SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

**For The Quarterly Period Ended September 30, 2010**

**Commission File Number: 0-52589**

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

| **Delaware** | **20-5456087** |
|---|---|
| (State of jurisdiction of Incorporation) | (I.R.S. Employer Identification No.) |

| **10801 Johnston Road. Suite 210**<br>**Charlotte, NC** | **28226** |
|---|---|
| (Address of Principal Executive Offices) | (Zip Code) |

**(866) 789-3863**
(Registrant's telephone number)

**Not Applicable**
(Former name, address and fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Date File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file). Yes [ ] No [ ]

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

| | | |
|---|---|---|
| Large accelerated filer [ ] | | Accelerated filer [ ] |
| Non-accelerated filer [ ] | (Do not check if a smaller reporting company) | Smaller reporting company [X] |

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

As of September 30, 2010, the Company had a total of 18,634,099 shares of Common Stock outstanding, excluding 376,441 outstanding shares of Series 1 Preferred Stock convertible into 1,882,205 shares of Common Stock.

## CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

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

**ANCHOR FUNDING SERVICES, INC.**

**Form 10-Q Quarterly Report**
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**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements

**ANCHOR FUNDING SERVICES, INC.**
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

| | (Unaudited) September 30, 2010 | December 31, 2009 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 164,300 | $ 453,880 |
| Retained interest in purchased accounts receivable, net | 8,683,555 | 5,235,875 |
| Earned but uncollected fee income | 171,670 | 114,598 |
| Prepaid expenses and other | 49,252 | 82,680 |
| Assets of discontinued operations | 1,462,450 | 1,790,512 |
| Total current assets | 10,531,227 | 7,677,545 |
| | | |
| PROPERTY AND EQUIPMENT, net | 23,707 | 31,189 |
| | | |
| NON-CURRENT ASSETS OF DISCOUNTED OPERATIONS | | |
| Goodwill | - | 410,000 |
| Intangible Asset - customer list | - | 70,000 |
| | | |
| Total non-current assets of discontinued operations | - | 480,000 |
| | | |
| SECURITY DEPOSITS | 5,486 | 5,486 |
| | | |
| | $ 10,560,420 | $ 8,194,220 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| | | |
| CURRENT LIABILITIES: | | |
| Due to financial institution | $ 6,098,923 | $ 4,296,601 |
| Accounts payable | 116,589 | 44,172 |
| Due to lender | 1,448,986 | - |
| Accrued payroll and related taxes | 75,672 | 45,780 |
| Accrued expenses | 211,901 | 306,566 |
| Collected but unearned fee income | 38,336 | 52,430 |
| Liabilities of discontinued operations | 469,918 | 764,757 |
| Total current liabilities | 8,460,325 | 5,510,306 |
| | | |
| COMMITMENTS AND CONTINGENCIES | | |
| | | |
| PREFERRED STOCK, net of issuance costs of $1,209,383 | 671,679 | 5,212,719 |
| COMMON STOCK | 1,863 | 1,409 |
| ADDITIONAL PAID IN CAPITAL | 7,477,964 | 2,916,552 |
| ACCUMULATED DEFICIT | (6,250,631) | (5,747,917) |
| NONCONTROLLING INTEREST | 199,220 | 301,151 |
| | 2,100,095 | 2,683,914 |
| | | |
| | $ 10,560,420 | $ 8,194,220 |

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

## ANCHOR FUNDING SERVICES, INC.
### CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

| | For the quarters ending September 30, | | For the nine months ending September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| FINANCE REVENUES | $ 672,184 | $ 390,555 | $ 1,773,736 | $ 1,188,035 |
| INTEREST EXPENSE - financial institution | (254,366) | (28,722) | (605,526) | (62,339) |
| INTEREST INCOME | - | - | 1,006 | - |
| NET FINANCE REVENUES | 417,818 | 361,833 | 1,169,216 | 1,125,696 |
| (PROVISION) BENEFIT FOR CREDIT LOSSES | (317) | 1,706 | 597 | (26,003) |
| FINANCE REVENUES, NET OF INTEREST EXPENSE AND CREDIT LOSSES | 417,501 | 363,539 | 1,169,813 | 1,099,693 |
| OPERATING EXPENSES | 365,929 | 760,461 | 1,236,900 | 2,170,268 |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 51,572 | (396,922) | (67,087) | (1,070,575) |
| INCOME TAXES | - | - | - | - |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | 51,572 | (396,922) | (67,087) | (1,070,575) |
| INCOME (LOSS) FROM DISCONTINUED OPERATIONS | 128,291 | - | (527,558) | - |
| NET INCOME (LOSS) | 179,863 | (396,922) | (594,645) | (1,070,575) |
| LESS: NONCONTROLLING INTEREST SHARE | 27,717 | - | (91,931) | - |
| CONTROLLING INTEREST SHARE | 152,146 | (396,922) | (502,714) | (1,070,575) |
| DEEMED DIVIDEND ON CONVERTIBLE PREFERRED STOCK | - | (93,841) | - | (354,552) |
| NET INCOME ( LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDER | $ 152,146 | $ (490,763) | $ (502,714) | $ (1,425,127) |
| BASIC EARNINGS PER COMMON SHARE: | | | | |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | $ 0.00 | $ (0.04) | $ (0.00) | $ (0.11) |
| INCOME (LOSS) FROM DISCONTINUED OPERATIONS | 0.01 | 0.00 | (0.03) | 0.00 |
| NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDER | $ 0.01 | $ (0.04) | $ (0.03) | $ (0.11) |
| DILUTED EARNINGS PER COMMON SHARE: | | | | |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | $ 0.00 | $ (0.04) | $ (0.00) | $ (0.11) |
| INCOME (LOSS) FROM DISCONTINUED OPERATIONS | 0.01 | 0.00 | (0.03) | 0.00 |
| NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDER | $ 0.01 | $ (0.04) | $ (0.03) | $ (0.11) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | | | | |
| Basic | 18,616,199 | 13,415,664 | 17,470,210 | 13,100,548 |
| Dilutive | 20,516,132 | 13,415,664 | 17,470,210 | 13,100,548 |

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

**ANCHOR FUNDING SERVICES, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**For the nine months ended September 30, 2010**

| | Preferred Stock | Common Stock | Additional Paid in Capital | Accumulated Deficit | Noncontrolling Interest | Total |
|---|---|---|---|---|---|---|
| Beginning Balance, December 31, 2009 | $ 5,212,719 | $ 1,409 | $ 2,916,552 | $ (5,747,917) | $ 301,151 | $ 2,683,914 |
| Compensation expense related to issued stock options | - | - | 20,826 | - | - | 20,826 |
| Net loss | - | - | - | (502,714) | (91,931) | (594,645) |
| Conversion of 908,208 preferred shares to 4,541,040 common shares | (4,541,040) | 454 | 4,540,586 | - | - | - |
| Distributions | - | - | - | - | (10,000) | (10,000) |
| Balance, September 30, 2010 (unaudited) | $ 671,679 | $ 1,863 | $ 7,477,964 | $ (6,250,631) | $ 199,220 | $ 2,100,095 |

