuals, if any, who would have otherwise been in section (2) above but for the fact that they were not serving as an executive of us as of December 31, 2013.

	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Options Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(2)(3)	Total (\$)
Morry F. Rubin Chief Executive Officer (4)	2012	\$ 1.00	\$ -0-	\$ -0-	\$ 21,000	\$ -0-	\$ -0-	\$ 18,000	\$ 39,001
	2013	\$67,308	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$18,000	\$85,308
Brad Bernstein President	2012	\$ 240,000	\$ 20,021	\$ -0-	\$ 39,000	\$ -0-	\$ -0-	\$ 12,000	\$ 311,021
	2013	\$240,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$12,000	\$252,000

- (1) Topic 718 requires the company to determine the overall full grant date fair value of the restricted stock awards and options as of the date of grant based upon the Black-Scholes method of valuation which total amounts are set forth in the table above under the year of grant, and to then expense that value over the service period over which the restricted stock awards and options become vested. As a general rule, for time-in-service-based restricted stock awards and options, the company will immediately expense any restricted stock awards and option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the restricted stock awards and options. For a description Topic 718 and the assumptions used in determining the value of the restricted stock awards and options under the Black-Scholes model of valuation, see the notes to the consolidated financial statements included with this Form 10-K.
- (2) Includes all other compensation not reported in the preceding columns, including (i) perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than \$10,000; (ii) any "gross-ups" or other amounts reimbursed during the fiscal year for the payment of taxes; (iii) discounts from market price with respect to securities purchased from the company except to the extent available generally to all security holders or to all salaried employees; (iv) any amounts paid or accrued in connection with any termination (including without limitation through retirement, resignation, severance or constructive termination, including change of responsibilities) or change in control; (v) contributions to vested and unvested defined contribution plans; (vi) any insurance premiums paid by, or on behalf of, the company relating to life insurance for the benefit of the named executive officer; and (vii) any dividends or other earnings paid on stock or option awards that are not factored into the grant date fair value required to be reported in a preceding column.
- (3) Includes compensation for service as a director described under Director Compensation, below.
- (4) Does not include monies paid to Mr. Rubin on an investment in the Company as described under "Item 13".

For a description of the material terms of each named executive officers' employment agreement, including the terms of any contract, agreement, plan or other arrangement that provides for any payment to a named executive officer in connection with his or her resignation, retirement or other termination, or a change in control of the company see section below entitled "Employment Agreements."

No outstanding common share purchase option or other equity-based award granted to or held by any named executive officer in 2013 were repriced or otherwise materially modified, including extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined, nor was there any waiver or modification of any specified performance target, goal or condition to payout.

Executive Officer Outstanding Equity Awards At Fiscal Year-End

The following table provides certain information concerning any common share purchase options, stock awards or equity incentive plan awards held by each of our named executive officers that were outstanding, exercisable and/or vested as of December 31, 2013.

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value Of Unearned Shares, Units Or Other Rights That Have Not Vested	
Morry F. Rubin	650,000	- 0 -	-0-	1.25	01/31/2017	-0-	N/A	-0-	N/A	
Morry F. Rubin	250,000	- 0 -	-0-	0.62	03/23/2019	-0-	N/A	-0-	N/A	
Morry F. Rubin	250,000	- 0 -	-0-	0.17	03/20/2022	-0-	N/A	-0-	N/A	
Brad Bernstein	950,000	- 0 -	-0-	1.25	01/31/2017	-0-	N/A	-0-	N/A	
Brad Bernstein	250,000	- 0 -	-0-	0.62	03/23/2019	-0-	N/A	-0-	N/A	
Brad Bernstein	250,000	- 0 -	-0-	0.17	03/20/2022	-0-	N/A	-0-	N/A	

N/A – Not applicable.

Employment Agreements

Each of the following executive officers is a party to an employment agreement with the Company.

Name	Position	2014	
		Annual Salary(1)	Bonus (2)
Morry F. Rubin	Chief Executive Officer	\$ 125,000 (1)	Annual bonuses at the discretion of the Board in an amount determined by the compensation committee.
Brad Bernstein	President	\$ 240,000 (2)	Annual bonus equal to 5% of annual net income provided net income is equal to or greater than \$200,000.

N/A – Not applicable.

- On August 8, 2013, the Board agreed to modify M. Rubin’s employment agreement and approved an annual salary of \$125,000. Previously, M. Rubin received an annual salary of \$1.00. M. Rubin is eligible to receive periodic review of his base salary and annual bonuses as determined by the Company’s compensation committee.
- The Company shall pay Mr. Bernstein a fixed base salary of \$205,000 during the first year of the Employment Term (commencing January 31, 2007), \$220,000 during the second year of the Employment Term and \$240,000 during the Third Year and any additional year of the Employment Term. The Board may periodically review Mr. 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, if it deems appropriate. The Board approved an annual bonus program for Mr. Bernstein commencing with the 2012 fiscal year and ending with the 2014 fiscal year. The annual bonus is equal to 5% of annual net income provided net income is equal to or greater than \$200,000. The bonus is calculated on the Company’s audited GAAP financial statements.

