Prospectus Supplement Filed Pursuant to Rule 424(b)(3)
Registration No. 333-205232

PROSPECTUS SUPPLEMENT NO. 3
DATED APRIL 29, 2016
(To Prospectus Declared Effective on October 21, 2015
and Dated October 22, 2015)

LM FUNDING AMERICA, INC.

Maximum of 2,000,000 Units

Minimum of 1,200,000 Units

Each Unit Consisting of One Share of Common Stock and One Warrant

This Prospectus Supplement No. 3 supplements information contained in, and should be read in conjunction with, that certain Prospectus, dated October 22, 2015, of LM Funding America, Inc., as supplemented by that certain Prospectus Supplement No. 1, dated December 3, 2015 ("Supplement No. 1"), and Prospectus Supplement No. 2, dated January 21, 2016 ("Supplement No. 2") relating to the offer and sale by us of up to 2,000,000 units, each unit consisting of one share of common stock and one warrant. This Prospectus Supplement No. 3 is not complete without, and may not be delivered or used except in connection with, the original Prospectus, Supplement No. 1 and Supplement No. 2.

This Prospectus Supplement No. 3 includes the following documents, as filed by us with the Securities and Exchange Commission:

- The attached Annual Report on Form 10-K of LM Funding America, Inc., as filed with the Securities and Exchange Commission on March 30, 2016.
- The attached Definitive Proxy Statement on Schedule 14A of LM Funding America, Inc., as filed with the Securities and Exchange Commission on April 29, 2016.

Our units began trading on the Nasdaq Capital Market under the symbol "LMFAU." When the units were split into their component parts, the units ceased trading and our ordinary shares and warrants began trading separately on the Nasdaq Capital Market under the symbols "LMFA" and "LMFAW" respectively.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this Prospectus Supplement No. 3 (or the original Prospectus or Supplement No. 1 and Supplement No. 2 thereto) is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 3 is April 29, 2016.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _________ TO _________**

Commission File Number 001-37605

LM FUNDING AMERICA, INC.
(Exact name of Registrant as specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**47-3844457** **(I.R.S. Employer Identification No.)**
302 Knights Run Avenue Suite 1000 Tampa, FL **(Address of principal executive offices)**	**33602** **(Zip Code)**

Registrant's telephone number, including area code: (813) 222-8996

Securities registered pursuant to Section 12(b) of the Act: Common Stock, Par Value $0.001 Per Share; Common stock traded on the NASDAQ stock market

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a small reporting company)	Small reporting company	☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the registrant's common stock was not listed on any exchange or over-the-counter market. The registrant's common stock began trading on The NASDAQ Stock Market on December 8, 2015. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on December 31, 2015, was $28,083,000.

The number of shares of Registrant's Common Stock outstanding as of December 31, 2015 was 3,300,000.

Portions of the Registrant's Definitive Proxy Statement relating to the Annual Meeting of Shareholders, scheduled to be held on June 16, 2016, are incorporated by reference into Part III of this Report.

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PART I

Item 1. Business.

We are a specialty finance company that provides funding to nonprofit community associations primarily located in the state of Florida and, to a lesser extent, nonprofit community associations in the states of Washington and Colorado. As of February 2016, we also began operations in Illinois, which is the fourth-largest assessment market in the United States for community associations. We offer incorporated nonprofit community associations, which we refer to as "Associations," a variety of financial products customized to each Association's financial needs. Our original product offering consists of providing funding to Associations by purchasing their rights under delinquent accounts that are selected by the Associations arising from unpaid Association assessments. Historically, we provided funding against such delinquent accounts, which we refer to as "Accounts," in exchange for a portion of the proceeds collected by the Associations from the account debtors on the Accounts. More recently, we have started purchasing Accounts on varying terms tailored to suit each Association's financial needs, including under our New Neighbor Guaranty™ program. We believe that revenues from the New Neighbor Guaranty program, as well as other similar products we may develop in the future, will comprise an increasingly larger piece of our business during the next few years, and we intend to seek to leverage these products to expand our business activities and growth in the states in which we operate.

Under our original business, we purchase Associations' right to receive a portion of the Association's collected proceeds from owners that are not paying their assessments. After taking assignment of an Association's right to receive a portion of the Association's proceeds from the collection of delinquent assessments, we engage law firms to perform collection work on a deferred billing basis wherein the law firms receive payment upon collection from the account debtors or a predetermined contracted amount if payment from account debtors is less than legal fees and costs owed. Under this business model, we typically fund an amount equal to or less than the statutory minimum an Association could recover on a delinquent account for each Account, which we refer to as the "Super Lien Amount". Upon collection of an Account, the law firm working on the Account, on behalf of the Association, generally distributes to us the funded amount, interest, and administrative late fees, with the law firm retaining legal fees and costs collected, and the Association retaining the balance of the collection. In connection with this business, we have developed proprietary software for servicing Accounts, which we believe enables law firms to service Accounts efficiently and profitably.

Under the New Neighbor Guaranty program, an Association will generally assign substantially all of its outstanding indebtedness and accruals on its delinquent units to us in exchange for payment by us of monthly dues on each delinquent unit. This simultaneously eliminates a substantial portion of the Association's balance sheet bad debts and assists the Association to meet its budget by receiving guaranteed monthly payments on its delinquent units and relieving the Association from paying legal fees and costs to collect its bad debts. We believe that the combined features of the program enhance the value of the underlying real estate in an Association and the value of an Association's delinquent receivables. We intend to leverage our proprietary software platform, as well as our industry experience and knowledge gained from our original business, to expand the New Neighbor Guaranty program and to potentially develop other new products in the future.

Because we acquire and collect on the delinquent receivables of Associations, the Account debtors are third parties that we have little or no information about. Therefore, we cannot predict when any given Account will be paid off or how much it will yield. In assessing the risk of purchasing Accounts, we review the property values of the underlying units, the governing documents of the relevant Association, and the total number of delinquent receivables held by the Association.

As of December 31, 2015, we have since our inception, purchased an aggregate of approximately $285 million in Association receivables by funding a total of $12 million with respect to approximately 12,000 units across over 500 Associations in Florida, Washington and Colorado. Through December 31, 2015, we have, since our inception, received just under $110 million from approximately $216 million in purchased Accounts. From these purchased Accounts, we have recovered almost all of our principal investment of almost $12 million and earned about $32 million in revenues. Per our contracts, we have paid or recovered $11 million in legal fees and returned $57 million to our funded Associations.

Our Products

Original Product

Our original product relies upon Florida statutory provisions that effectively protect the principal amount invested by us in each Account. In particular, Section 718.116(1), Florida Statutes, makes purchasers and sellers of a unit in an Association jointly and severally liable for all past due assessments, interest, late fees, legal fees, and costs payable to the Association. In addition, the statute grants to Associations a so-called "super lien", which is a category of lien that is given a statutorily higher priority than all other types of liens other than property tax liens. Under the Florida statute, a Florida Association's super lien has higher priority than all other lien holders, except that in the case of property tax liens. The amount of the Association's priority over a first mortgage holder that takes title to a property through foreclosure (or deed in lieu), referred to as the Super Lien Amount, is limited to twelve months' past due assessments or, if less, one percent (1.0%) of the original mortgage amount. Under our contracts with Associations for our original product, we pay Associations an amount up to the Super Lien Amount for the right to receive all collected interest and late fees on Accounts purchased from the Associations. In the past, to protect any amount invested by us in excess of the Super Lien Amount, we purchased insurance from an affiliate of AmTrust North America, or AmTrust, covering all assessments lost during the term of coverage due to a first mortgage foreclosure. As of January 28th, 2016 AmTrust has advised us that they will not continue to offer the insurance coverage we have purchased from them in the past. They represented to us that the nonrenewal is due solely to the fact that they have not generated the premium volume they anticipated.

In other states in which we offer our original product, which are currently only Washington, Colorado and as of February 2016, Illinois, we rely on statutes that we believe are similar to the above-described Florida statutes in relevant respects. A total of approximately 22 U.S. states, Puerto Rico and the District of Columbia have super lien statutes that give Association assessments super lien status under some circumstances, and of these states, we believe that all of these jurisdictions other than Alaska have a regulatory and business environment that would enable us to offer our original product to Associations in those states on materially the same basis. With respect to our original product, for the year ended December 31, 2015, we acquired 234 Accounts for $173,607 compared with 496 Accounts for $359,200 for the year ended December 31, 2014. We believe the decline in purchased Accounts acquired in 2015 as compared with 2014 was a result of a decline of our available capital in 2015, our focus on financing activities including our initial public offering, and general market conditions resulting in a greater dispersion of available units.

New Neighbor Guaranty

In 2012, we began development of a new product, the New Neighbor Guaranty, wherein an Association assigns substantially all of its outstanding indebtedness and accruals on its delinquent units to us in exchange for payments in an amount equal to the regular ongoing monthly or quarterly assessments for delinquent units when those amounts would be due to the Association. We assume both the payment and collection obligations for these assigned Accounts under this product. This simultaneously eliminates an Association's balance sheet bad debts and assists the Association to meet its budget by receiving guaranteed assessment payments on its delinquent units and relieving the Association from paying legal fees and costs to collect its bad debts. We believe that the combined features of the product enhance the value of the underlying real estate in an Association and the value of an Association's delinquent receivables.

Before we implement the New Neighbor Guaranty program, an Association typically asks us to conduct a review of its accounts receivable. After we have conducted the review, we inform the Association of which Accounts we are willing to purchase and the terms of such purchase. Once we implement the New Neighbor Guaranty program, we begin making scheduled payments to the Association on the Accounts as if the Association had non-delinquent residents occupying the units underlying the Accounts. Our New Neighbor Guaranty contracts typically allow us to retain all collection proceeds on each Account other than special assessments and accelerated assessment balances. Thus, the Association foregoes the potential benefit of a larger future collection in exchange for the certainty of a steady stream of immediate payments on the Account.

In the past, to protect any amount invested by us in excess of the Super Lien Amount, we purchased insurance from an affiliate of AmTrust North America, or AmTrust, covering all assessments lost during the term of coverage due to a first mortgage foreclosure. As of January 28th, 2016 AmTrust has advised us that they will not continue to offer the insurance coverage we have purchased from them in the past. They represented to us that the nonrenewal is due solely to the fact that they have not generated the premium volume they anticipated.