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

**ANCHOR FUNDING SERVICES, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**For the nine months ended September 30,**

| | (Unaudited) 2010 | (Unaudited) 2009 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss: | $ (502,714) | $ (1,070,575) |
| Adjustments to reconcile net loss to net cash | | |
| used in operating activities: | | |
| Noncontrolling interest share | (91,931) | - |
| Depreciation and amortization | 25,145 | 21,857 |
| Compensation expense (benefit) related to issuance of stock options | 6,720 | (3,842) |
| Allowance for uncollectible accounts | - | 21,646 |
| Amortization of loan fees | - | 122,841 |
| Increase in retained interest in purchased accounts receivable | (3,447,680) | (1,121,700) |
| Increase in earned but uncollected | (57,072) | (5,898) |
| Increase in other receivable | - | (215,152) |
| Decrease in prepaid expenses and other | 33,428 | 15,819 |
| Decrease (increase) in accounts payable | 72,418 | (2,326) |
| Increase in accrued payroll and related taxes | 29,891 | 15,832 |
| (Decrease) in collected but not earned | (14,094) | (6,562) |
| Increase (decrease) in accrued expenses | (94,665) | (2,836) |
| Net cash used in operating activities - continuing operations | (4,040,554) | (2,230,896) |
| Net cash provided by operating activities - discontinued operations | 527,329 | - |
| Net cash used in operating activities | (3,513,225) | (2,230,896) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (17,663) | (11,029) |
| Net cash used in investing activities - continuing operations | (17,663) | (11,029) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from financial institution, net | 1,802,322 | 2,225,712 |
| Proceeds from lender | 1,448,986 | - |
| Net cash provided by financing activities - continuing operations | 3,251,308 | 2,225,712 |
| Net cashused by financing activities - discontinued operations | (10,000) | - |
| Net cash provided by financing activities | 3,241,308 | 2,225,712 |
| | | |
| DECREASE IN CASH | (289,580) | (16,213) |
| | | |
| CASH, beginning of period | 453,880 | 401,104 |
| | | |
| CASH, end of period | $ 164,300 | $ 384,891 |

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

**ANCHOR FUNDING SERVICES, INC.**
**Notes To Consolidated Financial Statements**
**Three and Nine Months Ended September 30, 2010 and 2009**
**(Unaudited)**

The Consolidated Balance Sheet as of September 30, 2010, the Consolidated Statements of Operations for the three and nine months ended September 30, 2010 and 2009 and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009 have been prepared by us without audit. In the opinion of Management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly in all material respects our financial position as of September 30, 2010, results of operations for the three and nine months ended September 30, 2010 and 2009 and cash flows for the nine months ended September 30, 2010 and 2009 and are not necessarily indicative of the results to be expected for the full year.

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

## 1. BACKGROUND AND DESCRIPTION OF BUSINESS:

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

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

The consolidated financial statements include the accounts of Anchor Funding Services, Inc. (formerly BTHC XI, Inc.) its wholly owned subsidiary, Anchor Funding Services, LLC ("Anchor") and its 80% owned subsidiary Brookridge Funding Services, LLC ("Brookridge", collectively, "the Company"). In April of 2007, BTHC XI, Inc. changed its name to Anchor Funding Services, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

On December 7, 2009, Brookridge Funding Services, LLC, the Company's 80% owned subsidiary, acquired certain assets and accounts of Brookridge Funding, LLC. Brookridge Funding Services, LLC is a North Carolina limited liability company with operations in Danbury, Connecticut. Brookridge Funding Services, LLC provides factoring and purchase order funding to businesses located throughout the United States of America. On October 6, 2010, Anchor Funding Services, Inc. entered into a Rescission Agreement with the Minority Members, namely, John A. McNiff, III and Michael P. Hilton (collectively the "Buyers") of Brookridge Funding Services, LLC ("Brookridge"). The purpose of this Agreement was to rescind the Company's acquisition of certain assets of Brookridge Funding, LLC. Under the terms of the Agreement, the Buyers of Brookridge purc hased Anchor's interest in Brookridge at book value of approximately $783,000. Our Brookridge operations have been reclassified as discontinued operations in our unaudited Consolidated Financial Statements for the three month and nine month periods ended September 30, 2010 and as of December 31, 2009. Unless stated otherwise, any reference to income statement items in these financial statements refers to results from continuing operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Anchor Funding Services, Inc., its wholly owned subsidiary, Anchor Funding Services, LLC and its 80% owned subsidiary Brookridge Funding Services, LLC as of September 30, 2010. The consolidated statements of operations for the three months and nine months ended September 30, 2010 include the results of Brookridge Funding Services, LLC, (discontinued operations) and Anchor Funding Services, LLC. (continuing operations).

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

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

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

2) **Variable Transaction Fee.** Variable transaction fees are variable based on the length of time the purchased invoice and purchase order advance is outstanding. As specified in its contract with the client, the Company charges variable increasing percentages of the purchased invoice or purchase order advance as time elapses from the purchase date to the collection date.

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

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

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

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

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

**Retained Interest in Purchased Accounts Receivable –** Retained interest in purchased accounts receivable represents the gross amount of invoices purchased and advances on purchase orders from clients less amounts maintained in a reserve account. For factoring transactions, the Company purchases a customer's accounts receivable and advances them a percentage of the invoice total. The difference between the purchase price and amount advanced is maintained in a reserve account. The reserve account is used to offset any potential losses the Company may have related to the purchased accounts receivable. For purchase order transactions, the company advances and pays for up to 100% of the product's cost.

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

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

Management considered approximately $57,000 of their September 30, 2010 and December 31, 2009 retained interest in purchased accounts receivable to be uncollectible. In April 2010, the Company's 80% owned subsidiary, Brookridge, incurred a credit loss of approximately $650,000 due to what appears to be a fraud committed by a Brookridge client (See Note 16, below). The Company has recouped a total of $177,000 of the $650,000 of credit losses. This recovery is reflected in the financial statements under discontinued operations.

Management believes the fair value of the retained interest in purchased accounts receivable approximates its recorded value because of the relatively short term nature of the purchased receivable and the fact that the majority of these invoices have been subsequently collected. As of September 30, 2010, accounts receivable purchased over 90 days old and still accruing fees totaled approximately 1,095,847. Approximately, 738,472 of this amount was related to a certain client that seasonally receives payments from its customers from October through January each year.

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

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

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

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

**Advertising Costs –** The Company charges advertising costs to expense as incurred. Total advertising costs were approximately $52,000 and $83,000 for the quarters ended September 30, 2010 and 2009, respectively, and $194,000 and $256,000 for the nine months ended September 30, 2010 and 2009, respectively.

**Earnings per Share –** Basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Dilutive earnings per share include the potential impact of dilutive securities, such as convertible preferred stock, stock options and stock warrants. The dilutive effect of stock options and warrants is computed using the treasury stock method, which assumes the repurchase of common shares at the average market price.

Under the treasury stock method, options and warrants will have dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants. For the quarter ending September 30, 2010 and 2009, the average price of common stock was less than the exercise price of the options and warrants.

Also when there is a year-to-date loss from continuing operations, potential common shares should not be included in the computation of diluted earnings per share, since they would have an anti-dilutive effect. For the quarterending September 30, 2009 and nine months ending September 30, 2010 and 2009, there was a loss from continuing operations.

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

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

See Note 9 for the impact on the operating results for the quarters and nine months ended September 30, 2010 and 2009.

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

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

**Income Taxes –**The Company is a "C" corporation for income tax purposes. In a "C" corporation income taxes are provided for the tax effects of transactions reported in the financial statements plus deferred income taxes related to the differences between financial statement and taxable income.

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

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

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

In July 2006, FASB issued guidance for accounting for uncertainty in income tax positions which clarifies the accounting for uncertain tax positions. This guidance requires that the Company recognize in its consolidated financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

The Company applied this guidance to all its tax positions, including tax positions taken and those expected to be taken, under the transition provision of the interpretation.

For the three and nine months ended September 30, 2010 and 2009, the Company recognized no liability for uncertain tax positions.

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

**Recent Accounting Pronouncements –**

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

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

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

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

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

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

In December 2007, the FASB issued guidance impacting ASC 805, “Business Combinations” (formerly SFAS No. 141R). ASC 805 modifies the accounting for business combinations and requires, with limited exceptions, the acquiring entity in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date fair value. In addition, ASC 805 limits the recognition of acquisition-related restructuring liabilities and requires the following: the expense of acquisition-related and restructuring costs and the acquirer to record contingent consideration measured at the acquisition date at fair value. ASC 805 is effective for new acquisitions consummated on or after January 1, 2009. Early adoption is not permitted. The Company is currently evaluating the effect of this standard.