On January 31, 2007, we entered into an employment agreement with Morry F. Rubin (“M. Rubin”) to retain his services as Co-chairman and Chief Executive Officer. We also entered into an employment agreement to retain the services of Brad Bernstein (“Bernstein”) as President. The following summarizes the employment agreements of M. Rubin and Bernstein, who are individually referred to as “Executive” and collectively as “Executives.”

- Each Executive shall receive a base salary and bonuses as described above. M. Rubin and Bernstein shall be entitled to a monthly automobile allowance of \$1,500 and \$1,000, respectively;
- M. Rubin and Bernstein were granted on January 31, 2007 10-year options to purchase 650,000 and 950,000 shares, respectively, exercisable at \$1.25 per share, pursuant to the Company’s 2007 Omnibus Equity Compensation Plan. All options granted to them have vested.
- The Agreement shall be automatically renewed for additional one year terms unless either party notifies the other, in writing, at least 60 days prior to the expiration of the term, of such party’s intention not to renew the Agreement. On December 2, 2013, each Agreement renewed for one additional year through the close of business on January 31, 2015;
- Mr. Bernstein is required to devote his full business time and efforts to the business and affairs of the Company. Mr. Rubin is required to devote to the Company, such time is necessary for the performance of his duties. Each executive shall be entitled to indemnification to the full extent permitted by law. Each executive is subject to provisions relating to non-compete, non-solicitation of employees and customers during the term of the Agreement and for a specified period thereafter (other than for termination without cause or by the Executive for good reason).
- Each Executive shall be entitled to participate in such Executive benefit and other compensatory or non-compensatory plans that are available to similarly situated executives of the Company and shall be entitled to be reimbursed for up to \$25,000 of medical costs not covered by the Company’s health insurance per year.
- The Company shall, to the extent such benefits can be obtained at a reasonable cost, provide the Executive with disability insurance benefits of at least 60% of his gross Base Salary per month; provided that for purposes of the foregoing, prior to the date on which M. Rubin’s Base Salary is adjusted above \$1.00 as described above, M. Rubin’s Base Salary shall be deemed to be \$300,000. In the event of the Executive’s Disability, the Executive and his family shall continue to be covered by all of the Company’s Executive welfare benefit plans at the Company’s expense, to the extent such benefits may, by law, be provided, for the lesser of the term of such Disability and 24 months, in accordance with the terms of such plans; and
- The Company shall, to the extent such benefits can be obtained at a reasonable cost, provide the Executive with life insurance benefits in the amount of at least \$500,000. In the event of the Executive’s death, the Executive’s family shall continue to be covered by all of the Company’s Executive welfare benefit plans, at the Company’s expense, to the extent such benefits may, by law, be provided, for 12 months following the Executive’s death in accordance with the terms of such plans.

Termination of Employment.

Each Executive’s employment with the Company may be terminated by mutual agreement. The following description summarizes the severance pay (exclusive of base salary, car allowances and benefits due up to the date of termination), if any, of each Executive in the event of termination (other than by mutual agreement) and the treatment of each Executive’s options:

Termination for Cause. In the event of any termination for cause (as defined in the agreement), the Executive shall not receive any severance pay and any and all stock options granted to the Executive shall terminate according to their terms of grant with any such vested options being exercisable for the shorter of (i) 90 days from the date of termination and (ii) the exercise term of each relevant option grant.

Termination for Disability or Death. In the event of termination for disability (as defined in the agreement) or death, Executive shall receive all bonuses then earned, six months severance pay in the case of death, and the acceleration of certain options. Such options may be exercised for the longer of (i) 12 months from the date of the date of termination and (ii) the exercise term of each relevant option grant.

Termination without Cause. The Executive's employment with the Company may be terminated by the Company, in the absence of Cause and by Executive for Good Reason (as defined in the agreement). In such event, Executive shall receive 12 months severance pay, targeted bonuses, continuation of certain benefits and full vesting of all options. Such options may be exercised for the longer of (i) 12 months from the date of termination and (ii) the exercise term of each relevant option grant.

Voluntary Resignation. The Executive's employment with the Company may be terminated by the Executive without Good Reason. In such event, the Executive shall not receive any severance pay and unless termination occurs in the first year of employment, all vested options shall be retained by the Executive for the full exercise term of each relevant option.

Option Grants.

Messrs. M. Rubin and Bernstein are each eligible to receive stock options and other compensation as determined at the discretion of the board. See "Executive Officer Outstanding Equity Awards at Fiscal Year-End" above for a description of outstanding options granted to Messrs. M. Rubin and Bernstein as of December 31, 2013.

Review of Risks Arising from Compensation Policies and Practices

We have reviewed our compensation policies and practices for all employees and concluded that any risks arising from our policies and practices are not reasonably likely to have a material adverse effect on the Company.