The New Neighbor Guaranty program represented approximately five percent (5%) of our overall revenue in 2015 in comparison to our original product, which accounted for approximately ninety-three percent (93%) of our overall revenue in the same period. The balance of our revenue from the period was from Accounts that are hybrids of the original product with varying splits and from income on real estate owned, or REO, units. As we continue to develop our New Neighbor Guaranty product, we expect it to make up continually larger portions of our total revenue.

As of December 31, 2015, our average investment per unit for currently active Accounts under our original product was approximately $983 and $462 for condo owners associations (COA) and home owners associations (HOA), respectively. We expect that this average investment size will not materially change for the foreseeable future. Current investment for active New Neighbor Guaranty Accounts as of December 31, 2015 averaged approximately $4,900 and $1,800 per unit for COAs and HOAs, respectively. This average will vary in the future depending on how quickly we add new Accounts and how quickly we are able to resolve those Accounts. The average continued payment to Associations that have the New Neighbor Guaranty program in place is $250 per month for each active Account as of December 31, 2015.

As of December 31, 2015, we have historically recovered approximately $3,800 for COAs and $1,300 for HOAs per Account in interest and late fee revenue for Accounts collected under our original product. Accounts under our New Neighbor Guaranty program are producing revenue to us of, on average, approximately $4,792 for COAs and $1,220 for HOAs, per Account as December 31, 2015 after the recovery of our purchase price or investment basis. The average total recovery under our New Neighbor Guaranty program at final settlement is approximately $9,500 for COAs and $4,400 for HOAs, per Account, and is expected to continue to increase.

With respect to our New Neighbor Guaranty product, for the year ended December 31, 2015 we acquired 97 Accounts for $105,000 compared with 67 Accounts for $19,000 for the year ended December 31, 2014.

Future Products

We are also developing other variations of our contracts with Associations in various states that we may introduce to the market in the future. For example, under one product under development, at the request of an Association lender we may contract with an Association to provide that the Association will have revenues equal to or more than 90% of budget or any other percentage the lender requests. If an Association is at 80% of budget and a lender requires it to maintain revenues of 90% of budget, this product would provide upfront capital to bring the Association to the 90% threshold and then make continuing payments to keep it there through the term of the loan. This minimizes the lender's risk of delinquencies adversely affecting the loan's repayment. Also, this would enable lenders to do business with more Associations than their previous underwriting guidelines would permit if Associations contract with us as part of the loan package. This product, along with other variations on our contracts with Associations in various states, remains under development, however, and there is no assurance that we will ultimately launch this product or any other variation on our contracts with Associations in any state.

Industry Overview

According to the Community Association Institute ("CAI"), as of January 2014, 65 million people lived in 328,500 Associations in the United States. As a percentage, homeowners associations account for between 51-55% of the total and condominium associations make up between 42-45% of the total, with cooperatives comprising the balance. Florida has nearly eight million residents living in more than 47,000 community associations. Assuming the national distribution of property types exists in Florida, Florida has approximately 24,000 homeowners associations and 20,000 condominium associations. For fiscal year ended December 31, 2015, we have contracted with approximately 450 community associations. We believe opportunity remains abundant in our other geographic markets. As of December 31, 2014, the state of Washington had more than 10,000 community associations and the state of Colorado had more than 9,000.

Associations typically address delinquencies by paying lawyers or collection agencies to recover amounts owed. While Associations seek recovery of delinquent amounts, budgets go underfunded causing the need to cut services or raise assessments further. The real estate downturn in 2008 made delinquency issues an acute problem for a large number of Associations. We were organized in 2008 to immediately address the financial problems faced by Associations as a result of delinquent unit owners.

According to the CAI, in Florida, where we have primarily operated, Associations annually assess their residents $9 billion and nationwide, annual assessments by Associations are $65 billion. We believe we are the largest purchaser of delinquent Accounts in Florida, with total purchases of approximately $250 million over a seven-year period. The balance of delinquent Accounts are serviced by lawyers, collection companies, or a handful of small competitors of us, or not serviced at all. We believe we offer Associations a better financial solution to Account delinquencies and that Associations will increasingly turn to us and our products as a solution to handle Account delinquencies.

Our Strategy

Our primary objective is to utilize our competitive strengths, including our proprietary technology and our management's experience and expertise in buying and collecting Association Accounts, to grow our business in Florida and in other states by identifying, evaluating, pricing, and acquiring Association Accounts and maximizing collections of such Accounts in a cost efficient manner. The principal elements of our strategy are comprised of the following:

- Capitalizing on our brand and existing strategic relationships to identify and acquire Association Accounts. We market our "We Buy Problems" and "You Are Always Better off with LM Funding" brands primarily through trade shows throughout Florida and, to a lesser extent, at national events. Participation in these shows and events has enabled us to form strategic relationships throughout the Association services industry and has served to provide a positive reputation in the industry. We leverage our brand and strategic relationships with law firms and Associations to identify and purchase Accounts.
- Partnering with Associations' advisors such as law firms, management companies, accountants, Association lenders, and others to efficiently identify and acquire Accounts on a national basis. The point of purchase for Accounts is at the individual Association board of directors level; therefore, establishing and maintaining relationships with the advisors of those boards is important to our business strategy. Our strategic relationships with Association boards' advisors provide us with opportunities to meet with Association boards on favorable terms and help us to gain their trust and confidence.
- Providing our proprietary software to our partner law firms in order to cost effectively track, control, and collect purchased Accounts and maintain low fixed overhead. Our proprietary software enables law firms' lawyers to efficiently handle approximately 1,000 accounts at a time with a high degree of uniformity and accuracy based upon historical caseload per lawyer of Business Law Group, P.A., one of our partner law firms. This enables our law firms to operate more efficiently and profitably, while simultaneously enabling us to cost effectively track and control our Accounts on a real-time basis.
- Utilizing increased access to capital and lines of credit to expand our product offerings nationally. As a specialty finance company, capital is our inventory. Access to capital has always determined the speed of our growth and the amount of upfront funding we can provide with our products. We believe that increased access to capital will enable us to pursue more opportunities to buy Accounts and to develop a wider array of specialty finance products.
- Extending secured commercial loans as a means to acquiring large blocks of Accounts. We intend to pursue the extension of secured loans to commercial partners who, as a condition of such loans, would be required to drive large blocks of accounts to us. Banks, management companies, law firms, and large Associations control large blocks of Accounts that we may be able to acquire if we help meet their capital needs.
- Pursuing acquisitions of providers in the Association Account servicing industry. A number of smaller collection companies continue to operate in the community association market. Some have funded Accounts that we can acquire. Others have customer relationships which can serve as a valuable platform for selling our products. We will continue to explore opportunities to expand our footprint in both the states in which we operate and by looking to make strategic acquisitions in states we wish to expand to.

Employees

As of March 25, 2016, we had 22 employees, of which 22 are full-time.

Corporate Information

LM Funding, LLC, our wholly-owned subsidiary, was originally organized in January 2008 as a Florida limited liability company. In preparation for our initial public offering in October 2015, we were incorporated in Delaware on April 20, 2015. Upon completion of our initial public offering, we became the holding company of LM Funding, LLC. All of our business is conducted through LM Funding, LLC and its subsidiaries.

Item 1A. Risk Factors.

Risks Relating to Our Business

We may not be able to purchase Accounts at favorable prices, or on sufficiently favorable terms, or at all.

Our success depends upon the continued availability of Association Accounts. The availability of Accounts at favorable prices and on terms acceptable to us depends on a number of factors outside our control, including:

(i) the status of the economy and real estate market in markets which we have operations may become so strong that delinquent Accounts do not occur in sufficient quantities to efficiently acquire them;

(ii) the perceived need of Associations to sell their Accounts to us as opposed to taking other measures to solve budget problems such as increasing assessments; and

(iii) competitive pressures from law firms, collections agencies, and others to produce more revenue for Associations than we can provide through the purchase of Accounts.

In addition, our ability to purchase Accounts, in particular with respect to our original product, is reliant on state statutes allowing for a Super Lien Amount to protect our principal investment; any change of those statutes and elimination of the priority of the Super Lien Amount, particularly in Florida, could have an adverse effect on our ability to purchase Accounts. If we were unable to purchase Accounts at favorable prices or on terms acceptable to us, or at all, it would likely have a material adverse effect on our financial condition and results of operations.

Our quarterly operating results may fluctuate and cause our stock price to decline.

Because of the nature of our business, our quarterly operating results may fluctuate, which may adversely affect the market price of our common stock. Our results may fluctuate as a result of the following factors:

(i) the timing and amount of collections on our Account portfolio;

(ii) our inability to identify and acquire additional Accounts;

(iii) a decline in the value of our Account portfolio recoveries;

(iv) increases in operating expenses associated with the growth of our operations; and

(v) general, economic and real estate market conditions.

We may not be able to recover sufficient amounts on our Accounts to recover charges to the Accounts for interest and late fees necessary to fund our operations.

We acquire and collect on the delinquent receivables of Associations. Since Account debtors are third parties that we have little to no information about, we cannot predict when any given Account will pay off or how much it will yield. In order to operate profitably over the long term, we must continually purchase and collect on a sufficient volume of Accounts to generate revenue that exceeds our costs.

We are subject to intense competition seeking to provide a collection solution to Associations for delinquent Accounts.

Lawyers, collection agencies, and other direct and indirect competitors vying to collect on Accounts all propose to solve the problem delinquent Accounts pose to Associations. Additionally, Associations and their management companies sometimes try to solve their delinquent Account problems in house, without the assistance of third-party collection agencies. An Account that an Association attempts to collect through any of these other options is an Account we cannot purchase and collect. We compete on the basis of reputation, industry experience, performance and financing dollars. Some of these competitors have greater contacts with Associations, greater financial resources and access to capital, more personnel, wider geographic presence and other resources than we have. In addition, we expect the entry of new competitors in the future given the relatively new nature of the market in which we operate. Aggressive pricing by our competitors could raise the price of acquiring and purchasing Accounts above levels that we are willing to pay, which could reduce the number of Accounts suitable for us to purchase or if purchased by us, reduce the profits, if any, generated by such Accounts. If we are unable to purchase Accounts at favorable prices or at all, the revenues generated by us and our earnings could be materially reduced.