In December 2007, the FASB issued guidance impacting ASC 810, Consolidation, which requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements, but separate from the equity of the parent company. The statement further requires that consolidated net income be reported at amounts attributable to the parent and the noncontrolling interest, rather than expensing the income attributable to the minority interest holder. This statement also requires that companies provide sufficient disclosures to clearly identify and distinguish between the interests of the parent company and the interests of the noncontrolling owners, including a disclosure on the face of the consolidated statements for income attributable to the noncontrolling interest holder. Th is new guidance in ASC 810 was effective for the fiscal years beginning on or after December 15, 2008. The adoption of ASC 810 will change the presentation of noncontrolling interest, but is not expected to have a material impact on the Company’s financial condition and results of operations.

**3. RETAINED INTEREST IN PURCHASED ACCOUNTS RECEIVABLE:**

Retained interest in purchased accounts receivable consists of the following:

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Purchased accounts receivable outstanding | $ 10,563,389 | $ 6,264,232 |
| Purchase order advances | 39,080 | $ - |
| Reserve account | (1,862,196) | (971,255) |
| Allowance for uncollectible invoices | (56,718) | (57,102) |
| | $ 8,683,555 | $ 5,235,875 |

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

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Staffing | $ 518,630 | 716,462 |
| Transportation | 2,076,443 | 1,672,746 |
| Construction | 5,218 | 5,884 |
| Service | 3,342,071 | 2,681,110 |
| Publishing | 2,163,347 | - |
| Other | 634,564 | 221,775 |
| | $ 8,740,273 | $ 5,297,977 |

Total purchased invoices were as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Purchased invoices | $ 25,698,384 | $ 16,350,000 | $ 81,847,501 | $ 40,846,200 |

**4. PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following:

| | Estimated Useful Lives | September 30, 2010 | December 31, 2009 |
|---|---|---|---|
| Furniture and fixtures | 2-5 years | $ 44,731 | $ 44,731 |
| Computers and software | 3-7 years | 153,555 | 135,891 |
| | | 198,286 | 180,622 |
| Less: accumulated depreciation | | (174,579) | (149,433) |
| | | | |
| | | $ 23,707 | $ 31,189 |

Depreciation expense was $4,724 and $8,553 for the quarters ended September 30, 2010 and 2009, respectively, and $25,145 and $33,498 for the nine months ended September 30, 2010 and 2009, respectively.

**5. GOODWILL AND INTANGIBLE ASSETS**

During the third quarter of 2010, the Company determined that its goodwill was impaired as a result of the sale of its equity interest in Brookridge on October 6, 2010. As of September 30, 2010, the Company wrote-off goodwill of $410,000 along with intangible assets (Brookridge customer relationships) of $49,000 against the contingent note payable of $465,878. As a result of the subsequent sale of Anchor's interest in Brookridge, the contingent note was no longer payable. The difference of $6,878 was charged to discontinued operations.

## 6. DUE TO FINANCIAL INSTITUTION:

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

The agreement, among other things requires the Company to maintain certain financial ratios. As of September 30, 2010, the Company was in compliance with, or obtained waivers for, all provisions of this agreement.

The agreement 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 Company did not provide notice and the agreement will expire November 30, 2011.

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

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

**Common Stock –** The Company is authorized to issue 65,000,000 shares of $.0001 par value Common Stock. Each share of Common Stock entitles the holder to one vote at all stockholder meetings. Dividends on Common Stock will be determined annually by the Company’s Board of Directors.

The shares issued in Series 1 Convertible Preferred Stock and Common Stock as of September 30, 2010 and December 31, 2009 is summarized as follows:

| | Series 1 Convertible Preferred Stock | Common Stock |
|---|---|---|
| Balance, December 31, 2009 | $ 1,284,633 | $ 14,092,967 |
| Preferred Stock Conversions | (436,829) | - |
| Common Stock Issuances | - | 2,184,235 |
| Balance March 31, 2010 | 847,804 | 16,277,202 |
| | | |
| Preferred Stock Conversions | (465,918) | - |
| Common Stock Issuances | - | 2,329,592 |
| Balance June 30, 2010 | 381,886 | 18,606,794 |
| | | |
| Preferred Stock Conversions | (5,461) | - |
| Common Stock Issuances | - | 27,305 |
| | | |
| Balance September 30, 2010 | $ 376,425 | $ 18,634,099 |

## 8. RELATED PARTY TRANSACTION:

On December 7, 2009, Brookridge Funding Services, LLC, the Company's 80% owned subsidiary, acquired certain assets and accounts of Brookridge Funding, LLC. In connection with the closing, Brookridge entered into a credit agreement (the "Credit Agreement") with MGM Funding, LLC ("MGM"), a limited liability company owned and controlled by the Company's Co-Chairmen, Morry F. Rubin and George Rubin, and an investor ("Lender"), pursuant to which Lender will provide a $3.7 million senior credit facility to Brookridge. Morry F. Rubin is the managing member of MGM. Loans under the Credit Agreement are secured by all of Brookridge's assets and bear interest at a 20% annual rate. The Credit Agreement contains standard representations, covenants and events of default for facilities of this type. Occurrence of an event of default allows the Lender to accelerate the payment of the loans and/or terminate the commitments to lend, in addition to other legal remedies, including foreclosing on collateral. At September 30, 2010, Brookridge was owed $242,016 from the Lender due to collections that were swept from Brookridge's lockbox to the Lender. This amount was subsequently paid by the Lender to Brookridge. See "Subsequent Events."

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

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

On March 23, 2010, the Board of Directors approved and Anchor entered into a Promissory Note for up to $2 million from MGM Funding, LLC. Morry F. Rubin is the managing member of MGM. The money to be borrowed under the note is subordinate to Anchor's accounts receivable credit facility. The Promissory Note is to assist Anchor in funding up to 50% of the funds employed for a specific client that Anchor's senior lender will only fund up to 50% of the funds employed. The senior lender's limitation is based on the size of the client's credit facility. The MGM Promissory Note is a demand note. In addition, when Anchor typically has significant invoice purchase requests from clients, MGM periodically makes short-term loans to Anchor Funding Services, Inc. which then advances the funds to Anchor Funding Servi ces, LLC. Anchor does not receive same day availability of funds from its senior lender for its daily client invoice purchases requiring it to use its own capital and MGM to meet client demand. These loans are payable on demand and bear interest at 20% per annum. At September 30, 2010, Anchor owed $1,448,986 to MGM.

**9. EMPLOYMENT AND STOCK OPTION AGREEMENTS:**

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

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

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

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

An annual salary of $1 until, the first day of the first month following such time as the Company, shall have, within any period beginning on January 1 and ending not more than 12 months thereafter, earned pre-tax net income exceeding $1,000,000, M. Rubin's base salary shall be adjusted to an amount, to be mutually agreed upon between M. Rubin and the Company, reflecting the fair value of the services provided, and to be provided, by M. Rubin taking into account (i) his position, responsibilities and performance, (ii) the Company's industry, size and performance, and (iii) other relevant factors. M. Rubin is eligible to receive annual bonuses as determined by the Company's compensation committee. M. Rubin shall be entitled to a monthly automobile allowance of $1,500.

10-year options to purchase 650,000 shares exercisable at $1.25 per share, pursuant to the Company's 2007 Omnibus Equity Compensation Plan. Vesting of the fair value of the options was one-third immediately, one-third on February 29, 2008 and one-third on February 28, 2009.

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

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

An annual salary of $205,000 during the first year, $220,000 during the second year and $240,000 during the third year and any additional year of employment. The Board may periodically review B. Bernstein's base salary and may determine to increase (but not decrease) the base salary in accordance with such policies as the Company may hereafter adopt from time to time. B. Bernstein is eligible to receive annual bonuses as determined by the Company's compensation committee. B. Bernstein shall be entitled to a monthly automobile allowance of $1,000.