DIRECTOR COMPENSATION

Cash Fees and Options

Currently the Company has no audit, compensation, corporate governance, nominating or other committee of the Board of Directors, although it intends to establish an audit, compensation and corporate governance committee in the near future. The chairman of each committee that is formed by us at a later date will be entitled to an annual fee of \$6,500 and each non-executive director will receive an annual fee of \$6,500 as a member of the Board, a fee of \$1,000 per Board or Committee meeting (or consent in lieu of a meeting), and an activity fee of \$1,000 per day for services rendered by the Board member. George Rubin is receiving the same health and dental insurance benefits as those provided to our executive officers to the extent permitted by the rules and regulations applicable thereto and an additional medical reimbursement of up to \$25,000 per annum. Members of the Board of Directors are eligible to participate under one or more of our company's stock option plan(s). On January 31, 2007, we established a stock option plan and granted non-statutory stock options to purchase 950,000, shares and 650,000 shares to Brad Bernstein and Morry F. Rubin, respectively, exercisable at \$1.25 per share. These options have a term of ten years and vest one-third on the date of grant, one-third on February 29, 2008 and one-third on February 28, 2009. On March 23, 2009, we granted non-statutory stock options to purchase 250,000 shares to each of Rubin and Bernstein, exercisable at \$0.62 per share; these options have a term of 10 years and vested on the date of grant. On March 20, 2012, we granted non-statutory stock options to purchase 250,000 shares to each of Rubin and Bernstein, exercisable at \$0.17 per share; these options have a term of 10 years and vested. On June 14, 2012, we granted Paul B. Healy options to purchase 180,000 shares, exercisable at \$0.25 per share from the vesting date through June 14, 2022, with one-third vesting on June 14, 2012, one third vesting on June 14, 2013 and the remaining one-third vesting on June 14, 2014. In the event that a director is no longer serving on the Board of Directors, the director has 90 days to exercise all vested options. Equity incentive awards and cash payments to directors will be determined in the sole discretion of the Board and/or compensation committee of the Board at such times and in such amounts as the Board or a committee thereof determines to make such awards.

Travel Expenses

All directors shall be reimbursed for their reasonable out of pocket expenses associated with attending the meetings.

2013 Compensation

The following table shows the overall compensation earned for the 2013 fiscal year with respect to each non-employee and non-executive directors of the Company as of December 31, 2013.

DIRECTOR COMPENSATION

Name and Principal Position	Fees Earned or Paid in Cash (\$)	Stock Awards (\$ (1))	Option Awards (\$) (1)	Non-Equity Incentive Plan Compensation (\$) (2)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) (3)	Total (\$)
Paul B. Healy, Director	\$ 10,500	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 10,500
George Rubin, Director (4)	\$ 10,500	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,822	\$ 17,322

(1) Topic 718 requires the company to determine the overall full grant date fair market value of the restricted stock awards and the options as of the date of grant based upon the Black-Scholes method of valuation which total amounts are set forth in the table above under the year of grant, and to then expense that value over the service period over which the restricted stock awards and the options become exercisable vested. As a general rule, for time-in-service-based restricted stock awards and options, the company will immediately expense any restricted stock award or option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the restricted stock award and option. For a description of Topic 718 and the assumptions used in determining the value of the restricted stock awards and options under the Black-Scholes model of valuation, see the notes to the consolidated financial statements included with this Form 10-SB/A.

(2) Excludes awards or earnings reported in preceding columns.

(3) Includes all other compensation not reported in the preceding columns, including (i) perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than \$10,000; (ii) any "gross-ups" or other amounts reimbursed during the fiscal year for the payment of taxes; (iii) discounts from market price with respect to securities purchased from the company except to the extent available generally to all security holders or to all salaried employees; (iv) any amounts paid or accrued in connection with any termination (including without limitation through retirement, resignation, severance or constructive termination, including change of responsibilities) or change in control; (v) contributions to vested and unvested defined contribution plans; (vi) any insurance premiums paid by, or on behalf of, the company relating to life insurance for the benefit of the director; (vii) any consulting fees earned, or paid or payable; (viii) any annual costs of payments and promises of payments pursuant to a director legacy program and similar charitable awards program; and (ix) any dividends or other earnings paid on stock or option awards that are not factored into the grant date fair value required to be reported in a preceding column.

(4) All other compensation includes the payment of health insurance which is not provided to other non-employee directors. Mr. Rubin's compensation excludes monies earned as an investor. See "Item 13" for a description of certain transactions involving George Rubin.

Indemnification; Director and Officer Liability Insurance.

The Company has agreed to indemnify (and advance the costs of defense of) each director (and his legal representatives) to the fullest extent permitted by the laws of the state in which the Company is incorporated, as in effect at the time of the subject act or omission, or by the Certificate of Incorporation and Bylaws of the Company, whichever affords greater protection to each director, and both during and after termination (for any reason). The Company shall cause each director to be covered under a directors and officers' liability insurance policy for his acts (or non-acts) as an officer or director of the Company or any of its affiliates. Such policy shall be maintained by the Company at its expense in an amount of at least \$5 million during the term each director serves the Company (including the time period of coverage after each director's service terminates for any reason whatsoever).