We are dependent upon third-party law firms to service our Accounts.

Although we utilize our proprietary software and in-house staff to track, monitor, and direct the collection of our Accounts, we depend upon third-party law firms to perform the collection work. As a result, we are dependent upon the efforts of our third-party law firms, particularly Business Law Group, P.A. ("BLG") to service and collect our Accounts. BLG presently services approximately 98% of our Accounts. Our revenues and profitability could be materially affected if:

(i) our agreements with the third-party law firms we use are terminated and we are not able to secure replacement law firms or direct payments from account debtors to our replacement law firms;

(ii) our relationships with our law firms adversely change;

(iii) our law firms fail to adequately perform their obligations; or

(iv) internal changes at such law firms occur, such as loss of staff who service us.

We may not be able to secure insurance to mitigate our risks.

In the past when the purchase price of an Account exceeds the amount protected by the Super Lien Amount, or if we purchased an Account in a jurisdiction without a super lien statute, we purchased insurance from AmTrust. This insurance formerly covered all principal assessments owed less the six month past-due assessment deductible for the term of the coverage. AmTrust was the only provider of such coverage, and it is not clear that any other insurance agency would be willing or able to provide such coverage at comparable rates to those offered by AmTrust. As of January 28th, 2016 AmTrust has advised us that they will not continue to offer the insurance coverage we have purchased from them in the past. They represented to us that the nonrenewal is due solely to the fact that they have not generated the premium volume they anticipated. Any newly purchased accounts will not be covered by this insurance policy. We may choose to seek alternative coverage in the future but insurability is not guaranteed.

If we are unable to access external sources of financing, we may not be able to fund and grow our operations.

We depend upon loans from external sources from time to time to fund and expand our operations. Our ability to grow our business is dependent on our access to additional financing and capital resources. The failure to obtain financing and capital as needed would limit our ability to purchase Accounts and achieve our growth plans.

In addition, some of our financing sources impose certain restrictive covenants, including financial covenants. Failure to satisfy any of these covenants could:

(i) cause our indebtedness to become immediately payable;

(ii) preclude us from further borrowings from these existing sources; and

(iii) prevent us from securing alternative sources of financing on favorable terms, if at all, necessary to purchase Accounts and operate our business.

We may not be successful at acquiring and collecting Accounts in other states profitably.

Our business strategy is dependent upon expanding our operations into other states and we have purchased and intend to continue to purchase Accounts in states in which we have little or no operating history. We may not be successful in acquiring any Accounts in these new markets and our limited experience in these markets may impair our ability to profitably or successfully collect the Accounts. This may cause us to overpay for these Accounts and consequently, fail to generate a profit from these Accounts. Our inability to acquire or profitably collect on Accounts in these states could have a material adverse effect on our financial condition and results of operations as we expand our business operations.

The Rodgers family will effectively control our company, substantially reducing the influence of our other stockholders.

Bruce M. Rodgers, our Chairman and Chief Executive Officer and his family, including trusts or custodial accounts of minor children of each of Mr. Rodgers and his wife Carollinn Gould, beneficially own in the aggregate more than 51% of our outstanding shares of common stock. As a result, the Rodgers family is able to significantly influence the actions that require stockholder approval, including the election of a majority of our directors and the approval of mergers, sales of assets or other corporate transactions or matters submitted for stockholder approval. As a result, our other stockholders may have little or no influence over matters submitted for stockholder approval. In addition, the Rodgers family's influence could deter or preclude any unsolicited acquisition of us and consequently materially adversely affect the price of our common stock.

We have experienced and expect to continue to experience significant growth and we may encounter difficulties managing our growth, which could disrupt our operations.

We have experienced significant growth since our inception, which has placed additional demands on our resources, and we expect to continue to experience significant growth. There can be no assurance that we will be able to manage our expanding operations effectively or that we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our ability to generate revenues and control expenses. Future growth will depend upon a number of factors, including:

(i) the effective and timely initiation and development of relationships with law firms, management companies, accounting firms and other trusted advisors of Associations willing to sell Accounts;

(ii) our ability to continue to develop our proprietary software for use in other markets and with different products;

(iii) our ability to maintain the collection of Accounts efficiently;

(iv) the recruitment, motivation and retention of qualified personnel both in our principal office and in new markets;

(v) our ability to successfully implement our business strategy in states outside of the state of Florida; and

(vi) our successful implementation of enhancements to our operational and financial systems.

Due to our limited financial resources and the limited experience of our management team, we may not be able to effectively manage the growth of our business. Our expected growth may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business strategy or disrupt our operations.

Government regulations may limit our ability to recover and enforce the collection of our Accounts.

Federal, state and municipal laws, rules, rules, regulations and ordinances may limit our ability to recover and enforce our rights with respect to the Accounts acquired by us. These laws include, but are not limited to, the following federal statutes and regulations promulgated thereunder and comparable statutes in states where account debtors reside and/or located:

(i) the Fair Debt Collection Practices Act;

(ii) the Federal Trade Commission Act;

(iii) the Truth-In-Lending Act;

(iv) the Fair Credit Billing Act;

(v) the Dodd-Frank Act;

(vi) the Equal Credit Opportunity Act; and

(vii) the Fair Credit Reporting Act.

We may be precluded from collecting Accounts we purchase where the Association or its prior legal counsel, management company, or collection agency failed to comply with applicable laws in charging the account debtor or prosecuting the collection of the Account. Laws relating to the collection of consumer debt also directly apply to our business. Our failure to comply with any laws applicable to us, including state licensing laws, could limit our ability to recover our Accounts and could subject us to fines and penalties, which could reduce our revenues.

We may become regulated under the Consumer Financial Protection Bureau, or CFPB, and have not developed compliance standards for such oversight.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (2010), or Dodd-Frank Act, represents a comprehensive overhaul of the financial services industry within the U.S. The Dodd-Frank Act allows consumers free access to their credit score if their score negatively affects them in a financial transaction or a hiring decision, and also gives consumers access to credit score disclosures as part of an adverse action and risk-based pricing notice. Title X of the Dodd-Frank Act establishes the Bureau of Consumer Financial Protection, or CFPB, within the Federal Reserve Board, and requires the CFPB and other federal agencies to implement many new and significant rules and regulations. Significant portions of the Dodd-Frank Act related to the CFPB became effective on July 21, 2011. The CFPB has broad powers to promulgate, administer and enforce consumer financial regulations, including those applicable to us and possibly our funded Associations. Under the Dodd-Frank Act, the CFPB is the principal supervisor and enforcer of federal consumer financial protection laws with respect to nondepository institutions, or "nonbanks", including, without limitation, any "covered person" who is a "larger participant" in a market for other consumer financial products or services. We do not know if our unique business model makes us a covered person.

The CFPB has started to exercise authority to define unfair, deceptive or abusive acts and practices and to require reports and conduct examinations of these entities for purposes of (i) assessing compliance with federal consumer financial protections laws; (ii) obtaining information about the activities and compliance systems or procedures of such entities; and (iii) detecting and assessing risks to consumers and to markets for consumer financial products and services. The exercise of this supervisory authority must be risk-based, meaning that the CFPB will identify nonbanks for examination based on the risk they pose to consumers, including consideration of the entity's asset size, transaction volume, risk to consumers, existing oversight by state authorities and any other factors that the CFPB determines to be relevant. When a nonbank is in violation of federal consumer financial protection laws, including the CFPB's own rules, the CFPB may pursue administrative proceedings or litigation to enforce those laws and rules. In these proceedings, the CFPB can obtain cease and desist orders, which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief, and monetary penalties ranging from $5,000 per day for ordinary violations of federal consumer financial protection laws to $25,000 per day for reckless violations and $1 million per day for knowing violations. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). If the CFPB or one or more state officials believe that we have committed a violation of the foregoing laws, they could exercise their enforcement powers in a manner that could have a material adverse effect on us.

At this time, we cannot predict the extent to which the Dodd-Frank Act or the resulting rules and regulations, including those of the CFPB, will impact the U.S. economy and our products and services. Compliance with these new laws and regulations may require changes in the way we conduct our business and could result in additional compliance costs, which could be significant and could adversely impact our results of operations, financial condition or liquidity.

Current and new laws may adversely affect our ability to collect our Accounts, which could adversely affect our revenues and earnings.

Because our Accounts are generally originated and collected pursuant to a variety of federal and state laws by a variety of third parties and may involve consumers in all 50 states, the District of Columbia and Puerto Rico, there can be no assurance that all Associations and their management companies, legal counsel, collections agencies and others have at all times been in compliance with all applicable laws relating to the collection of Accounts. Additionally, there can be no assurance that we or our law firms have been or will continue to be at all times in compliance with all applicable laws. Failure to comply with applicable laws could materially adversely affect our ability to collect our Accounts and could subject us to increased costs, fines, and penalties. Furthermore, changes in state law regarding the lien priority status of delinquent Association assessments could materially and adversely affect our business.

We may incur substantial indebtedness from time to time in connection with the purchase of Accounts and could be subject to risks associated with incurring such indebtedness, including:

(i) we could be required to dedicate a portion of our cash flows from operations to pay debt service costs and, as a result, we would have less funds available for operations, future acquisitions of Accounts, and other purposes;

(ii) it may be more difficult and expensive to obtain additional funds through financings, if such funds are available at all;

(iii) we could be more vulnerable to economic downturns and fluctuations in interest rates, less able to withstand competitive pressures and less flexible in reacting to changes in our industry and general economic conditions; and

(iv) if we default under any of our existing credit facilities or if our creditors demand payment of a portion or all of our indebtedness, we may not have sufficient funds to make such payments.

We have pledged substantially all of our assets to secure our borrowings.

Our existing indebtedness is, and any future indebtedness we incur may be, secured by substantially all of our assets. If we default under the indebtedness secured by our assets, the secured creditor could declare all of the indebtedness then outstanding to be immediately due and payable. If we were unable to pay such amounts, our assets would be available to the secured creditor to satisfy our obligations to the secured creditor.