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

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

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

- A salary of $120,000 per year.

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

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

- 10-year options to purchase 280,000 shares exercisable at $1.25 per share, pursuant to the Company's 2007 Omnibus Equity Compensation Plan. Vesting of the fair value of the options is one-third immediately, one-third one year from the grant date and the remainder 2 years from grant date. If any director ceases serving the Company for any reason, all unvested options shall terminate immediately and all vested options must be exercised within 90 days after the director ceases serving as a director.

The following summarizes employee stock option agreements entered into with five employees:

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

The following table summarizes information about stock options as of September 30, 2010:

| Exercise Price | Number Outstanding | Remaining Contractual Life | Number Exercisable |
|---|---|---|---|
| $ 1.25 | 1,886,500 | 7 years | 1,885,250 |
| $ 1.00 | 305,000 | 9-10 years | 20,000 |
| $ 0.62 | 500,000 | 9 years | 500,000 |
| | 2,691,500 | | 2,405,250 |

The Company recorded the issuance of these options in accordance with ASC 718. The following information was input into a Black Scholes option pricing model.

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

The pre-tax fair value effect recorded for these options in the statement of operations for the quarters ending September 30, 2010 and 2009 was as follows:

| | 2010 | 2009 |
|---|---|---|
| Fully vested stock options | $ - | $ 1,982 |
| Unvested portion of stock options | 6,810 | 625 |
| | 6,810 | 2,607 |
| Benefit for expired stock options | | (8,424) |
| (Benefit) provision, net | $ 6,810 | $ (5,817) |

**10. WARRANTS**

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

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

The following table summarizes information about stock warrants as of September 30, 2010:

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

**11. CONCENTRATIONS:**

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

| Industry | For the three months ending September 30, | | For the nine months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Staffing | $ 40,442 | $ 55,597 | $ 142,133 | $ 191,718 |
| Transportation | 182,196 | 147,876 | 506,435 | 465,738 |
| Service | 231,781 | 173,493 | 781,784 | 480,935 |
| Other | 34,101 | 13,589 | 64,099 | 49,644 |
| Publishing | 183,664 | | 279,285 | - |
| | $ 672,184 | $ 390,555 | $ 1,773,736 | $ 1,188,035 |

**Major Customers –** The Company had one customer for the quarter ending September 30, 2010 and one customer for the quarter ending September 30, 2009 which represented 10% or more of its revenues as follows:

| | Client #1 |
|---|---|
| Three Months Ended September 30, 2010 | |
| Revenues | $ 182,846 |
| As of September 30, 2010 | |
| Purchased accounts receivable outstanding | $ 2,545,351 |

| | Client #1 |
|---|---|
| Three Months Ended September 30, 2009 | |
| Revenues | $ 124,242 |
| As of September 30, 2009 | |
| Purchased accounts receivable outstanding | $ 818,895 |

The Company had one customer for the nine months ending September 30, 2010 and **no** customer for the nine months ending September 30, 2009 which represented 10% or more of its revenues as follows:

| | Client #1 |
|---|---|
| Nine Months Ended September 30, 2010 | |
| Revenues | $ 274,608 |
| As of September 30, 2010 | |
| Purchased accounts receivable outstanding | $ 2,545,351 |

**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 for substantially all depository accounts and provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. During the quarter and nine months ended September 30, 2010, the Company from time to time may have had amounts on deposit in excess of the insured limits. As of September 30, 2010, the Company had no amounts on deposit which exceed these insured amounts.

**12. SUPPLEMENTAL DISCLOSURES OF CASH FLOW:**

Cash paid for interest was $548,938 and $62,300 for the nine months ended September 30, 2010 and 2009, respectively.

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

For the nine months ending September 30, 2010

Exchange of 908,208 preferred shares for 4,541,040 common shares.

For the nine months ending September 30, 2009

None.

**13. INCOME TAXES:**

As of December 31, 2009, the Company had approximately $3.9 million of Federal and State net operating loss carryforwards (“NOL”) for income tax purposes. The NOL’s expire in various years from 2021 through 2024. The Company’s use of operating loss carryforwards is subject to limitations imposed by the Internal Revenue Code. Management believes that the deferred tax assets as of September 30, 2010 do not satisfy the realization criteria and has recorded a valuation allowance for the entire net tax asset. By recording a valuation allowance for the entire amount of future tax benefits, the Company has not recognized a deferred tax benefit for income taxes in its statements of operations.

**14. FACILITY LEASES:**

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

The Charlotte lease is effective on August 15, 2007, is for a twenty-four month term and includes an option to renew for an additional three year term at substantially the same terms. On November 1, 2007, the Company entered into a lease for additional space adjoining its Charlotte office. In May 2010, the Company extended these leases through May 30, 2011. The monthly rent for the combined space is approximately $2,340.

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

In connection with Brookridge’s acquisition of a purchase order finance company, Brookridge assumed the seller’s lease for office space in Danbury, CT. The lease is for a monthly rental of $3,585 and expires on September 30, 2014. The rental expense for this lease is included in discontinued operations. See "Subsequent Events."

The rental expense for the quarters ended September 30, 2010 and 2009 was approximately $11,500 and $35,000 respectively.

The rental expense for the nine months ended September 30, 2010 and 2009 was approximately $34,500 and $105,000, respectively.

**15. ACQUSITION AND DISCONTINUED OPERATIONS:**

On December 4, 2009, the Company entered into an Asset Purchase Agreement (the “Asset Purchase Agreement”) with Brookridge Funding, LLC (“Seller”) providing for the acquisition of certain assets and accounts of Seller’s purchase order finance business (the “Acquired Business”). The closing of the acquisition took place on December 7, 2009. In connection with the transaction, the Company and Seller’s principals invested $1.5 million in Brookridge Funding Services, LLC, the Company’s newly formed 80% owned subsidiary which operates the Acquired Business. The purchase price for the Acquired Business was $2,389,824 million representing the fair market value of the Acquired Business’s purchased accounts receivable and purchase order advances. & #160;See "Subsequent Events."

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

For five years, the Sellers are to receive 20% of Brookridge’s net operating income, paid quarterly, up to a total of $800,000. Based on discounted cash flow and net present value analyses, the Company recorded $480,000 of Goodwill and Intangibles and a corresponding liability in connection with contingent payments due to the Sellers.. During the third quarter of 2010, the Company determined that its goodwill was impaired as a result of the sale of its equity interest in Brookridge on October 6, 2010. As of September 30, 2010, the Company wrote-off goodwill of $410,000 along with intangible assets (Brookridge customer relationships) of $49,000 against the contingent note payable of $465,878. As a result of the subsequent sale of Anchor’s interest in Brookridge, the contingent note was no longer payable. T he difference of $6,878 was charged to discontinued operations. See "Subsequent Events."

On October 6, 2010, Anchor Funding Services, Inc. entered into a Rescission Agreement with the Minority Members, namely, John A. McNiff, III and Michael P. Hilton (collectively the "Buyers") of Brookridge Funding Services, LLC ("Brookridge"). Our Brookridge operations have been reclassified as discontinued operations in our unaudited Consolidated Financial Statements for the three month and nine month periods ended September 30, 2010 and as of December 31, 2009. The following is a summary of the operating results of our discontinued operations:

| | Three Months Ended September 30, 2010 | Nine Months Ended September 30, 2010 |
|---|---|---|
| Net finance revenues | $ 117,263 | $ 478,432 |
| Net income (loss) | $ 128,291 | $ (527,558) |

The following is a summary of Brookridge’s assets and liabilities as of September 30, 2010 and December 31, 2009:

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Assets | | |
| Current assets | $ 1,460,625 | $ 1,790,512 |
| Property and equipment, net | 1,825 | - |
| Assets of discontinued operations | $ 1,462,450 | $ 1,790,512 |
| Non-current assets of discounted operatins | $ - | $ 480,000 |
| | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 11,354 | $ 11,017 |
| Contingent note payable | - | 480,000 |
| Other liabilities | 458,564 | 273,740 |
| Liabilities of discontinued operations | $ 469,918 | $ 764,757 |

The statements of operations for the three and nine months ended September 30, 2010, were adjusted to reflect Brookridge as discounted operations. The results of these discontinued operations include expenses that were paid by Anchor on behalf of Brookridge based on actual direct costs incurred.

