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Anchor Funding Services, Inc. Is Providing The Accounts Receivable Funding And Factoring Services That Many Small To Medium Sized Businesses Find Necessary To Maintain Operations

Financial
Credit Services
(AFNG-OTC: BB)

Anchor Funding Services, Inc.

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Morry F. Rubin
Co-Founder, Co-Chairman and CEO

Company Profile:
Anchor Funding Services, Inc., through its subsidiaries, provides factoring and back office services to businesses in the United States and Canada. It offers accounts receivable funding; purchase order finance; outsourcing of accounts receivable management, including collections and the risk of customer default; and other specialty finance products, such as trade finance and government contract funding. The company also provides back office support comprising payroll, payroll tax compliance, and invoice processing services. Its clients include a commercial janitorial company, a transportation company, a medical staffing firm, and an information technology consulting company. The company was founded in 2003 and is headquartered in Charlotte, North Carolina.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Rubin, I know that Anchor Funding is more than just money, as you tagline shows; would you tell us a little bit about what you do?
Mr. Rubin: Anchor Funding Services started its fulltime business providing accounts receivable funding or factoring services to small and medium sized businesses throughout the United States in April 2007. Since that time we have expanded through our business operations in Charlotte, North Carolina, and offices in Boca Raton, Florida. Our clients are located throughout the country and we provide revolving working capital facilities on a daily basis. Typically, prospects who are seeking funding contact us desiring to sell their performing accounts receivable to us to obtain immediate cash. We then complete the transaction by providing a wire transfer to their bank account to assist them in meeting payroll, pay suppliers, pay rent, and meet other obligations as well as providing working capital. It is not easy today for small or medium sized businesses to obtain credit unless they can access the credit markets via a securitization or tap the public equity markets to support obtaining business credit lines for their business. They also may not be able to access traditional credit markets unless their business has a defined history of profitability and there is also sufficient collateral to satisfy a bank lender that they essentially enjoy an over-collateralized position.

CEOCFO: Given the fragile state of the economy, what do you look for that might be different now? How do you assess whether you should be taking on a company either from the factoring aspect or to provide them additional services, and how has that changed?
Mr. Rubin: We closely examined it, and it really hasn't changed. Our discipline in underwriting has remained consistent from day one and to this day it is very important to be vigilant in looking at two basic areas. One is the integrity of the owner of the business or group of owners of a business to whom will be receiving the funding, as well as doing a thorough analysis of the credit quality of the accounts receivable that we will be purchasing. When factoring, we are primarily looking at the financial health and ability of our clients' customer to pay its bills in a timely manner. Most of our clients are either profitable, marginally profitable, or losing some money. As an example, when factoring a client that is growing rapidly and they decide to invest in their business but it is producing losses, that may be okay with us because we are primarily focused on the credit strength of their customer base who predominately are responsible for the ultimate bill payments. We have developed and utilized a time tested credit scoring matrix called **Credit Guard™** which enables us to efficiently evaluate credit of many companies and industries across the United States. Our credit matrix will establish a credit limit and is utilized in conjunction with Dunn and Bradstreet data. Based

upon our screening matrix, we can determine how much credit to extend to our clients as well as prospective clients. Having used our matrix since Anchor's inception, we have achieved aggregate credit losses of less than one-fifth of one percent dilution on our accounts receivable portfolio.

CEOCFO: That seems to be a phenomenally good rate!

Mr. Rubin: It is because we are selective of the companies we fund which meet the basic established parameters. We fund businesses throughout the United States who either cannot obtain bank financing or cannot gain additional funding from banks or other sources.

CEOCFO: Are there any industries or industry sectors that you focus on or any areas you would stay away from?

Mr. Rubin: The beauty of Anchor Funding's factoring model is that we can fund virtually any type of service or product oriented business as long as their accounts receivable represents a completed sale. Within our business, we perform a process of verification and written notification by contacting our clients' customers, confirming that the product has been shipped and received, or that the service(s) have been fully performed and there are no disputes. In addition, we make sure of the timing of when bills are cued for payment to our client lockbox. We have the ability to fund virtually any industry with the exception of construction or medical businesses, which are dependent upon payments by third-party payers, insurance companies, Medicare, Medicaid, or other government payers. These types businesses are often difficult to fund because they are subject to future audits and/or future potential givebacks, which make it difficult for the factor to safely fund that which is a completed sale and also ensure that Anchor's first lien position remain intact.