In the event of any litigation or other proceeding between the Company and a director with respect to enforcement of a director's rights to indemnification and director and officer liability insurance and such litigation or proceeding results in final judgment or order in favor of the Director, which judgment or order is substantially inconsistent with the positions asserted by the Company in such litigation or proceeding, the losing party shall reimburse the prevailing party for all of his/its reasonable costs and expenses relating to such litigation or other proceeding, including, without limitation, his/its reasonable attorneys' fees and expenses.

2007 Omnibus Equity Compensation Plan

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.

The following table shows the amounts that have been granted under the Plan as of December 31, 2013:

Name and Position	2007 Omnibus Equity Compensation Plan	
	Dollar Value (\$) (1)	Number of Options
Morry R. Rubin, Chief Executive Officer (2)	115,250	1,150,000
Brad Bernstein, President (2)	115,250	1,450,000
Executive Group (two persons) (2)	230,500	2,600,000
Non-Executive Director Group (one person) (2)	68,400	180,000
Non-Executive Officer Employee Group	17,110	225,000

(1) The dollar value of these options is based upon the fair market value of our common stock as of the close of business on December 31, 2013 of \$.63 per share, less the exercise price of each respective option.

(2) We have a stock option plan covering 4,200,000 shares and granted non-statutory stock options to purchase 950,000 shares and 650,000 shares to Brad Bernstein and Morry F. Rubin, respectively, exercisable at \$1.25 per share. These options have a term of ten years and vest one-third on the date of grant, one-third on February 29, 2008 and one-third on February 28, 2009. On March 23, 2009, we granted non-statutory stock options to purchase 250,000 shares to each of Rubin and Bernstein, exercisable at \$0.62 per share; these options have a term of 10 years and vested on the date of grant. On March 20, 2012, we granted non-statutory stock options to purchase 250,000 shares to each of Rubin and Bernstein, exercisable at \$0.17 per share; these options have a term of 10 years and vested. On June 14, 2012, we granted Paul B. Healy options to purchase 180,000 shares, exercisable at \$0.25 per share from the vesting date through June 14, 2022, with one-third vesting on June 14, 2012, one third vesting on June 14, 2013 and the remaining one-third vesting on June 14, 2014.

The following is a summary of the material features of the Plan:

Shares Subject to the Plan

The maximum number of shares of common stock with respect to which awards may be made under the Plan is 4,200,000. In the event of any stock split, reverse stock split, stock dividend, recapitalization, reclassification or other similar event or transaction, the Compensation Committee will make such equitable adjustments to the number, kind and price of shares subject to outstanding grants and to the number of shares available for issuance under the Plan as it deems necessary or appropriate. Shares subject to forfeiture, cancelled or expired awards granted under the Plan will again become available for issuance under the Plan. In addition, shares surrendered in payment of any exercise price or in satisfaction of any withholding obligation arising in connection with an award granted under the Plan will again become available for issuance under the Plan.

Administration

A committee of two or more directors appointed by the Board will administer the Plan (the “Committee”); however, until the Committee is appointed, the Board administers the Plan. The Committee interprets the Plan, selects award recipients, determines the number of shares subject to each award and establishes the price, vesting and other terms of each award. While there are no predetermined performance formulas or measures or other specific criteria used to determine recipients of awards under the Plan, awards are based generally upon consideration of the grantee's position and responsibilities, the nature of services provided, the value of the services to us, the present and potential contribution of the grantee to our success, the anticipated number of years of service remaining and other factors which the Board or the Committee deems relevant.

Eligibility

Employees, directors, consultants and other service providers of our Company and its affiliates are eligible to participate in the Plan, provided; however, that only employees of our Company are eligible to receive incentive stock options. Other than consultants and other service providers, the number of currently eligible employees in the Plan is five. The maximum number of shares that are the subject of grants made under the Plan to any individual during any calendar year may not exceed 1,000,000 shares, subject to certain adjustments. A participant in the Plan may not accrue dividend equivalents during any calendar year in excess of \$500,000.

Amendment and Termination of Plan

The Board may amend, alter or discontinue the Plan at any time; provided, however, that the Board may not amend the Plan without stockholder approval if such approval is required in order to comply with the Code or applicable laws or to comply with applicable stock exchange requirements. The Plan will terminate on the day immediately preceding the tenth anniversary of the Plan's effective date, unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the stockholders.

Grants

Grants made under the Plan may consist of incentive stock options, non-qualified stock options, stock appreciation rights or “SARs”, stock awards, stock unit awards, dividend equivalents and other stock-based awards. Each grant is subject to the terms and conditions set forth in the Plan and to those other terms and conditions specified by the Committee and memorialized in a written grant agreement between our Company and grant recipient (the “Grant Instrument”).