**16. BROOKRIDGE CREDIT LOSS:**

In April 2010, the Company’s 80% owned subsidiary, Brookridge, incurred a credit loss of approximately $650,000 due to what appears to be a fraud committed by a Brookridge client. Anchor’s interest in this loss is 80% or approximately $520,000. Brookridge financed inventory purchased by this client who sold the inventory for the benefit of another company not funded by Brookridge resulting in the loss of Brookridge’s collateral rights in the inventory. As a result, Brookridge recorded a charge of $650,000 for credit losses in April, 2010. Brookridge is pursuing all collection remedies available to it under its purchase order and factoring agreements, including enforcement of its rights under a personal guaranty by the client’s principal. The Company has filed a lawsuit against the principal’s estate i n Connecticut asking for compensatory damages in the minimum amount of $485,000 plus interest, costs of collection and post-default damages. As of September 30, 2010, Brookridge has recovered $177,000 of such credit loss. See "Subsequent Events."

**17. SUBSEQUENT EVENTS:**

On October 6, 2010, Anchor Funding Services, Inc. (the "Company") entered into a Rescission Agreement (the "Agreement") with the Minority Members, namely, John A. McNiff, III and Michael P. Hilton (collectively the "Buyers") of its 80% owned subsidiary, Brookridge Funding Services, LLC ("Brookridge"). The purpose of this Agreement is to rescind the Company's acquisition of certain assets of Brookridge Funding, LLC pursuant to an Asset Purchase Agreement dated December 4, 2009.

Under the terms of the Agreement, the Buyers of Brookridge have purchased Anchor's interest in Brookridge at book value of approximately $783,000.

At closing, the Company delivered an Assignment of its Membership Interests of Brookridge to the Buyers. The Company executed a Confidentiality Agreement agreeing to keep confidential and not to use certain information concerning Brookridge. The Buyers executed the Confidentiality Agreement agreeing to keep confidential certain information concerning the Company and the parties executed a Mutual Release Agreement. The Termination Agreement provides that the Company during a Restricted Period of two years may not directly or indirectly call upon, contact, solicit, divulge, encourage or appropriate or attempt to call upon, contact, solicit, diverge, encourage or approach any customer or interfere with the business relationship between customer and Brookridge. The Company is not prohibited from competing with Brookridge or engaging in the business conducted by Brookridge.

Separately from the Rescission Agreement, Brookridge and MGM Funding LLC, a company controlled by our Chief Executive Officer and a director, Morry F. Rubin, by our director, George Rubin, and by a principal stockholder of the Company, agreed to terminate their Credit Agreement. At closing, no monies were owed by Brookridge to MGM.

Effective as of immediately prior to the Closing and in consideration for the sale of the Purchased Interest, Buyers and Brookridge agree to assign their rights and interest in the following assets to the Company:

(a) Brookridge's current website (not including any rights or interest with respect to the Brookridge name, web address or domain name); and (b) the Sherburne Account (See Note 16 "Brookridge Credit Loss").

The Agreement provides that the Company shall control collection and recovery efforts under the Sherburne Account and shall keep Buyers reasonably informed concerning substantive developments pertaining thereto. The Buyers and the Company in connection with such collection and recovery efforts shall share all out-of-pocket costs and expenses, as well as all collections, in the proportion of eighty percent (80%) by the Company and ten percent (10%) by each Buyer. The Company shall pay to Buyers their share of any collections promptly after receipt of same and shall, from time to time, provide each Buyer with copies of any and all invoices related to the shared costs and expenses, proof of payment therefor and invoice for such expenses as they are incurred, which such invoices shall be payable by each Buyer within twenty (20) days after delivery. In the event Buyers shall fail to make any payment due in accordance with the foregoing within ten (10) days after receiving notice concerning a failure to pay any such invoice, they shall forfeit any and all rights to share in collections.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing at the end of our Form 10-K for the fiscal year ended December 31, 2009. Some of the information contained in this discussion and analysis or set forth elsewhere in this form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of our Form 10-K for the fiscal year ended December 31, 2009 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should also review our Form 8-K filed October 12, 2010 (date of earliest event - October 6, 2010) regarding a Rescission Agreement pertaining to our December 2009 acquisition of Brookridge.

Executive Overview

Our business objective is to create a well-recognized, national financial services firm for small businesses providing accounts receivable funding (factoring), outsourcing of accounts receivable management including collections and the risk of customer default and other specialty finance products including, but not limited to purchase order funding and government contract funding. For certain service businesses, Anchor also provides back office support including payroll, payroll tax compliance and invoice processing services. We provide our services to clients nationwide and may expand our services internationally in the future. We plan to achieve our growth objectives as described below through a combination of strategic and add-on acquisitions of other factoring and related specialty finance firms that serve small businesses in the United States and Canada and internal growth through mass media marketing initiatives. Our principal operations for Anchor are located in Charlotte, North Carolina. We maintain an executive office in Boca Raton, Florida which includes the Company's sales and marketing functions.

Summary of Critical Accounting Policies

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

**Summary of Critical Accounting Policies and Estimates**

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Anchor Funding Services, Inc., its wholly owned subsidiary, Anchor Funding Services, LLC and its then 80% owned subsidiary Brookridge Funding Services, LLC as of September 30, 2010. The consolidated statement of operations for the three months and nine months ended September 30, 2010 includes the results of Brookridge Funding Services, LLC (discontinued operations), and Anchor Funding Services, LLC (continuing operations). On October 6, 2010, the Company sold its interest in Brookridge at book value; hence, Brookridge operations have been reclassified as discontinued operations in our unaudited Consolidated Financial Statements for the three month and nine month periods ended September 30, 2010 and as of December 31, 2009. Unless stated otherwise, any reference to income statement items in these financial statements refers to results from continuing operations.

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

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

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

2) **Variable Transaction Fee.** Variable transaction fees are variable based on the length of time the purchased invoice and purchase order advance is outstanding. As specified in its contract with the client, the Company charges variable increasing percentages of the purchased invoice or purchase order advance as time elapses from the purchase date to the collection date.

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

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

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

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

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

**Retained Interest in Purchased Accounts Receivable –** Retained interest in purchased accounts receivable represents the gross amount of invoices purchased and advances on purchase orders from clients less amounts maintained in a reserve account. For factoring transactions, the Company purchases a customer's accounts receivable and advances them a percentage of the invoice total. The difference between the purchase price and amount advanced is maintained in a reserve account. The reserve account is used to offset any potential losses the Company may have related to the purchased accounts receivable. For purchase order transactions the company advances and pays for 100% of the product's cost.

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

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

Management considered approximately $57,000 of its September 30, 2010 and December 31, 2009 retained interest in purchased accounts receivable to be uncollectible (See Note 16, above).

Management believes the fair value of the retained interest in purchased accounts receivable approximates its recorded value because of the relatively short term nature of the purchased receivable and the fact that the majority of these invoices have been subsequently collected. As of September 30, 2010, accounts receivable purchased over 90 days old and still accruing fees totaled approximately $1,095,847. Approximately 738,472 of this amount was related to a certain client that seasonally receives payments from its customers from October through January each year .

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

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

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

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

**Advertising Costs –** The Company charges advertising costs to expense as incurred. Total advertising costs were approximately $55,000 and $83,000 for the quarters ended September 30, 2010 and 2009, respectively. The Company charges advertising costs to expense as incurred. Total advertising costs were approximately $194,000 and $256,000 for the nine months ended September 30, 2010 and 2009, respectively.