CEOCFO: You are in a fairly crowded field; how do people find out about you?

Mr. Rubin: We market through multiple direct marketing channels, our sales network and through a large referral network as well.

CEOCFO: Why should people be choosing to work with you as opposed to any of the other factoring companies?

Mr. Rubin: Like any business, it is all about client service and being very responsive in the business of providing capital to small and midsized businesses that depend on our daily wire advances, speed and convenience. So if we have a client that all of a sudden gets a large order and needs to fill that order, and they need immediate capital, we are there to help them. We wire up to 5:00 PM each day, where most institutions or competitors don't wire beyond 3:00 PM. We also have a dedicated account executive assigned to support accounts directly. So the service element is extremely important in being able to respond very quickly and understand new clients' needs on a daily basis.

CEOCFO: Is there a limit to the number of clients you can work with?

Mr. Rubin: There are approximately twenty-plus million small business in the United States. Based upon our continued growth we have the ability to tax the public markets and raise additional capital if needed to support expansion of our credit lines. As long as we continue to properly underwrite prospects and clients, we will maintain our exceptional credit record and low credit losses. We believe we will continue to grow and be successful in funding additional US businesses and meeting their demands for credit.

We fund businesses throughout the United States who either cannot obtain bank financing or cannot gain additional funding from banks or other sources. - Morry F. Rubin

CEOCFO: What is the financial picture of your company?

Mr. Rubin: The good news is that we have just recorded our first quarterly profit since inception approximately three years ago—a marked turnaround. On an operating basis, we earned about fifty-one thousand dollars for the latest quarter as compared to a quarterly loss a year ago of approximately $356,000. So we had a positive turn of approximately $450,000 for the year-over-year quarter. This is attributable to an increase of seventy-two percent in revenues for the aforementioned periods which included an overhead reduction of approximately one million dollars. Between the cost reductions and the increase in revenues for the quarter, we were able to greatly improve the profitability of the company.

CEOCFO: What challenges to you see ahead?

Mr. Rubin: Generally, I am concerned about the US economic outlook and that the US not fall back into recession or witness credit markets freezing up again like 2008. It appears the economy in general is on the mend. This is helpful for factors and lenders who should continue to experience increasing credit demand. Within the factoring space, we also provide purchase order financing to our clients and prospective clients. Here's how it works: a company receives a non-cancellable purchase order from a large credit worthy retailer or Fortune 1000 firm. This prospect would then contact Anchor Funding seeking a letter of credit to be issued as form of payment to their overseas manufacturer or supplier which, when paid, agrees to release all goods for shipment to our client's customer. When the manufactured goods are received by our client's customer, payments would then be issued to Anchor Funding (including its fee). Many small and midsized companies may not have adequate capital, or credit lines, to support purchase order transactions. So we provide this critical financing in this niche lending sector. In addition, we also provide inventory financing to clients whereby inventory is safeguarded in a bonded warehouse facility. Today, companies generally find it quite difficult to obtain inventory financing or purchase order financing from traditional bank institutions. These are the areas of opportunity for growth and enhanced profit margins that Anchor Funding is pursuing over the near term period.

CEOCFO: Do you do much investor outreach?

Mr. Rubin: We have not done any significant investor outreach as of yet, but we plan to do so now that the company has achieved profitability and we anticipate building our revenues and profits.

CEOCFO: In closing, why should potential investors consider Anchor Funding Services?

Mr. Rubin: Potential investors should consider Anchor Funding Services because Anchor is managed by individuals who have an excellent track record in building business and maximizing shareholder value. That is number one: look closely at the management. Our management has a track record of building and successfully selling two public companies which traded on the NASDAQ global market. The opportunities to expand Anchor Funding's business are quite large. The industry is not dominated by any single player and produced overall invoice purchases exceeding $130 billion nationally in 2009. We are in a very good position and an overall positive environment for growth, given the fact that banks are constrained from lending and small businesses are finding it difficult to obtain business credit facilities.

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