Stock Options

The Plan permits the grant of incentive stock options (“ISOs”) to our employees and the employees of our subsidiaries. The Plan also provides for the grant of non-qualified stock options (“NQSOs”) to our employees, directors, and consultants and other individuals who perform services for us (as well as to employees, directors, consultants and service providers of our subsidiaries). The exercise price of any stock option granted under the Plan will be equal to or greater than the fair market value of such stock on the date the option is granted, provided, however, that the exercise price of any incentive stock options granted under the Plan to an employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any parent or subsidiary of us, may not be less than 110% of the fair market value of our common stock on the date of grant. Generally, payment of the option price may be made (i) in cash, (ii) with the Committee's consent, by approval of the Committee, by delivering shares of Company Stock owned by the Optionee (including Company Stock acquired in connection with the exercise of an Option, subject to such restrictions as the Committee deems appropriate) and having a Fair Market Value on the date of exercise equal to the Exercise Price or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise equal to the Exercise Price, (iii) through a broker in accordance with applicable laws, or (iv) with a combination of cash and shares. The participant must pay the option price and the amount of withholding tax due, if any, at the time of exercise. Shares of common stock will not be issued or transferred upon exercise of the option until the option price and the withholding obligation are fully paid.

Under the Plan, each option is exercisable at such time and to such extent as specified in the pertinent Grant Instrument between our Company and the option recipient. However, no option shall be exercisable with respect to any shares of common stock more than ten years after the date of grant of such award (except as otherwise determined by the Committee with respect to non-incentive options) and no incentive stock option that is granted to an employee, who at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of our Company, or any parent or subsidiary of ours, may be exercised more than five years from the date of grant. Notwithstanding the foregoing, the Committee may provide, in a Grant Instrument, that a Grantee may transfer Nonqualified Stock Options to family members, or one or more trusts or other entities for the benefit of or owned by family members, consistent with the applicable securities laws, according to such terms as the Committee may determine; provided that the Grantee receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

Effects of Termination of Service with our Company

Generally, unless provided otherwise in the Grant Instrument, the right to exercise any option or SAR (described below) terminates ninety (90) days following termination of the participant's relationship with the Company for reasons other than death, disability or termination for "cause" as defined in the Plan. If the participant's relationship with us terminates due to death or disability, unless provided otherwise in the Grant Instrument, the right to exercise an option or SAR will terminate the earlier of one year following such termination or the original expiration date. If the participant's relationship with us is terminated for "cause" any option or SAR not already exercised will automatically be forfeited as of the date such termination.

Stock Awards

We may issue awards of our common stock pursuant to the terms of the Plan. A stock award may be issued for consideration or for no consideration and may be subject to certain restrictions and risk of forfeiture (such as the completion of a period of service or attainment of a performance goal) as determined by the Committee and set forth in the Grant Instrument governing the stock award. If a participant's employment terminates before the vesting condition is fulfilled, the shares will be forfeited. While the shares remain unvested, a participant may not sell, assign, transfer, pledge or otherwise dispose of the shares. Unless otherwise determined by the Committee, a stock award entitles the participant to all of the rights of a stockholder of our Company, including the right to vote the shares and the right to receive any dividends thereon.

Stock Units

The Plan provides for the grant of stock units to employees, non-employee directors, or consultants or other individuals who perform services for us, subject to any terms and conditions, including the fulfillment of specified performance goals or other conditions, as may be established by the Committee. Each stock unit represents one hypothetical share of common stock and the right of the grantee to receive an amount based on the value of a share of our common stock. Payments with respect to stock units may be made in cash or in shares of common stock, or in combination of the two as determined by the appointed committee.

Stock Appreciation Rights

The Plan also provides for the grant of SARs, either alone or in tandem with stock options. An SAR entitles its holder to a cash payment of the excess of the fair market value of our common stock on the date of exercise, over the fair market value of our common stock on the date of grant. An SAR issued in tandem with a stock option will have the same terms as the stock option. The terms of an SAR granted alone, without an option, will be established by the Committee, in the Grant Instrument governing the SAR.

Other Stock-Based Award

The Committee may grant other stock-based awards, other than those described herein, that are based on, measured by or payable in shares of common stock on such terms and conditions as the Committee may determine. Such awards may be subject to the achievement of performance goals or other conditions and may be payable in cash, shares of common stock or any combination of cash and shares of common stock as the Committee shall determine.

Dividend Equivalents

The Committee may grant dividend equivalents in connection with grants under the Plan. Dividend equivalents may be paid currently or accrued as contingent cash obligations and may be payable in cash or shares of common stock, and upon such terms as the appointed committee may establish, including the achievement of specific performance goals.

Change of Control of the Company

In the event of a Change of Control, as that term is defined in the Plan, of our Company, the Committee has discretion to, among other things, accelerate the vesting of outstanding grants, cashout outstanding grants or exchange outstanding grants for similar grants of a successor company. A Change of Control of our Company will be deemed to have taken place upon:

- the acquisition by any person of direct or indirect ownership of securities representing more than 50% of the voting power of our then outstanding stock;
- a consolidation or merger of our Company resulting in the stockholders of the Company immediately prior to such event not owning at least a majority of the voting power of the resulting entity's securities outstanding immediately following such event;
- the sale of substantially all of our assets; or
- the liquidation or dissolution of our Company.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

As of March 24, 2014, we have 21,148,862 shares of Common Stock and 376,387 shares of Series 1 Preferred Stock issued and outstanding. In this respect, each one share of Series 1 Preferred Stock has the voting rights of 5.7877 common shares, but is convertible into only 5.1 common shares. Accordingly, the 376,387 shares of Series 1 Preferred Stock are convertible into 1,919,574 shares of Common Stock with the equivalent voting rights of 2,178,415 common shares. The following table sets forth information regarding the economic ownership of our company Common Stock by:

- each of our stockholders who is known by us to beneficially own more than 5% of our common stock;
- each of our executive officers; and
- each of our directors.