We are subject to loan covenants that may restrict our ability to operate our business.

Our credit facilities impose certain restrictive covenants, including financial covenants, that restrict our ability to operate our business. Our credit facilities restrict us from undertaking additional indebtedness, a sale of substantially all of our assets, a merger, or other type of business consolidation. Failure to satisfy any of these covenants could result in all or any of the following:

(i) acceleration of the payment of our outstanding indebtedness;

(ii) cross defaults to and acceleration of the payment under other financing arrangements;

(iii) our inability to borrow additional amounts under our existing financing arrangements; and

(iv) our inability to secure financing on favorable terms or at all from alternative sources.

Class action suits and other litigation in our industry could divert our management's attention from operating our business and increase our expenses.

Certain originators and servicers involved in consumer credit collection have been subject to class actions and other litigation. Claims include failure to comply with applicable laws and regulations such as usury and improper or deceptive origination and collection practices. If we become a party to such class action suits or other litigation, our management's attention may be diverted from our everyday business activities and implementing our business strategy, and our results of operations and financial condition could be materially adversely affected.

Any future acquisitions that we make may prove unsuccessful or strain or divert our resources.

We may seek to grow through acquisitions of related businesses. Such acquisitions present risks that could materially adversely affect our business and financial performance, including:

(i) the diversion of our management's attention from our everyday business activities;

(ii) the assimilation of the operations and personnel of the acquired business;

(iii) the contingent and latent risks associated with the past operations of, and other unanticipated problems arising in, the acquired business; and

(iv) the need to expand our management, administration and operational systems to accommodate such acquired business.

If we make such acquisitions we cannot predict whether:

(i) we will be able to successfully integrate the operations of any new businesses into our business;

(ii) we will realize any anticipated benefits of completed acquisitions; or

(iii) there will be substantial unanticipated costs associated with such acquisitions.

In addition, future acquisitions by us may result in potentially dilutive issuances of our equity securities, the incurrence of additional debt, and the recognition of significant charges for depreciation and amortization related to goodwill and other intangible assets.

Although we have no definitive plans or intentions to make acquisitions of related businesses, we continuously evaluate such potential acquisitions. However, we have not reached any agreement or arrangement with respect to any particular acquisition and we may not be able to complete any acquisitions on favorable terms or at all.

Our investments in other businesses and entry into new business ventures may adversely affect our operations.

We have made and may continue to make investments in companies or commence operations in businesses and industries that are not identical to those with which we have historically been successful. If these investments or arrangements are not successful, our earnings could be materially adversely affected by increased expenses and decreased revenues.

If our technology and software systems are not operational, our operations could be disrupted and our ability to successfully acquire and collect Accounts could be adversely affected.

Our success depends in part on our proprietary software. We must record and process significant amounts of data quickly and accurately to properly track, monitor and collect our Accounts. Any failure of our information systems and their backup systems would interrupt our operations. We may not have adequate backup arrangements for all of our operations and we may incur significant losses if an outage occurs. In addition, we rely on third-party law firms who also may be adversely affected in the event of an outage in which the third-party servicer does not have adequate backup arrangements. Any interruption in our operations or our third-party law firms' operations could have an adverse effect on our results of operations and financial condition.

Our organizational documents and Delaware law may make it harder for us to be acquired without the consent and cooperation of our Board of Directors and management.

Certain provisions of our organizational documents and Delaware law may deter or prevent a takeover attempt, including a takeover attempt in which the potential purchaser offers to pay a per share price greater than the current market price of our common stock. Under the terms of our certificate of incorporation, our Board of Directors has the authority, without further action by our stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. In addition, our directors serve staggered terms of one to three years each and, as such, at any given annual meeting of our stockholders, only a portion of our Board of Directors may be considered for election, which may prevent our stockholders from replacing a majority of our Board of Directors at certain annual meetings and may entrench our management and discourage unsolicited stockholder proposals. The ability to issue shares of preferred stock could tend to discourage takeover or acquisition proposals not supported by our current Board of Directors.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market could cause a decrease in the market price of our common stock. We had 3,300,000 shares of common stock issued and outstanding as of December 31, 2015. We may issue additional shares in connection with our business and may grant stock options to our employees, officers, directors and consultants under our stock option plans or warrants to third parties. If a significant portion of these shares were sold in the public market, the market value of our common stock could be adversely affected.

We have limited experience with the performance of our New Neighbor Guaranty program and actual results may differ from our models and projections.

Our business strategy is dependent upon expanded use of our New Neighbor Guaranty program. Although our original product continues to generate revenue, we have experienced issues with turnover on the boards of directors of Associations we service because the new board members fail to recognize the benefit of our original product. We have limited operating history with the New Neighbor Guaranty program and we will not have sufficient actual performance data regarding the New Neighbor Guaranty program for at least several more years, if ever. If our models and projections for the New Neighbor Guaranty program are overstated, use of the New Neighbor Guaranty program may impair our ability to operate profitably. Our inability to profit from our New Neighbor Guaranty Accounts could have a material adverse effect on our financial condition and results of operations as we attempt to expand our business operations.

Risks Relating to the Accounts

Insolvency of BLG could have a material adverse effect on our financial condition, results of operations and cash flows.

Our primary Account servicer, BLG, deposits collections on the Accounts in its Interest on Lawyers Trust Account ("IOLTA Trust Account") and then distributes the proceeds to itself, us and the Associations pursuant to the terms of the purchase agreements with the Associations and applicable law. We do not have a perfected security interest in the amounts BLG collects on the Accounts while such amounts are held in the IOLTA Trust Account. BLG has agreed to promptly remit to us all amounts collected on the Accounts that are owed to us. If, however, BLG were to become subject to any insolvency law and a creditor or trustee-in-bankruptcy of BLG were to take the position that proceeds of the Accounts held in BLG's IOLTA Trust Account should be treated as assets of BLG, an Association or another third party, delays in payments from collections on the Accounts held by BLG could occur or reductions in the amounts of payments to be remitted by BLG to us could result, which could adversely affect our financial condition, results of operations and cash flows.

Associations do not make any guarantee with respect to the validity, enforceability or collectability of the Accounts acquired by us.

Associations do not make any representations, warranties or covenants with respect to the validity, enforceability or collectability of Accounts in their assignments of Accounts to us. If an Account proves to be invalid, unenforceable or otherwise generally uncollectible, we will not have any recourse against the respective Association. If a significant number of our Accounts are later held to be invalid, unenforceable or are otherwise uncollectible, our financial condition, results of operations and cash flows could be adversely affected.

The vast majority of our Accounts are located in Florida, and any adverse conditions affecting Florida could have a material adverse effect on our financial condition and results of operations.

Our primary business relates to revenues from Accounts purchased by us, which are almost all based in Florida, and our primary source of revenue consists of payments made by condominium and home owners to satisfy the liens against their condominiums and homes. As of December 31, 2014 and December 31, 2015, Florida represented 99% and 99%, respectively, of our Accounts. An economic recession, adverse market conditions in Florida, and/or significant property damage caused by hurricanes, tornadoes or other inclement weather could adversely affect the ability of these condominium and home owners to satisfy the liens against their condominiums and homes, which could, in turn, have a material adverse effect on our financial condition and results of operations.

Foreclosure on an Association's lien may not result in the Company recouping the amount that we invested in the related Account.

All of the Accounts purchased by us are in default. The Accounts are secured by liens held by Associations, which we have an option to foreclose upon on behalf of the Associations. Should we foreclose upon such a lien on behalf of an Association, we are generally entitled pursuant to our contractual arrangements with the Association to have the Association quitclaim its interests in the condominium unit or home to us. In the event that any Association quitclaims its interests in a condominium unit or home to us, we will be relying on the short-term rental prospects, to the extent permitted under bylaws and rules applicable to the Association, and value of its interest in the underlying property, which value may be affected by numerous risks, including:

(i) changes in general or local economic conditions;

(ii) neighborhood values;

(iii) interest rates;

(iv) real estate tax rates and other operating expenses;

(v) the possibility of overbuilding of similar properties and of the inability to obtain or maintain full occupancy of the properties;

(vi) governmental rules and fiscal policies;

(vii) acts of God; and

(viii) other factors which are beyond our control.

It is possible that as a result of a decrease in the value of the property or any of the other factors referred to in this paragraph, the amount realized from the sale of such property after taking title through a lien foreclosure may be less than our total investment in the Account. If this occurs with regard to a substantial number of Accounts, the amount expected to be realized from the Accounts will decrease and our financial condition and results of operations could be harmed.

If Account debtors or their agents make payments on the Accounts to or negotiate reductions in the Accounts with an Association, it could adversely affect our financial condition, results of operations and cash flows.

From time to time account debtors and/or their agents may make payments on the Accounts directly to the Association or its management company. Our sole recourse in this instance is to recover these misapplied payments through set-offs of payments later collected for that Association by our third-party law firms. A significant number of misapplied or reduced payments could hinder our cash flows and adversely affect our financial condition and results of operations.

Account debtors are subject to a variety of factors that may adversely affect their payment ability.

Collections on the Accounts have varied and may in the future vary greatly in both timing and amount from the payments actually due on the Accounts due to a variety of economic, social and other factors. Failures by account debtors to timely pay off their Accounts could adversely affect our financial condition, results of operations and cash flows.

Defaults on the Accounts could harm our financial condition, results of operations and cash flows.

We take assignments of the lien foreclosure rights of Associations against delinquent units owned by account debtors who are responsible for payment of the Accounts. The payoff of the Accounts is dependent upon the ability and willingness of the condominium and home owners to pay such obligations. If an owner fails to pay off the Account relating to his, her or its unit or home, only net amounts, if any, recovered will be available with respect to that Account. Foreclosures by holders of first mortgages generally result in our receipt of reduced recoveries from Accounts. In addition, foreclosure actions by any holder of a tax lien may result in us receiving no recovery from an Account to the extent excess proceeds from such tax lien foreclosure are insufficient to provide for payment to us. If, at any time, (i) we experience an increase in mortgage foreclosures or tax lien foreclosures or (ii) we experience a decrease in owner payments, our financial condition, results of operations and cash flows could be adversely affected.

We depend on the skill and diligence of third parties to collect the Accounts.