**Earnings per Share –** Basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Dilutive earnings per share include the potential impact of dilutive securities, such as convertible preferred stock, stock options and stock warrants. The dilutive effect of stock options and warrants is computed using the treasury stock method, which assumes the repurchase of common shares at the average market price.

Under the treasury stock method, options and warrants will have dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants. For the quarters ending September 30, 2010 and 2009, the average price of common stock was less than the exercise price of the options and warrants. For the nine months ending September 30, 2010 and 2009, the average price of common stock was less than the exercise price of the options and warrants.

Also when there is a year-to-date loss from continuing operations, potential common shares should not be included in the computation of diluted earnings per share, since they would have an anti-dilutive effect. For the quarter ending September 30, 2009, there was a loss from continuing operations. For the nine months ending September 30, 2010 and 2009, there was a year-to-date loss from continuing operations.

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

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

See Note 10 for the impact on the operating results for the quarters and nine months ended September 30, 2010 and 2009.

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

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

**Income Taxes –**The Company is a "C" corporation for income tax purposes. In a "C" corporation income taxes are provided for the tax effects of transactions reported in the financial statements plus deferred income taxes related to the differences between financial statement and taxable income.

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

·Compensation costs related to the issuance of stock options
·Use of the reserve method of accounting for bad debts

·Differences in bases of property and equipment between financial and income tax reporting
·Net operating loss carryforwards.

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

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

In July 2006, FASB issued guidance for accounting for uncertainty in income tax positions which clarifies the accounting for uncertain tax positions. This FASB requires that the Company recognize in its consolidated financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

The Company applied this guidance to all its tax positions, including tax positions taken and those expected to be taken, under the transition provision of the interpretation.

For the quarters and nine months ended September 30, 2010 and 2009, the Company recognized no liability for uncertain tax positions.

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

**Recent Developments**

On October 6, 2010, Anchor Funding Services, Inc. (the "Company") entered into a Rescission Agreement (the "Agreement") with the Minority Members, namely, John A. McNiff, III and Michael P. Hilton (collectively the "Buyers") of its 80% owned subsidiary, Brookridge Funding Services, LLC ("Brookridge"). The purpose of this Agreement is to rescind the Company's acquisition of certain assets of Brookridge Funding, LLC pursuant to an Asset Purchase Agreement dated December 4, 2009.

Under the terms of the Agreement, the Buyers of Brookridge have purchased Anchor's interest in Brookridge at book value of approximately $783,000.

At closing, the Company delivered an Assignment of its Membership Interests of Brookridge to the Buyers The Company executed a Confidentiality Agreement agreeing to keep confidential and not to use certain information concerning Brookridge. The Buyers executed the Confidentiality Agreement agreeing to keep confidential certain information concerning the Company and the parties executed a Mutual Release Agreement. The Termination Agreement provides that the Company during a Restricted Period of two years may not directly or indirectly call upon, contact, solicit, divulge, encourage or appropriate or attempt to call upon, contact, solicit, diverge, encourage or approach any customer or interfere with the business relationship between customer and Brookridge. The Company is not prohibited from competing with Brookridge or engaging in the business conducted by Brookridge.

Separately from the Rescission Agreement, Brookridge and MGM Funding LLC, a company controlled by our Chief Executive Officer and a director, Morry F. Rubin, by our director, George Rubin, and by a principal stockholder of the Company, agreed to terminate their Credit Agreement. At closing, no monies were owed by Brookridge to MGM.

Effective as of immediately prior to the Closing and in consideration for the sale of the Purchased Interest, Buyers and Brookridge agreed to assign their rights and interest in the following assets to the Company:

(a) Brookridge's current website (not including any rights or interest with respect to the Brookridge name, web address or domain name); and
(b) the Sherburne Account (See Note 16 "Brookridge Credit Loss").

The Agreement provides that the Company shall control collection and recovery efforts under the Sherburne Account and shall keep Buyers reasonably informed concerning substantive developments pertaining thereto. The Buyers and the Company in connection with such collection and recovery efforts shall share all out-of-pocket costs and expenses, as well as all collections, in the proportion of eighty percent (80%) by the Company and ten percent (10%) by each Buyer. The Company shall pay to Buyers their share of any collections promptly after receipt of same and shall, from time to time, provide each Buyer with copies of any and all invoices related to the shared costs and expenses, proof of payment therefor and invoice for such expenses as they are incurred, which such invoices shall be payable by each Buyer within twenty (20) days after delivery. In the event Buyers shall fail to make any payment due in accordance with the foregoing within ten (10) days after receiving notice concerning a failure to pay any such invoice, they shall forfeit any and all rights to share in collections.

In April 2010, Brookridge incurred a credit loss of approximately $650,000 due to what appears to be a fraud committed by a Brookridge client (hereinafter referred to as a "Sherburne Account" client). Anchor's interest in this loss is 80% or approximately $520,000. Brookridge financed inventory purchased by this client who sold the inventory for the benefit of another company not funded by Brookridge resulting in the loss of Brookridge's collateral rights in the inventory. As a result, Brookridge recorded a charge of $650,000 for credit losses in April, 2010. Brookridge is currently pursuing all collection remedies available to it under its purchase order and factoring agreements. The Agreement provides for 80% of any recovery of the credit loss to benefit the Company and the remaining 20% to benefit the Minority Members, ( also herein referred to as the Buyers). As of September 30, 2010, the Company has recouped a total of $177,000 of the $650,000 of credit losses.

**Results of Operations**

Three Months Ended September 30, 2010 vs. Three Months Ended September 30, 2009

Finance revenues from continuing operations increased 72.1% for the three months ended September 30, 2010 to $672,184 compared to $390,555 for the comparable period of the prior year. The change in revenue was primarily due to an increase in business from existing clients and an increase in the number of clients. As of September 30, 2010, the Company had 108 active clients compared to 103 active clients as of September 30, 2009.

The Company had interest expense from continuing operations of $254,366 for the three months ended September 30, 2010 compared to interest expense of $28,722 for the three months ended September 30, 2009. This change is primarily the result of the Company's using its cash and borrowing on its line of credit to fund its purchasing of clients' accounts receivable.

The Company had a provision for credit losses from continuing operations of $317 for the three months ended September 30, 2010 compared to a benefit for credit losses for the three months ended September 30, 2009 of $1,706.

Operating expenses from continuing operations for three months ended September 30, 2010 were $365,929 compared to $760,461 for the three months ended September 30, 2009, a 51.9% decrease. This decrease is primarily attributable to the Company's implementing certain cost reducing initiatives in 2009, including reducing personnel, eliminating certain advertising and buying out of its Boca Raton lease.

Key changes in certain selling, general and administrative expenses:

| | Three Months Ended September 30, 2010 | 2009 | $ Change | Explanation |
|---|---|---|---|---|
| Payroll, payroll taxes and benefits | $ 188,227 | $ 308,649 | $ (120,422) | Reduction in personnel |
| Rent | 11,525 | 35,045 | (23,520) | Buy-out of Boca Raton lease |
| Advertising | 54,830 | 84,368 | (29,538) | Decrease in advertising budget |
| Legal | - | 43,053 | (43,053) | Decrease in legal expense |
| | $ 254,582 | $ 471,115 | $ (216,533) | |

The combination of reduced operating expenses and increased finance revenues resulted in net income from continuing operations for the three months ended September 30, 2010 of $51,572 compared to a net loss of $(396,922) for the three months ended September 30, 2009.