Beneficial ownership is determined based on the rules and regulations of the Commission. A person has beneficial ownership of shares if the individual has the power to vote and/or dispose of shares. This power can be sole or shared, and direct or indirect. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person are counted as outstanding in such cases where the option holder may exercise the options within 60 days of the date hereof. These shares, however, are not counted as outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to the table below, each person named in the table has sole voting and dispositive power with respect to the shares set forth opposite that person's name.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	% of Shares of Common Stock Beneficially Owned
Morry F. Rubin (1)	6,071,340	26.5
George Rubin (1)	3,987,840	18.3
Ilissa and Brad Bernstein (2)	3,700,000	16.2
Paul B. Healy (3)	120,000	*
All officers and directors as a group (four persons) (4)	13,617,180	53.5
Buechel Family Ltd Partnership (5)	1,254,966	5.6
Buechel Patient Care Research & Education Fund (5)	1,254,966	5.6
Marc Malaga (6)	3,179,584	14.4

*Represents less than 1% of the outstanding shares.

- (1) Morry Rubin's beneficial ownership includes 3,992,668 shares of Common Stock and options/warrants to purchase 1,816,672 shares of Common Stock granted to him and 262,000 shares in which Morry Rubin's wife and George Rubin are co-trustees of certain family trusts. George Rubin's beneficial ownership includes 3,059,168 shares of Common Stock and 262,000 shares in which Morry Rubin's wife and George Rubin are co-trustees of certain family trusts and warrants to purchase 666,672 shares.
- (2) Of the 3,700,000 shares beneficially owned by them, 2,000,000 common are owned by Ilissa Bernstein, Brad Bernstein's wife. The remaining 1,700,000 shares represent vested options to purchase a like amount of shares of Common Stock granted to Brad Bernstein.
- (3) Includes vested options to purchase 120,000 shares of Common Stock.
- (4) Includes 9,313,836 shares of Common Stock and all options and warrants described in (1) through (3) above.
- (5) This person beneficially owns 31,812 shares of Series 1 Preferred Stock convertible into 162,241 shares of Common Stock, with the voting rights of 184,118 shares. Each beneficial owner has the right to vote at each stockholder meeting the equivalent of 1,276,840 shares of Common Stock. These beneficial owners are under common control of Frederick Buechel.
- (6) Includes 1,915,020 common shares, warrants to purchase 666,672 shares, options to purchase 250,000 shares and 347,892 shares of Common Stock issuable upon conversion of the Series 1 Preferred Stock. Mr. Malaga has the right to vote at each stockholder meeting the equivalent of 2,309,743 shares of Common Stock.

Securities Authorized for Issuance under Equity Compensation Plans.

The following summary information is as of December 31, 2013 and relates to our 2007 Plan described elsewhere herein under "Item 1" pursuant to which we have granted options to purchase our common stock:

Plan category	(a)	(b)	(c)
	Number of shares of common stock to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))
Equity Compensation Plans	3,015,000	\$ 0.85	1,185,000

Item 13. Certain Relationships and Related Transactions and Director Independence.

Due to Institutional Lender/Personal Guarantees of Messrs. M. Rubin and Bernstein

On November 8, 2011, Anchor entered into a Rediscount Credit Facility with a Commercial Bank that was effective November 30, 2011 and replaced its prior credit facility. The maximum amount that can be borrowed under the facility is \$10 million and the Bank will advance up to 80% of Anchor's advances to its clients. Anchor pays interest on advances monthly at the 90 Day Libor Rate plus 6.25% and various other monthly fees as defined in the agreement. The agreement requires that Anchor maintain at all times a ratio of debt to tangible net worth of no more than four to one (4:1). At December 31, 2012, the Company was in compliance with this covenant. The agreement 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. The agreement's anniversary date is November 30, 2013 and automatically renews each year for an additional year provided that the Company has not provided 60 days' notice to the Bank in advance of the anniversary date. The facility was renewed through November 30, 2014. This facility 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 in addition to other legal remedies, including foreclosure on collateral. The Company's President and CEO have provided validity guarantees to the Bank. Anchor owed this financial institution \$3,240,942 as of December 31, 2013.

Related Party Transactions prior to 2012

Incorporated by reference is Item 13 of the Company's Form 10-K for its fiscal year ended December 31, 2011 for a description of related party transactions which occurred prior to fiscal year 2012.

Related Party Transactions for past two fiscal years

On June 5, 2012, upon approval of the Board, Anchor entered into two Promissory Notes totaling \$400,000, one with Morry Rubin and the other with a major shareholder of the company. Each Promissory Note was for \$200,000, had a 90 day term, and earned interest (payable monthly) at 15% per annum. The Promissory Notes were to assist Anchor in providing factoring and purchase order funding facilities to some of its clients. The Promissory Notes were subordinate to and supplemented Anchor's \$10 Million Rediscount Credit Facility with a Commercial Bank. Both promissory notes were paid on September 5, 2012. Anchor paid \$15,123 of interest on these notes for the year ended December 31, 2012.