Because the collection of Accounts requires special skill and diligence, any failure of BLG, or any other law firm utilized by us, to diligently collect the Accounts could adversely affect our financial condition, results of operations and cash flows.

The payoff amounts received by us from Accounts may be adversely affected due to a variety of factors beyond our control.

Several factors may reduce the amount that can be collected on any individual Account. The delinquent assessments that are the subject of the Accounts and related charges are included within an Association's claim of lien under the applicable statute. In Florida, Association liens are recorded in the official county records and hold first priority status with respect to a first mortgage holder for an amount equal to the Super Lien Amount. Associations have assigned to us the right to direct law firms to collect on the liens and foreclose, subject to the terms and conditions of the purchase agreements between each Association and us.

Each Account presents a separate risk as to the creditworthiness of the debtor obligated to pay the Account, which, in general, is the owner of the unit or home when the Account was incurred and subsequent owners. For instance, if the debtor has incurred a property tax lien, a sale related to such lien could result in our complete loss of the Account. Also, a holder of a first mortgage taking title through a foreclosure proceeding in which the Association is named as a defendant must only pay the Super Lien Amount in a state with a super lien statute. Although we purchase Accounts at a discount to the outstanding balance and the owner remains personally liable for any deficiency, we may decide that it is not cost-effective to pursue such a deficiency. As a result, the purchase or ownership of a significant number of Accounts which result in payment of only the Super Lien Amount or less where no statute specifying a Super Lien Amount applies, could adversely affect our financial condition and results of operations.

The liens securing the Accounts we own may not be superior to all liens on the related units and homes.

Although the liens of the Associations securing the Accounts may be superior in right of payment to some of the other liens on a condominium unit or home, they may not be superior to all liens on that condominium unit or home. For instance, a lien relating to delinquent property taxes would be superior in right of payment to the liens securing the Accounts. In addition, if an Association fails to assert the priority of its lien in a foreclosure action, the Association may inadvertently waive the priority of its lien. In the event that there is a lien of superior priority on a unit or home relating to one of the Accounts, the Association's lien might be extinguished in the event that such superior liens are foreclosed. In most instances, the unit or home owner will be liable for the payment of such Account and the ultimate payment would depend on the creditworthiness of such owner. In the case of a tax lien foreclosure, an owner taking title through foreclosure would not be liable for the payment of obligations that existed prior to the foreclosure sale. The purchase or ownership of a significant number of Accounts that are the subject of foreclosure by a superior lien could adversely affect our financial condition, results of operations and cash flows.

We may not choose to pursue a foreclosure action against condominium and home owners who are delinquent in paying off the Accounts relating to their units or homes.

Although we have the right to pursue a foreclosure action against a unit or home owner who is delinquent in paying off the Account relating to his or her unit or home, we may not choose to do so as the cost of such litigation may be prohibitive, especially when pursuing an individual claim against a single unit or home owner. Our choice not to foreclose on a unit or home may delay our ability to collect on the Account. If we decide not to pursue foreclosure against a significant number of Accounts, it could adversely affect our financial condition, results of operations and cash flows.

The holding period for our Accounts from purchase to payoff is indeterminate.

It can take our third-party law firms anywhere from three months to four years or longer to collect on an Account. Approximately 75% of our Accounts were purchased prior to 2013, with some being purchased as early as 2008. Due to various factors, including those discussed above, we cannot project the payoff date for any Account. This indeterminate holding period reduces our liquidity and ability to fund our operations. If our ability to collect on a material number of Accounts was significantly delayed, it could adversely affect our cash flows and ability to fund our operations.

Our business model and related accounting treatment may result in acceleration of expense recognition before the corresponding revenues can be recognized.

As we expand our business, we may incur significant upfront costs relating to the acquisition of Accounts. Under United States generally accepted accounting principles ("GAAP") such amounts may be required to be recognized in the period that they are expended. However, the corresponding revenue stream relating to the acquisition of such Accounts will not be recognized until future dates. Therefore, we may experience reduced earnings in earlier periods until such time as the revenue stream relating to the acquisition of such Accounts may be recognized.

Risks Relating to our Securities

Future sales of our common stock by our affiliates or other stockholders may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market could cause a decrease in the market price of our common stock. We had authorized 10,000,000 and 5,000,000 shares of common stock and preferred stock, respectively as of December 31, 2015. We had 3,300,000 shares of common stock issued and outstanding as of December 31, 2015. In addition, pursuant to our 2015 Omnibus Incentive Plan, options to purchase 94,500 shares of our common stock were outstanding as of December 31, 2015, of which 8,663 were exercisable. Lastly, there are 1,200,000 warrants issued and outstanding as of December 31, 2015. We may also issue additional shares in connection with our business and may grant additional stock options or restricted shares to our employees, officers, directors and consultants under our present or future equity compensation plans or we may issue warrants to third parties outside of such plans. If a significant portion of these shares were sold in the public market, the market value of our common stock could be adversely affected.

The market price and trading volume of our units, shares of common stock and warrants may be volatile, and you may not be able to resell your shares of common stock or warrants (as the case may be) at or above the price you paid for them.

Our securities may trade at prices significantly below the price you paid for it in which case, holders of our securities may experience difficulty in reselling, or an inability to sell, our securities. In addition, when the market price of a company's equity drops significantly, equity holders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources away from the day-to-day operations of our business.

We are a "controlled company" within the meaning of the rules of The NASDAQ Capital Market and, as a result, expect to qualify for, and may to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Entities controlled by Bruce M. Rodgers, our Chairman and Chief Executive Officer, and Carollinn Gould, our Vice President-General Manager and director, control a majority of the voting power of our common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards of The NASDAQ Capital Market. Under NASDAQ Capital Market rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

We elected to utilize some of these exemptions, namely the exemption relating to the requirement to have all independent directors on the nominating and corporate governance committee. We may also elect to utilize other exemptions in the future so long as we continue to qualify as a "controlled company." If we utilize these exemptions we may not have a majority of independent directors and our nominating and corporate governance and compensation committees will not consist entirely of independent directors and such committees will not be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of The NASDAQ Capital Market.

We will incur increased costs as a result of being a public company.

As a public company, the Sarbanes-Oxley Act and related rules and regulations of the SEC and the various trading markets (including The NASDAQ Capital Market) regulate the corporate governance practices of public companies. Compliance with these requirements will increase our expenses and make some activities more time consuming than they have been in the past when we were a private company. Such additional costs going forward could negatively impact our financial condition and results of operations.

Securities analysts may not initiate coverage of our securities or may issue negative reports, which may adversely affect the trading price of our securities.

We cannot assure you that securities analysts will cover our company. As of December 31, 2015, no securities analyst cover our company. If securities analysts do not cover our company, this lack of coverage may adversely affect the trading price of our securities. The trading market for our securities will rely in part on the research and reports that securities analysts publish about us and our business. If one or more of the analysts who cover our company downgrades our securities, the trading price of our securities may decline. If one or more of these analysts ceases to cover our company, we could lose visibility in the market, which, in turn, could also cause the trading price of our securities to decline. Further, because of our small market capitalization, it may be difficult for us to attract securities analysts to cover our company, which could significantly and adversely affect the trading price of our securities.

If we do not maintain an effective registration statement, you may not be able to exercise the warrants in a cash exercise.

For you to be able to exercise the warrants, the resale of the shares of common stock to be issued to you upon exercise of the warrants must be covered by an effective and current registration statement. We cannot guarantee that we will continue to maintain a current registration statement relating to the resale of the shares of common stock underlying the warrants. In such circumstances, you would be unable to exercise the warrants in a cash exercise and will be required to engage in a cashless exercise in which a number of warrant shares equal to the fair market value of the exercised shares will be withheld. In those circumstances, we may, but are not required to, redeem the warrants by payment in cash. Consequently, there is a possibility that you will never be able to exercise the warrants and receive the underlying shares of common stock. This potential inability to exercise the warrants in a cash exercise, our right to cancel the warrants under certain circumstances, and the possibility that we may redeem the warrants for nominal value, may have an adverse effect on demand for the warrants and the prices that can be obtained from reselling them.

We are an "emerging growth company" and the reduced disclosure requirements applicable to emerging growth companies may make our securities less attractive to investors.

We are an "emerging growth company," or EGC, as defined in the JOBS Act. We will remain an EGC until the earlier of: (i) the last day of the fiscal year in which we have total annual gross revenues of $1 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of our initial public stock offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC, which means the first day of the year following the first year in which the market value of our common stock that is held by non-affiliates exceeds $700 million as of June 30. For so long as we remain an EGC, we are permitted to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation;
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved; and
- the ability to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We may choose to take advantage of some or all of the available exemptions. We have taken advantage of reduced reporting burdens in this report. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock. We cannot predict whether investors will find our warrants or common stock less attractive if we rely on certain or all of these exemptions. If some investors find our warrants or common stock less attractive as a result, there may be a less active trading market for our warrants or common stock and the price of our warrants or common stock may be more volatile.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

Our executive and administrative offices are located in Tampa, Florida, where we lease approximately 11,000 square feet of general office space for approximately $14,000 per month, plus utilities. The lease was renewed March 2, 2014 and expires on July 31, 2019.

We believe that our existing facilities are adequate for our current needs.

Item 3. Legal Proceedings.

Other than the lawsuits described below, we are not currently a party to material litigation proceedings. However, we frequently become party to litigation incident to the ordinary course of business, including either the prosecution or defense of claims arising from contracts by and between us and client Associations. Regardless of the outcome, litigation can have an adverse impact on us because of prosecution, defense and settlement costs, diversion of management resources and other factors.