The following table compares the operating results for the three months ended September 30, 2010 and September 30, 2009:

| | Three Months Ended September 30, 2010 | 2009 | $ Change | % Change |
|---|---|---|---|---|
| Finance revenues | $ 672,184 | $ 390,555 | $ 281,629 | 72.1 |
| Interest income (expense), net and commissions | (254,366) | (28,722) | (225,644) | 785.6 |
| Net finance revenues | 417,818 | 361,833 | 55,985 | 15.5 |
| (Provision) Benefit for credit losses | (317) | 1,706 | (2,023) | - |
| Finance revenues, net of interest expense and credit losses | 417,501 | 363,539 | 53,962 | 14.8 |
| Operating expenses | 365,929 | 760,461 | (394,532) | (51.9) |
| Net income (loss) from continuing operations before income taxes | 51,572 | (396,922) | 448,494 | - |
| Income tax (provision) benefit: | - | - | - | - |
| Income (loss) from continuing operations | 51,572 | (396,922) | 448,494 | - |
| Income (loss) from discontinued operations | 128,291 | - | 128,291 | - |
| Net income (loss) | 179,863 | (396,922) | 576,785 | - |
| Less: Noncontrolling interest share | 27,717 | - | 27,717 | - |
| Controlling interest share | $ 152,146 | $ (396,922) | $ 549,068 | - |

<u>Client Accounts</u>

As of and for the three months ended September 30, 2010, we had one publishing client that accounted for an aggregate of approximately 24.0% of our accounts receivable portfolio and approximately 27.2% of our revenues.

As of and for the three months ended September 30, 2009, we had one transportation client that accounted for an aggregate of approximately 12.6% of our accounts receivable portfolio and approximately 11.2% of our revenues.

A client's fraud could cause us to suffer material losses. See "Discontinued Operations."

Nine Months Ended September 30, 2010 vs. Nine Months Ended September 30, 2009.

Finance revenues from continued operations increased 49.3% for the nine months ended September 30, 2010 to $1,773,736 compared to $1,188,035 for the comparable period of the prior year. The change in revenue was primarily due to an increase in business from existing clients and an increase in the number of clients. As of September 30, 2010, the Company had 108 active clients compared to 103 active clients as of September 30, 2009.

The Company had interest expense from continued operations of $605,526 for the nine months ended September 30, 2010 compared to interest expense of $62,339 for the nine months ended September 30, 2009. This change is primarily the result of the Company's using its cash and borrowing on its line of credit to fund its purchasing of clients' accounts receivable.

The Company had a benefit for credit losses from continued operations of $597 for the nine months ended September 30, 2010 compared to a provision for credit losses for the nine months ended September 30, 2009 of $26,003.

Operating expenses from continued operations for the nine months ended September 30, 2010 were $1,236,900 compared to $2,170,268 for the nine months ended September 30, 2009, a 43.0% decrease. This decrease is primarily attributable to the Company's implementing certain cost reducing initiatives in 2009, including reducing personnel, eliminating certain advertising and buying out of its Boca Raton lease.

Key changes in certain selling, general and administrative expenses:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2010 | 2009 | $ Change | Explanation |
| Payroll, payroll taxes and benefits | $ 571,653 | $ 928,525 | $ (356,872) | Reduction in personnel |
| Rent | 34,561 | 104,637 | (70,076) | Buy-out of Boca Raton lease |
| Advertising | 194,260 | 255,823 | (61,563) | Decrease in advertising budget |
| Legal | 23,712 | 132,601 | (108,889) | Decrease in legal expense |
| | $ 824,186 | $ 1,421,586 | $ (597,400) | |

The combination of reduced operating expenses and increased finance revenues resulted in a net loss from continuing operations for the nine months ended September 30, 2010 of $67,087 compared to a net loss of $1,070,575 for the nine months ended September 30, 2009.

The following table compares the operating results for the nine months ended September 30, 2010 and September 30, 2009:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2010 | 2009 | $ Change | % Change |
| Finance revenues | $ 1,773,736 | $ 1,188,035 | $ 585,701 | 49.3 |
| Interest income (expense), net and commissions | (604,520) | (62,339) | (543,187) | 871.3 |
| Net finance revenues | 1,169,216 | 1,125,696 | 43,520 | 3.9 |
| (Provision) Benefit for credit losses | 597 | (26,003) | 26,600 | - |
| Finance revenues, net of interest expense and credit losses | 1,169,813 | 1,099,693 | 70,120 | 6.4 |
| Operating expenses | 1,236,900 | 2,170,268 | (933,368) | (43.0) |
| Net income (loss) from continuing operations before income taxes | (67,087) | (1,070,575) | 1,003,488 | - |
| Income tax (provision) benefit: | - | - | - | - |
| Income (loss) from continuing operations | (67,087) | (1,070,575) | 1,003,488 | - |
| Income (loss) from discontinued operations | (527,558) | | (527,558) | |
| Net income (loss) | (594,645) | (1,070,575) | 475,930 | - |
| Less: Noncontrolling interest share | (91,931) | - | (91,931) | - |
| Controlling interest share | $ (502,714) | $ (1,070,575) | $ 567,861 | - |

Client Accounts

As of and for the nine months ended September 30, 2010, we had one publishing client that accounted for an aggregate of approximately 24.0% of our accounts receivable portfolio and approximately 15.5% of our revenues.

A client fraud could cause us to suffer material losses. See "Discontinued Operations."

**Liquidity**

**Cash Flow Summary**

**Cash Flows from Operating Activities**

Net cash used by operating activities was $4,040,554 for the nine months ended September 30, 2010 and was primarily due to our net loss for the period and cash used in acquiring operating assets, primarily to purchase accounts receivable. Increases and decreases in prepaid expenses, accounts payable, accrued payroll and accrued expenses were primarily the result of timing of payments and receipts.

Net cash used by operating activities was $2,230,896 for the nine months ended September 30, 2009 and was primarily due to our net loss for the period and cash used in acquiring operating assets, primarily to purchase 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 nine months ended September 30, 2010, net cash used in investing activities was $17,663 for the purchase of property and equipment.

For the nine months ended September 30, 2009, net cash used in investing activities was $11,029 for the purchase of property and equipment.

**Cash Flows from Financing Activities**

Net cash provided by financing activities was $3,251,308 and $2,225,712 for the nine months ended September 30, 2010 and 2009, respectively, and was primarily due to increased borrowings from a financial institution and lender to fund the purchase of accounts receivable.

**2007 Financing**

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

**Capital Resources**

We have the availability of a $7 million (expandable to $9 million) senior accounts receivable facility with an institutional asset based lender which advances funds against up to 90% of “eligible net factored accounts receivable” (minus client reserves as lender may establish in good faith) as defined in Anchor’s agreement with its institutional lender. The agreement’s anniversary date is November 30, 2010 amd 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 Company did not provide notice and the agreement will expire November 30, 2011.This facility is secured by our assets, and contains certain standard covenants, representations and warranties for loans of this type. I n 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 allows the lender to accelerate the payment of the loans and/or terminate the commitments to lend, in addition to other legal remedies, including foreclosure on collateral. In the event we are not able to maintain adequate credit facilities for our factoring, purchase order financing and acquisition needs on commercially reasonable terms, our ability to operate our 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 assu rances that replacement facilities will be obtained by us on terms satisfactory to us, if at all.

On March 23, 2010, the Board of Directors approved and Anchor entered into a Promissory Note for up to $2 million from MGM Funding, LLC. Morry F. Rubin is the managing member of MGM. The money to be borrowed under the note is subordinate to Anchor’s accounts receivable credit facility. The Promissory Note is to assist Anchor in funding up to 50% of the funds employed for a specific client that Anchor’s senior lender will only fund up to 50% of the funds employed. The senior lender’s limitation is based on the size of the client’s credit facility. The MGM Promissory Note is a demand note. In addition, when Anchor typically has significant invoice purchase requests from clients, MGM periodically makes short-term loans to Anchor Funding Services, Inc. which then advances the funds to Anchor Funding Servi ces, LLC. Anchor does not receive same day availability of funds from its senior lender for its daily client invoice purchases requiring it to use its own capital and MGM to meet client demand. These loans are payable on demand and bear interest at 20% per annum. At September 30, 2010, Anchor owed $1,448,986 to MGM. Brookridge had a Service Credit Agreement with MGM pursuant to which it could borrow up to $3.7 million. As described under Recent Developments above, this facility was terminated on October 6, 2010 upon the simultaneous rescission of our previous Brookridge asset purchase of December 2009.