On May 25, 2012, Anchor entered into a Participation Agreement with a funding company (Participant) whereby it sold an interest in one of its accounts so that it could accommodate the accounts funding requirements and also mitigate some of Anchor's credit exposure in the account. Anchor sold a 50% interest in the account to the Participant. Provided Anchor follows a standard of care as agreed to in the Participation Agreement, any credit losses, if they occur, would be shared equally between Anchor and the Participant. The Participant's fee is paid monthly and is charged at the rate of 21% per annum of the average outstanding balance due to the Participant. The fee paid to the Participant was \$25,020 for the year ended December 31, 2012, and is included in interest expense - financial institutions. This participation terminated in 2012 and no Participant fees were incurred in 2013.

Related Party Notes

On March 19, 2014, FlexShopper entered into two promissory notes totaling \$1 million, one with Morry F. Rubin and the other with George Rubin. Each demand Promissory Note is for \$500,000 and earns interest (payable monthly) at 10% per annum. The Promissory Notes are to assist FlexShopper in purchasing merchandise for lease to support FlexShopper's growth.

On June 5, 2012, upon approval of the Board, Anchor entered into two Promissory Notes totaling \$400,000, one with Morry Rubin and the other with a major shareholder of the company. Each Promissory Note was for \$200,000, had a 90 day term, and earned interest (payable monthly) at 15% per annum. The Promissory Notes were to assist Anchor in providing factoring and purchase order funding facilities to some of its clients. The Promissory Notes were subordinate to and supplemented Anchor's \$10 Million Rediscount Credit Facility with a Commercial Bank. Both promissory notes were paid on September 5, 2012. Anchor paid \$15,123 of interest on these notes for year ended December 31, 2012.

Independent Directors

Currently the Company has no audit, compensation, corporate governance, nominating or other committee of the Board of Directors. Under the National Association of Securities Dealers Automated Quotations definition, an "independent director means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board's discretion in determining director independence is not completely unfettered. Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than \$120,000 during the current or past three fiscal years; (3) has not (or whose immediately family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of \$200,000 or 5% of that organizations consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of Anchor has served on that company's compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of Anchor's outside auditor. Currently, Paul B. Healy is deemed by management to be an independent director of the Company.

Item 14. Principal Accounting Fees and Services.

Audit Fees

During fiscal 2013, the aggregate fees billed for professional services rendered by Scott and Company LLC (the “Independent Auditors”) for the 2012 audit of the Company’s annual consolidated financial statements totaled approximately \$49,500, excluding expenses. \$49,500 was paid to Scott and Company LLC for the 2011 annual audit in 2012.

Financial Information Systems Design and Implementation Fees

During 2013 and 2012, there were \$-0- in fees billed for professional services by Scott and Company LLC, rendered in connection with, directly or indirectly, operating or supervising the operation of its information system or managing its local area network.

All Other Fees

During 2013, there were \$24,000 in fees, excluding expenses, billed for professional services rendered by Scott and Company, LLC for review of the Company’s quarterly filings with the Securities and Exchange Commission. During fiscal year 2012, there were \$24,000 in fees billed for professional services rendered by Scott and Company LLC for review of the Company’s quarterly filings with the Commission.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements

The following documents are filed under “*Item 8. Financial Statements and Supplementary Data*” and are included as part of this Form 10-K as the financial statements of the Company for the years ended December 31, 2013 and 2012:

- Report of Independent Registered Public Accounting Firms
- Consolidated Balance Sheets
- Consolidated Statements of Operations
- Consolidated Statement of Stockholders’ Equity
- Consolidated Statement of Cash Flows
- Consolidated Notes to Financial Statements

Exhibits

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

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
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)
10.22	Memorandum of Understanding - Re: Rescission Agreement*
10.23	Rescission Agreement and Exhibits Thereto (5)
10.24	Termination Agreement by and between Brookridge Funding Services LLC and MGM Funding LLC.(5)
10.25	First Amendment to Factoring Agreement (6)
10.26	Promissory Note dated April 26, 2011 between Anchor Funding Services, Inc. and MGM Funding, LLC (7)
10.27	Rediscount Facility Agreement with TAB Bank (8)
10.28	Form of Validity Warranty to TAB Bank (8)
10.29	Amendment to Employment Agreement of Morry F. Rubin (9)
21.21	Subsidiaries of Registrant listing state of incorporation (4)
31.1	Rule 13a-14(a) Certification – Principal Executive Officer *
31.2	Rule 13a-14(a) Certification – Principal Financial Officer *
32.1	Section 1350 Certification – Principal Executive Officer *
32.2	Section 1350 Certification – Principal 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 (9)
99.4	Press Release – Year End Results of Operations *
101.INS	XBRL Instance Document, XBRL Taxonomy Extension Schema *
101.SCH	Document, XBRL Taxonomy Extension *
101.CAL	Calculation Linkbase, XBRL Taxonomy Extension Definition *
101.DEF	Linkbase, XBRL Taxonomy Extension Labels *
101.LAB	Linkbase, XBRL Taxonomy Extension *
101.PRE	Presentation Linkbase *

* 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.
- (5) Incorporated by reference to the Registrant's Form 8-K filed October 12, 2010 (date of earliest event -October 6, 2010).
- (6) Incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 2010.
- (7) Incorporated by reference to the Registrant's Form 8-K filed April 28, 2011 (date of earliest event -April 26, 2011).
- (8) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended September 30, 2011.
- (9) Incorporated by reference to Registrant's Form 10-K for the fiscal year ended December 31, 2012.