Solaris at Brickell Bay Condominium Association, Inc. v. LM Funding, LLC, Case No: 2014-20043-C, was brought before the Circuit Court of the Eleventh Judicial Circuit, Miami-Dade Civil Division on July 31, 2014. On May 4, 2011, we entered into a Delinquent Assessments Proceeds Purchase Agreement with the plaintiff (the "Solaris Agreement"). On February 13, 2014, the plaintiff notified us of its intent to rescind the Solaris Agreement, claiming that we had failed to foreclose on Accounts assigned to us under the Solaris Agreement. In response, we requested that the plaintiff pay amounts we believe to be owed to us under the Solaris Agreement. In its complaint, the plaintiff alleges claims such as a usurious loan transaction, state and federal civil Racketeer

Influenced and Corrupt Organization Act claims, Florida Deceptive and Unfair Trade Practices Act ("FDUTPA") violations and other related claims. The plaintiff has requested rescission of the Solaris Agreement, forfeiture of all amounts lent by us to the plaintiff, a declaratory judgment that we have violated FDUTPA, other damages for breach of contract and violations of FDUTPA and attorneys' fees. We believe these claims are without merit and we have counterclaimed for breach of contract, unjust enrichment, and other claims in the alternative. In the third quarter of 2015, we were successful in having the majority of the plaintiff's claims against us dismissed. The plaintiff has since refiled a similar styled complaint and we are likewise seeking a dismissal of those allegations. The outcome of this litigation is indeterminate at this time and litigation remains ongoing.

Wilmington Savings Fund Society FSB v. Business Law Group PA, LM Funding, LLC, Bruce Rodgers, Case No. 15-CA-009871, was brought before the Thirteenth Judicial Circuit Court for Hillsborough County Florida on October 29th, 2015. LM Funding, LLC received service on November 16, 2015. Plaintiff as trustee brought an action against Business Law Group, P.A., LM Funding, LLC, and Bruce Rodgers individually, alleging broad interactions with only Business Law Group, surrounding a dispute arising in the normal course of litigation. Plaintiff alleges against all parties claims such as violations of FDUTPA, unjust enrichment, and civil conspiracy. The plaintiff has requested declaratory relief that we have violated portions of FDUTPA, restitution, and additional monetary damages, and alleges that it is a proper plaintiff to represent a putative class. We believe these claims are without merit and plan to pursue all remedies available against plaintiff. This litigation is in its early stages and the outcome is indeterminate at this time.

Item 4. Mine Safety Disclosures.

None

PART II

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

Following our initial public offering, our units, consisting of one share of our common stock and one warrant to purchase one share of our comment stock, were quoted on the NASDAQ Capital Market under the symbol "LMFAU" until they ceased trading on December 7, 2015.

Effective December 8, 2015, our common stock and common stock warrants became separately quoted on the NASDAQ Capital Market under the symbols "LMFA" and "LMFAW," respectively. On December 31, 2015 there was 1 holder of record of our common stock and 1 holder of record of our common stock warrants.

Dividends

Future dividend payments will be at the discretion of our board of directors and will depend upon our financial condition, operating results, capital requirements and any other factors our board of directors deems relevant. In addition, our agreements with our lender may, from time to time, restrict our ability to pay dividends. Currently there are no restrictions in place. The Company did not declare any dividends for fiscal years 2015 and 2014.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer

None.

Use of Proceeds from Initial Public Offering

On October 23, 2015, we closed the initial public offering of our units, each consisting of one share of common stock and one warrant to purchase one share of common stock. We issued and sold the minimum of 1,200,000 units at a public offering price of $10.00 per unit.

The offer and sale of up to 2,000,000 units in the offering were registered under the Securities Act of 1933, as amended, pursuant to a registration statement on Form S-1 (File No. 333-205232), which was declared effective by the SEC on October 21, 2015. Following the sale of the shares in connection with the closing of our initial public offering, [the offering was terminated]. International Assets Advisory, LLC acted as the lead placement agent in the offering.

We received aggregate gross proceeds from the offering of $12 million, or aggregate net proceeds of $9.6 million after deducting placement agent fees of $0.9 million and related offering costs of $1.5 million. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

As of December 31, 2015, we have used $0.6 million of the net proceeds including repurchase of non-controlling interest ($.25 million) repayment of debt ($0.21 million), funding of our original product ($.01 million), funding of our New Neighbor Guaranty program ($0.09 million) and real estate owned investments ($0.05 million). The remainder of the funds have been invested in accordance with our investment policy.

Item 6. Selected Financial Data

Not applicable

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

Forward-Looking Statements

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this Annual Report on Form 10-K, including without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expects,” “intends,” “plans,” “projects,” “estimates,” “anticipates,” “believes” or the negative thereof or any variation thereon or similar terminology or expressions.

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Important factors which could materially affect our results and our future performance include, without limitation, our ability to purchase defaulted consumer receivables at appropriate prices, changes in government regulations that affect our ability to collect sufficient amounts on our defaulted consumer receivables, our ability to employ and retain qualified employees, changes in the credit or capital markets, changes in interest rates, deterioration in economic conditions, and negative press regarding the debt collection industry which may have a negative impact on a debtor’s willingness to pay the debt we acquire, as well as other factors set forth under “Risk Factors” in this report.

Except as required by law, we assume no duty to update or revise any forward-looking statements.

Overview

We are a specialty finance company that provides funding to nonprofit community associations primarily located in the state of Florida and, to a lesser extent, nonprofit community associations in the states of Washington and Colorado and since February 2016 Illinois. We offer incorporated nonprofit community associations, which we refer to as “Associations,” a variety of financial products customized to each Association’s financial needs. Our original product offering consists of providing funding to Associations by purchasing their rights under delinquent accounts that are selected by the Associations arising from unpaid Association assessments. We provide funding against such delinquent accounts, which we refer to as “Accounts,” in exchange for a portion of the proceeds collected by the Associations from the account debtors on the Accounts. More recently, we have started to engage in the business of purchasing Accounts on varying terms tailored to suit each Association’s financial needs, including under our *New Neighbor Guaranty* program. We believe that revenues from the *New Neighbor Guaranty* program, as well as other similar products we may develop in the future, will comprise an increasingly larger piece of our business during future quarters. We intend to leverage these products to expand our business activities and grow both in and outside of the states in which we currently operate.

Because of our role as a trusted advisor to our client community association, we are exploring a potential product line which resembles a more traditional consulting model for associations desirous of this relationship. Areas of our consultancy may include purchase money mortgage qualification consulting, accounts receivable management, reserve study recommendations, and property tax assessed value analysis. In the event we move forward with this new product line, we will seek to provide services and advice inside of our core competency of community association finance in an effort to drive demand for our financial products.

In our original product offering, we typically purchase an Association’s right to receive a portion of the proceeds collected from delinquent unit owners. Once under contract, we engage law firms, typically on behalf of our Association clients, pursuant to a power of attorney, to perform collection work on delinquent unit accounts. Our law firms typically handle collection matters on a deferred billing basis whereby payment is received upon collection from the delinquent unit account debtors or at a predetermined contractual rate if amounts collected from delinquent unit account debtors are less than legal fees and costs incurred. We typically fund an amount less than or equal to the Super Lien Amount an Association would recover at some point in the future based on the Association’s statutory lien priority. Upon collection of an Account, the law firm retained for the collection matter distributes proceeds pursuant to the terms of the agreement by and between the Association and us. Not all agreements are the same, but a typical payoff distribution will result in us first recovering amounts advanced to the Association, interest, late fees, and costs advanced, with legal fees kept by the retained law firm, and assessment amounts remitted to the Association client. In connection with our business, we have developed proprietary software for servicing Accounts, which we believe enables law firms to service Accounts efficiently and profitably.

Under the *New Neighbor Guaranty* program, an Association will generally assign substantially al l of its outstanding indebtedness and accruals on its delinquent units to us in exchange for payment by us of an amount less than or equal to the monthly assessment payment for each assigned delinquent unit account. This simultaneously eliminates a substantial portion of the Association's balance sheet bad debts and assists the Association in meeting its budget by both guaranteeing periodic revenues and relieving the Association of its legal fee and cost burden typically incurred to collect bad debts.

In our initial underwriting of an Association and its individual Accounts, we review the property values of the underlying units, the governing documents of the Association, the total number of delinquent receivables held by the Association, the legal proceedings instituted and many other factors. While we are relatively certain of the actions necessary to produce a revenue event, we cannot predict when an individual delinquent unit account will have a revenue event or payoff.

Corporate History and Reorganization

The Company was originally organized in January 2008 as a Florida limited liability company under the name LM Funding, LLC ("Company"). All of our business is conducted through the Company and its subsidiaries. Immediately prior to our initial public offering, the members of the Company contributed all of their membership interests to LM Funding America, Inc., a Delaware corporation incorporated on April 20, 2015 ("LMFA"), in exchange for an aggregate of 2,100,000 shares of the common stock of LMFA (the "Corporate Reorganization"). Immediately after such contribution and exchange, the former members of the Company became the holders of 100% of the issued and outstanding common stock of LMFA, thereby making the Company a wholly-owned subsidiary of LMFA. As used in this discussion and analysis, unless the context requires otherwise, references to "LMF," "LM Funding," "we," "us," "our," "the Company," "our company," and similar references refer to (i) following the date of the Corporate Reorganization, LM Funding America, Inc., a Delaware corporation, and its consolidated subsidiaries, and (ii) prior to the date of the Corporate Reorganization, LM Funding, LLC, a Florida limited liability company, and its consolidated subsidiaries.

Results of Operations

The Year Ended December 31, 2015 compared with the Year Ended December 31, 2014

Revenues

During the year ended December 31, 2015, total revenues decreased $0.7 million, or 9.0%, to $7.0 million from $7.6 million in the year ended December 31, 2014. This is primarily driven by a decrease in payoff occurrences of 10.5%. We recorded approximately 1,476 payoff occurrences for the year ended December 31, 2015 compared with 1,649 payoff occurrences for the year ended December 31, 2014.

These decreases were offset by an increase of $0.2 million related to recoveries in excess of cost on payoffs related to our New Neighbor Guaranty program. Amounts funded under this product vary at the time of purchase in amount due, age, previous collection efforts, and value of the underlying real estate securing the receivable. We also saw an increase in rental revenue in the year ended December 31, 2015 of $0.05 million to $0.18 million from $0.13 million for the year ended December 31, 2014. This increase in revenue was mainly attributed to an increase in rental units in our portfolio as we held 43 rental units as of December 31, 2015 compared with 25 units as of December 31, 2014. Lastly, in 2015 the Company acquired multiple REO property titles free and clear resulting in the recognition of revenue in the amount of approximately $0.2 million.