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

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

## ITEM 4. CONTROLS AND PROCEDURES

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

There were no changes in the Company’s internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

## PART II. OTHER INFORMATION

**ITEM 1. LEGAL PROCEEDINGS:**

In April 2010, the Company’s 80% owned subsidiary, Brookridge, incurred a credit loss of approximately $650,000 due to what appears to be a fraud committed by a Brookridge client. Anchor’s interest in this loss is 80% or approximately $520,000. Brookridge financed inventory purchased by this client who sold the inventory for the benefit of another company not funded by Brookridge resulting in the loss of Brookridge’s collateral rights in the inventory. As a result, Brookridge recorded a charge of $650,000 for credit losses in April, 2010. Brookridge is pursuing all collection remedies available to it under its purchase order and factoring agreements, including enforcement of its rights under a personal guaranty by the client’s principal. The Company has filed a lawsuit against the principal’s estat e in Connecticut asking for compensatory damages in the minimum amount of $485,000 plus interest, costs of collection and post-default damages. As of September 30, 2010, Brookridge has recovered $177,000 of such credit loss.

On November 13, 2010, the Company received a complaint filed by a company claiming contractual damages of $90,000 in connection with a finder's fee arrangement related to the Brookridge acquisition. The Company accrued this fee in its December 31, 2009 financial statements and it is included n accrued expenses as of September 30, 2010. The company is determining the merits of the complaint and a course of action.
As of the filing date of this Form 10-Q, we are not a party to any other material pending legal proceedings.

**Item 1A. Risk Factors:**

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

**ITEM 2. CHANGES IN SECURITIES:**

(a) For the nine months ended September 30, 2010, there were no sales of unregistered securities, except as follows:

| | Title of Security | Number Sold | Consideration Received, Commissions | Purchasers | Exemption from Registration Claimed |
|---|---|---|---|---|---|
| Jan. - March 2010 | Common Stock | 2,184,145 shares (1) | Conversion of 436,829 Preferred Shares; no commission paid | Existing security holders | Rule 3(a(9) |
| April - June 2010 | Common Stock | 2,329,592shares (1) | Conversion of 465,902 Preferred Shares; no commission paid | Existing security holders | Rule 3(a)(9) |
| July - Sept. 2010 | Common Stock | 27,305 shares (1) | Conversion of 5.461 Preferred Shares; no commissions paid | Existing Security holders | Rule 3(a)(9) |

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

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

(c) In the nine months ended September 30, 2010, there were no repurchases by the Company of its Common Stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES:**

Not applicable.

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

Not applicable.

**ITEM 5. OTHER INFORMATION:**

Not applicable.

**ITEM 6. EXHIBITS:**

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

| | |
|---|---|
| 2.1 | Exchange Agreement |
| 3.1 | Certificate of Incorporation-BTHC,INC. |
| 3.2 | Certificate of Merger of BTHC XI, LLC into BTHC XI, Inc. |
| 3.3 | Certificate of Amendment |
| 3.4 | Designation of Rights and Preferences-Series 1 Convertible Preferred Stock |
| 3.5 | Amended and Restated By-laws |
| 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) |
| 21.21 | Subsidiaries of Registrant listing state of incorporation (4) |
| 31.1 | Rule 13a-14(a) Certification – Chief Executive Officer * |
| 31.2 | Rule 13a-14(a) Certification – Chief Financial Officer * |
| 32.1 | Section 1350 Certification – Chief Executive Officer * |
| 32.2 | Section 1350 Certification – Chief Financial Officer * |

| | |
|---|---|
| 99.1 | 2007 Omnibus Equity Compensation Plan |
| 99.2 | Form of Non-Qualified Option under 2007 Omnibus Equity Compensation Plan |
| 99.3 | Amendment to 2007 Omnibus Equity Compensation Plan increasing the Plan to 4,200,000 shares |
| 99.4 | Press Release - Results of Operations - Third Quarter 2010 * |

* 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).

## SIGNATURES

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

**ANCHOR FUNDING SERVICES, INC.**

| | | |
|---|---|---|
| Date: November 15, 2010 | By: | /s/ Morry F. Rubin |
| | | Morry F. Rubin<br>Chief Executive Officer |
| Date: November 15, 2010 | By: | /s/ Brad Bernstein |
| | | Brad Bernstein<br>President and Chief Financial Officer |

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Morry F. Rubin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Anchor Funding Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer 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 financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 15, 2010

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

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Brad Bernstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Anchor Funding Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 15, 2010

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

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Anchor Funding Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Morry Rubin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

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

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

By: /s/ **MORRY F. RUBIN**
**Morry F. Rubin**
**Chief Executive Officer**
**November 15, 2010**

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Anchor Funding Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Bernstein, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

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

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

By: /s/ **BRAD BERNSTEIN**
**Brad Bernstein,**
**President and Chief Financial Officer**
**November 15, 2010**

**Exhibit 99.4**

**FOR IMMEDIATE RELEASE – November 15, 2010**

**Anchor Funding Services, Inc. (OTC BULLETIN BOARD SYMBOL "AFNG.OB") reports its first profitable quarter from continuing operations of $51,572 for the quarter ended September 30, 2010 compared to a net loss from continuing operations for the prior year's comparable period of $(396,922). Finance revenues increased 72% for the quarter compared to the prior year's comparable quarter.**

**Boca Raton, Fl. (PR Newswire)** November 15, 2010– Anchor Funding Services, Inc. (OTC Bulletin Board Symbol "AFNG.OB") announced today its results of operations for the three months and nine months ended September 30, 2010. The company reported third quarter 2010 finance revenues of $672,184 as compared to $390,555 for the comparable period of the prior year. The company reported income from continuing operations of $51,572 for the quarter ended September 30, 2010 as compared to a loss from continuing operations of $(396,922) for the comparable period of the prior year. The third quarter included income from discontinued operations of $128,291 resulting in a net income attributable to common shareholder of $152,146 as compared to a net loss attributable to common shareholder of $(490,763) for the comparable period of the prior year.

The company reported nine month 2010 finance revenues of $1,773,736 as compared to $1,188,035 for the comparable period of the prior year. The company reported a loss from continuing operations of $(67,087) for the nine months ended September 30, 2010 as compared to a loss from continuing operations of $(1,070,575) for the comparable period of the prior year. The nine months ended September 30, 2010, also had a loss from discontinued operations of $(527,558) resulting in a net loss attributable to common shareholder of $(502,714) as compared to a net loss attributable to common shareholder of $(1,425,127) for the comparable period of the prior year.

Our improved operations are attributable to an increase in Anchor's base business and reduced operating expenses of approximately $1 million per year resulting from our cost saving initiatives implemented in the fourth quarter of 2009.

We continue to experience demand from small businesses seeking credit and accounts receivable financing. As a result, Anchor has enjoyed continued growth in its accounts receivable portfolio in the third quarter of 2010 having purchased approximately $25,700,000 of invoices for the quarter compared to approximately $16,400,000 for the comparable period of the prior year.

On October 6, 2010, Anchor completed its rescission of its 80% owned subsidiary, Brookridge, and therefore will no longer be impacted from Brookridge losses on a going forward basis. This marks a continuing improvement in Anchor's operating performance of its base business as the company has increased its invoice purchases and lowered its operating overhead.

Based upon anticipated continued growth and success with our new marketing programs, we expect Anchor, excluding Brookridge, to show continued improvement in its operating performance. We are excited about our future expansion opportunities and will continue to communicate important developments as they occur.

**About Anchor**

Anchor provides innovative accounts receivable funding, purchase order financing and credit management services to small and mid-size U.S. businesses. Our funding programs provide businesses with rapid and flexible financing to support their working capital needs, acquisition programs and for business expansion opportunities.

**Additional Information**

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

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

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

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