(b) Financial Statement Schedules

We are not filing any financial statement schedules as part of this Form 10-K because such schedules are either not applicable or the required information is included in the financial statements or notes thereto.

SIGNATURES

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

FLEXSHOPPER, INC.

By: /s/ Brad Bernstein

Brad Bernstein, President
and Principal Financial Officer

Dated: Boca Raton, Florida
March 31, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Brad Bernstein</u> Brad Bernstein	President and Principal Financial Officer	March 31, 2014
<u>/s/ Morry F. Rubin</u> Morry F. Rubin	Principal Executive Officer Director and Co-Chairman of the Board	March 31, 2014
<u>/s/ George Rubin</u> George Rubin	Co-Chairman of the Board	March 31, 2014
<u>/s/ Paul B. Healy</u> Paul B. Healy	Director	March 31, 2014

Morry F. Rubin, Brad Bernstein, George Rubin and Paul B. Healy represent all the current members of the Board of Directors.

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Morry F. Rubin certifies that:

1. I have reviewed this annual report on Form 10-K of FlexShopper, 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 consolidated 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 consolidated 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 fourth 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 registrant's board of directors:
 - 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: March 31, 2014

/s/Morry F. Rubin

Morry F. Rubin

Principal Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Brad Bernstein certifies that:

1. I have reviewed this annual report on Form 10-K of FlexShopper, 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 consolidated 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 consolidated 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 fourth 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 registrant's board of directors:
 - 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: March 31, 2014

/s/Brad Bernstein

Brad Bernstein

Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Annual Report of FlexShopper Inc. (the "registrant") on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, Morry F. Rubin, Chief Executive Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

March 31, 2014

/s/ Morry F. Rubin

Morry F. Rubin
Principal Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Annual Report of FlexShopper, Inc. (the “registrant”) on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Brad Bernstein, Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

March 31, 2014

/s/ Brad Bernstein

Brad Bernstein
Principal Financial Officer

FLEXSHOPPER, INC.
(FORMERLY ANCHOR FUNDING SERVICES, INC.)
REPORTS ANNUAL 2013 RESULTS AND SIGNS LETTER OF INTENT TO SELL FACTORING BUSINESS

Boca Raton, FL (March 31, 2014) - FlexShopper, Inc. (OTCQB Symbol: FPAY) today announced that it incurred approximately \$655,000 of expenses in 2013 to develop its lease-to-own (LTO) technology platform, resulting in a loss of \$693,681 for the twelve months ended December 31, 2013. In addition, the Company is pleased to report that it has signed a non-binding letter of intent with a financial institution to acquire its factoring business, which, if completed, will provide the company with liquidity to expand FlexShopper's LTO business.

Brad Bernstein, President, stated, "We are pleased that in 2014 we have already launched our LTO technology across two sales channels: 1) serving as the financial and technology partner for durable goods retailers and 2) selling directly to consumers via our online LTO Marketplace featuring thousands of durable goods. Our third sales channel, a patent pending LTO payment method at check out on e-commerce sites will also launch this year. We are positioning ourselves as the only platform that can provide retailers and e-tailers that sell furniture, electronics, computers, appliances and other durable goods with three ways of increasing their sales: in the store, online and on our marketplace. We enable merchants to sell to more than 50 million consumers that don't have sufficient credit or cash to buy from them. In addition, there's no risk to the merchant because FlexShopper pays the merchant. The consumer wins also because they can ultimately shop online for what they want, where they want."

About FlexShopper

FlexShopper, LLC, a wholly owned subsidiary of FlexShopper, Inc. (FPAY) is a financial and technology company that provides the technology for retailers and e-tailers to enter into lease to own (LTO) transactions with consumers that want to obtain durable goods, but do not have sufficient cash or credit. FlexShopper also funds the LTO transactions by paying merchants for the goods and collecting from consumers under an LTO contract.

Management believes that the introduction of FlexShopper's LTO programs support broad untapped expansion opportunities within the U.S. consumer e-commerce and retail marketplaces. FlexShopper and its online LTO products will provide consumers the ability to acquire durable goods, including electronics, computers and furniture, on an affordable payment, lease basis. Concurrently, e-tailers and retailers that work with FlexShopper may substantially increase their sales by utilizing FlexShopper's online channels to connect with consumers that want to acquire products on an LTO basis.

Forward-Looking Statements

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. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the 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. 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:
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Morry F. Rubin
Co-Chairman & CEO
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Morry.Rubin@flexshopper.com

Brad Bernstein, CPA
President & CFO
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