Operating Expenses

During the year ended December 31, 2015, overall operating expenses were increased to $4.5 million from $4.1 million for the year ended December 31, 2014. The increase in operating expenses is mainly attributed to recognition of estimated credit loss reserve of $0.13 million for the year ended December 31, 2015. No estimated credit losses were recognized for the year ended December 31, 2014. We realized a reduction in collection cost of $0.51 million, or 71.1%, to $0.2 million for the year ended December 31, 2015 from $0.7 million for the year ended December 31, 2014. This is primarily driven by a new agreement between Business Law Group, P.A. ("BLG") and us effective January 1, 2015 where any recovery of collection costs paid by the Company are accounted for as a reduction in expense. In 2014, the money that was received on settlement related to the costs was awarded to BLG. Most of the collection costs were incurred in the third and fourth quarter of the year. This was due to collection efforts at the end of the third quarter and throughout the fourth quarter in expectation of the completion of our initial public offering ("IPO"). Historically collection events trail collection expense by 6-12 months. These decreases in expense were offset by increases in legal fees related to our collection events. In the ordinary course of our business, we are involved in numerous legal proceedings. We regularly initiate collection lawsuits on behalf of our association clients, using our network of third party law firms, against both consumers and non-consumer debtors. In addition, debtors occasionally initiate litigation against us. The settlement costs of these lawsuits increased by $0.4 million to $0.8 million in 2015 from $0.4 million in 2014. Lastly, professional fees increased for the year ended December 31, 2015 by 35.15% to $0.8 million from $0.6 million for the year ended December 31, 2014.

Interest Expense

During the year ended December 31, 2015, interest expense decreased $0.3 million, or 27.18%, to $0.7 million from $1.0 million for the year ended December 31, 2014. This decrease is attributable to our refinancing of $7.432 million of indebtedness in December 2014 at 8% interest. Prior to the refinancing of this debt, the company had outstanding debt at interest rates of approximately 16% and 10%. As of December 31, 2015 the company had debt at interest rates of approximately 6% and 8%.

Net Income

During the year ended December 31, 2015, net income decreased $0.7 million, or 27.3%, to $1.7 million from $2.4 million for the year ended December 31, 2014.

Also contributing to the overall decrease in net income were several expenses incurred in 2015 related to the Company's IPO that were not capitalizable and/or costs associated with being a public company. For example, expenses in the amount of $.05 million for professional services as a result of going public included costs for Liolios Group, our [investment relations], RR Donnelley, [our financial printer,] Skoda Minotti, our [independent auditors], Nasdaq, and American Stock Transfer and Trust Co., our transfer agent. We also incurred increased professional insurance expense in the amount of $0.06 million related to directors and officers insurance beginning in the second quarter of 2015. In addition, following our IPO, we inured expenses related to the salaries of our CEO and General Manager of approximately $0.1 million whereas prior to the IPO, these individuals received periodic draws in lieu of a salary. Lastly, pursuant to our new service agreement with BLG, which was effective as of the closing of our IPO, we are now required to pay BLG a monthly fee of $7,000 for legal services as well as $700 for each occurrence where BLG receives no payment from a delinquent unit owner, which resulted in payments of approximately $0.1 million for the year ended December 21, 2015.

Liquidity and Capital Resources

General

As of December 31, 2015, we had cash and cash equivalents of $9.0 million compared with $2.0 million at December 31, 2014. The increase in cash is due to increases in net cash from operations of $2.3 million, net cash of $0.9 million from investing activities and net cash of $3.7 million from financing activities.

Cash from Operations

Net cash from operations was $2.3 million during the year ended December 31, 2015 compared with $2.4 during the year ended December 31, 2014. This was primarily driven by the decrease in net income for 2015 compared with 2014. For the year ended December 31, 2015, these movements accounted for a decrease in cash of $(0.50 million). The decrease in revenue was offset by a decrease in operating expenses of approximately $0.50 million.

Cash from Investing Activities

Net cash from investing activities was $9.3 million for 2015 compared to $1.1 million for 2014. This was due in part to us collecting more Accounts than we were invested in for the year. As of December 31, 2015, our finance receivables fell by $1.2 million as compared to December 31, 2014. The decline was attributed to the lack of capital needed to invest in new accounts. Our primary business relies on our ability to invest in units, and during the year ended December 31, 2015, this balance decreased from the year ended December 31, 2014. This balance has been in consistent decline since 2012. This balance is very susceptible to housing market fluctuations, but as our current market penetration is less than 1% in Florida. We believe there is still a large untapped market for our product offerings to grow in Florida and elsewhere. Related to our original product, for the year ended December 31, 2015, we acquired 233 accounts for $0.17 million compared with 496 accounts for $0.36 million for the year ended December 31, 2014. Related to our New Neighbor Guaranty product for the year ended December 31, 2015, we acquired 97 new accounts and made a total investment of $0.11 million compared with 67 new accounts and total investment of $0.02 million in the year ended December 31, 2014.

Cash from Financing Activities

As a result of the initial public offering on October 23, 2015, the Company received proceeds in the amount of $9.6 million net of any offering related expenses.

As of December 31, 2015, indebtedness of the Company was $7.7 million compared with $7.4 million on December 31, 2014. On December 30, 2014, we entered into a Credit Agreement with a financial institution through our then 95% owned subsidiary LMF SPE#2, LLC, as "borrower" and the Company and its members as "guarantors". Under the terms of this agreement, LMF SPE#2, LLC issued a promissory note totaling $7,431,938. Proceeds from this note were used to pay off all outstanding indebtedness of the Company at that time.

On January 26, 2015, LMF October 2010 Fund, LLC borrowed $2 million on a three year term from a private lender. This note bore interest at 14% per annum and was collateralized by all of the accounts receivable, contract rights and lien rights arising from or relating to collection of Association payments made by us relating to 1,067 Accounts as well as all deposit accounts and cash of LMF October 2010 Fund, LLC. The Company and its members guaranteed this loan. This loan amortized in 36 equal installments of principal and interest commencing February 26, 2015. The proceeds of this loan were used to redeem the membership interests of the Company beneficially owned by Frank C. Silcox. This note was retired without prepayment penalty on July 31, 2015.

On July 1, 2015, our subsidiary, LMF October 2010 Fund, LLC, borrowed from Iberiabank $1.8 million on a 29-month term under a loan agreement dated June 25, 2015. This note bears interest at 6% plus the LIBOR Base Rate published in the Wall Street Journal per annum and is collateralized by all of the accounts receivable, contract rights and lien rights arising from or relating to collection of payments made by us relating to 860 Accounts as well as all deposit accounts and cash of LMF October 2010 Fund, LLC. The Rodgers family guaranteed this loan. This loan amortizes in 29 equal installments of principal and interest commencing July 25, 2015. The proceeds from this loan were used to pay off a promissory note that accrued interest at 14% with a balance of $1,777,778 and accrued interest of $21,432 at June 30, 2015.

Effective November 1, 2015, LM Funding America, Inc. purchased for $250,000 the outstanding 5% ownership in its subsidiary LMF SPE #2 held by CRE Funding, LLC.

Debt of the Company consisted of the following at December 31, 2015 and 2014:

	Year ended December 31, 2015	2014
Financing agreement with FlatIron capital. Down payment of $16,500 was required upfront and equal installment payments of $9,610 to be made over a 10 month period. Annualized interest is 5.25%	$ 48,050	$ —
Promissory note issued to a financial institution, bearing interest at 8%, interest payable monthly and principal payments due quarterly. Secured by all of the Company's rights, title, interest, claims and demands associated with 2,190 condominium units held in LMF SPE #2, LLC and all cash held in LMF SPE #2, LLC. Accrued but unpaid interest is due monthly beginning January 29, 2015. Installment of principal and interest are due quarterly commencing on April 5, 2015. Note matures on December 30, 2017 and can be prepaid at any time without penalty.	6,241,555	7,431,938
Promissory note issued to Iberiabank financial institution, bearing interest at 6%, principal of $55,555 per month plus interest due through maturity on February 1, 2018. This loan is collateralized by all of the accounts receivable, contract rights and lien rights arising from or relating to collection of Association payments made by the Company relating to 860 Accounts as well as all deposit accounts and cash of LMF October 2010 Fund, LLC. LM Funding LLC and its members guaranteed this loan.	1,440,000	—
	7,729,605	7,431,938
Less: portion due in 2016	(2,469,331)	(1,190,383)
	5,260,274	6,241,555

As of December 31, 2015, minimum required principal payments on notes payable are $2,469,331 in 2016 and $5,260,274 in 2017.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

None

Item 8. Financial Statements and Supplementary Data.

The Financial Statements of the Company, the Notes thereto and the Report of Independent Registered Public Accounting Firm thereon required by this item begin on page F-1 of this report located immediately following the signature page.

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

None

Item 9A. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended, or Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

In accordance with Rule 13a-15(b) of the Exchange Act, our management carried out an evaluation, under the supervision and with the participation of our principal executive officer and our principal financial officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e)) as of December 31, 2015. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2015, the end of the period covered by this report.

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This Annual Report on Form 10-K does not include a report of management’s assessments regarding internal control over financial reporting or an attestation report of the company’s registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2016 annual meeting of stockholders to be filed not later than 120 days after December 31, 2015 and is incorporated herein by this reference.

Item 11. Executive Compensation.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2016 annual meeting of stockholders to be filed not later than 120 days after December 31, 2015 and is incorporated herein by this reference.

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

The information required by this item will be set forth in our definitive proxy statement with respect to our 2016 annual meeting of stockholders to be filed not later than 120 days after December 31, 2015 and is incorporated herein by this reference.

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

The information required by this item will be set forth in our definitive proxy statement with respect to our 2016 annual meeting of stockholders to be filed not later than 120 days after December 31, 2015 and is incorporated herein by this reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2016 annual meeting of stockholders to be filed not later than 120 days after December 31, 2015 and is incorporated herein by this reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as a part of this report:

1. *Financial Statements*. See the Index to Consolidated Financial Statements on page 27.

2. *Exhibits*. See Item 15(b) below.

(b) *Exhibits*. The exhibits listed on the Exhibit Index, which appears at the end of this Item 15, are filed as part of, or are incorporated by reference into, this report.

(c) *Financial Statement Schedule*. See Item 15(a)(1) above.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors of
LM Funding America, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of LM Funding America, Inc. and Subsidiaries and Predecessor (collectively the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LM Funding America, Inc. and Subsidiaries and Predecessor at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ SKODA MINOTTI & CO.

Tampa, Florida
March 30, 2016

LM FUNDING AMERICA, INC. AND SUBSIDIARIES AND PREDECESSOR
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
Assets		
Cash	$ 8,997,798	$ 2,027,694
Finance receivables:		
Original product	1,537,101	2,430,456
Special product - New Neighbor Guaranty program, net of allowance for credit losses of $125,000 and $0, respectively	715,534	1,042,805
Due from related party	406,219	463,900
Prepaid expenses and other assets	151,362	310,688
Debt issue costs, net	197,959	290,688
Fixed assets, net	158,692	162,396
Real estate assets owned	285,341	42,731
Deferred tax asset	2,162,380	—
Total assets	$ 14,612,386	$ 6,771,358
Liabilities and stockholders' equity/members' deficit		
Notes Payable	$ 7,729,605	$ 7,431,938
Accounts payable and accrued expenses	466,783	344,721
Deferred revenue - origination fees	51,740	61,966
Deferred tax liability	41,803	—
Other liabilities and obligations	57,989	65,910
Total liabilities	8,347,920	7,904,535
Members' deficit (see note 9)	—	(1,144,212)
Stockholders' equity		
Common stock, par value $.001; 10,000,000 shares authorized; 3,300,000 shares issued and outstanding	3,300	—
Additional paid-in capital	6,281,322	—
Accumulated deficit	(20,156)	—
Noncontrolling interest	—	11,035
Total stockholders' equity/(members' deficit)	6,264,466	(1,133,177)
Total liabilities and stockholders' equity/(members' deficit)	$ 14,612,386	$ 6,771,358

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

LM FUNDING AMERICA, INC. AND SUBSIDIARIES AND PREDECESSOR
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31, 2015	2014
Revenues		
Interest on delinquent association fees	$ 5,588,697	$ 6,432,878
Administrative and late fees	544,067	709,846
Recoveries in excess of cost - special product	345,686	136,655
Underwriting and origination fees	302,154	243,366
Rental revenue	180,157	126,644
Total revenues	6,960,761	7,649,389
Operating Expenses		
Staff Costs & Payroll	1,288,342	1,301,137
Professional fees	819,343	565,537
Settlement costs with associations	805,180	373,422
Selling, general and administrative	686,721	716,503
Real estate management and disposal	270,574	190,743
Depreciation and amortization	247,646	152,668
Collection costs	206,998	715,547
Provision for credit losses	125,000	—
Other operating	68,565	102,476
Operating expenses	4,518,369	4,118,033
Operating Income	2,442,392	3,531,356
Interest expense	717,305	985,023
Income before income taxes	1,725,087	2,546,333
Income tax benefit	146,555	—
Net income	1,871,642	2,546,333
Net (income) attributable to non-controlling interest	(139,865)	(163,869)
Net (income) attributable to predecessor members	(1,751,933)	(2,382,464)
Net loss to common stockholders	$ (20,156)	$ —
Loss per share attributable to the stockholders of LM Funding America, Inc.		
Basic	$ (0.01)	—
Diluted	$ (0.01)	—
Weighted average number of common shares outstanding		
Basic	3,300,000	—
Diluted	3,300,000	—

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

LM FUNDING AMERICA, INC. AND SUBSIDIARIES AND PREDECESSOR
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	LM Funding America, Inc.				Predecessor Members				
	Common Stock								
	Shares	Amount	Additional paid-in capital	Accumulated Deficit	LM Funding Management, LLC	CGR 63, LLC	BRR Holding, LLC	Non-controlling interest	Total Equity
Balance - December 31, 2013	—	$ —	$ —	$ —	$ (1,273,494)	$(1,274,019)	$ —	$ 1,716	$(2,545,797)
Capital contributions	—	—	—	—	—	—	—	—	—
Distributions	—	—	—	—	(490,000)	(489,163)	—	(154,550)	(1,133,713)
Net income, allocated	—	—	—	—	1,191,232	1,191,232	—	163,869	2,546,333
Balance - December 31, 2014	—	—	—	—	(572,262)	(571,950)	—	11,035	(1,133,177)
Close out capital account	—	—	—	—	572,262	(572,262)	—	—	—
Redemption of membership interest	—	—	—	—	—	(1,960,010)	—	—	(1,960,010)
Distributions	—	—	—	—	—	(3,904,459)	—	(36,015)	(3,940,474)
Net income, allocated before stock offering	—	—	—	—	—	1,716,452	35,481	135,170	1,887,103
Deferred tax asset	—	—	1,974,022	—	—	—	—	—	1,974,022
Reorganization	—	—	(5,256,748)	—	—	5,292,229	(35,481)	—	—
Initial public stock offering	3,300,000	3,300	9,684,896	—	—	—	—	—	9,688,196
Purchase of non-controlling interest	—	—	(135,115)	—	—	—	—	(114,885)	(250,000)
Stock option expense	—	—	14,267	—	—	—	—	—	14,267
Net (loss) income after stock offering	—	—	—	(20,156)	—	—	—	4,695	(15,461)
Balance - December 31, 2015	3,300,000	$ 3,300	$ 6,281,322	$ (20,156)	$ —	$ —	$ —	$ —	$ 6,264,466

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

LM FUNDING AMERICA, INC. AND SUBSIDIARIES AND PREDECESSOR
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest on delinquent association fees	$ 5,588,697	$ 6,432,878
Administrative and late fees	544,067	709,846
Recoveries in excess of cost - special product	345,686	136,655
Underwriting and origination fees	291,928	183,621
Rental revenue	180,157	126,644
Staff costs and payroll	(1,288,342)	(1,301,137)
Other operating expenses	(2,694,649)	(2,785,306)
Interest paid	(717,305)	(1,080,631)
Net cash provided by operating activities	2,250,239	2,422,570
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net collections (funding) of finance receivables - original product	893,355	1,327,507
Net collections (funding) of finance receivables - special product	327,271	(73,436)
Capital expenditures	(43,761)	(146,325)
Proceeds / (payments) for real estate assets owned	(242,610)	(22,500)
Net cash provided by investing activities	934,255	1,085,246
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	2,172,626	7,431,938
Principal repayments	(1,874,959)	(8,252,849)
Redemption of membership interest	(1,960,010)	—
Distributions	(3,904,459)	(979,163)
Return of capital to non-controlling interest	(36,015)	(154,550)
Advances (repayments) to related party	57,681	21,090
Proceeds from initial public stock offering, net (See Note 9)	9,688,196	—
Purchase of non-controlling interest	(250,000)	—
Debt issue costs	(107,450)	(311,438)
Net cash provided by (used in) financing activities	3,785,610	(2,244,972)
NET INCREASE IN CASH	6,970,104	1,262,844
CASH - BEGINNING OF YEAR	2,027,694	764,850
CASH - END OF YEAR	$ 8,997,798	$ 2,027,694

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

Note 1. Summary of Significant Accounting Policies

Nature of Operations

LM Funding America, Inc. ("LMFA" or the "Company") was formed as a Delaware corporation on April 20, 2015. LMFA was formed for the purposes of completing a public offering and related transactions in order to carry on the business of LM Funding, LLC and its subsidiaries (the "Predecessor"). LMFA is the sole member of LM Funding, LLC and operates and controls all of its businesses and affairs.

LM Funding, LLC is a Florida Limited Liability Company organized during January 2008 and under the terms of the Operating Agreement effective January 8, 2008 ("Operating Agreement") as amended, had two members: BRR Holding, LLC and CGR 63, LLC. The members contributed their equity interest to LMFA prior to the closing of its initial public offering.

The Company is a specialty finance company that provides funding principally to community associations, almost exclusively located in Florida. The business of the Company is conducted pursuant to relevant state statutes ("Statutes") principally Florida Statute 718.116. The Statutes provide each community association lien rights to secure payment from unit owners (property owners) for assessments, interest, administrative late fees, reasonable attorney's fees, and collection costs. In addition, the lien rights granted under the Statutes are given a higher priority (a "Super Lien") than all other lien holders except property tax liens. The Company provides funding to associations for their delinquent assessments from property owners in exchange for an assignment of the association's right to proceeds collected pursuant to the Statutes. The Company derives its revenues from the proceeds of association collections.

The Statutes specify that the rate of interest an association (or its assignor) may charge on delinquent assessments is equal to the rate set forth in the association's declaration or bylaws. If a rate is not specified, the statutory rate is equal to 18% but may not exceed the maximum rate allowed by law. The Statutes also stipulate that administrative late fees cannot be charged on delinquent assessments unless so provided by the association's declaration or bylaws and may not exceed the greater of $25 or 5% of each delinquent assessment.

The Statutes limit the liability of a first mortgage holder for unpaid assessments and related charges and fees (as set forth above) in the event of title transfer by foreclosure or acceptance of deed in lieu of foreclosure. This liability is limited to the lesser of twelve months of regular periodic assessments or one percent of the original mortgage debt on the unit (the "Super Lien Amount").

Effective November 1, 2015, LMFA purchased for $250,000 the outstanding 5% ownership in its subsidiary LMF SPE, #2, LLC held by CRE Funding, LLC. Under terms of the agreement, the tax consequences of the transaction are retroactive to December 31, 2014.

Principles of Consolidation

The consolidated financial statements include the accounts of LM Funding America, Inc. and its wholly-owned subsidiaries: LM Funding, LLC, LMF October 2010 Fund, LLC; REO Management Holdings, LLC; LM Funding of Colorado, LLC; LM Funding of Washington, LLC; and LMF SPE #2, LLC. All significant intercompany balances have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The Company prepares its consolidated financial statements in conformity with generally accepted accounting principles in the United States ("GAAP").

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions 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. Significant estimates include the evaluation of any probable losses on amounts funded under the Company's *New Neighbor Guaranty* program as disclosed below, the realization of deferred tax assets, the evaluation of contingent losses related to litigation and fair value estimates of real estate assets owned.

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Accounting Standards Codification ("ASC") 605-10-25-1 of the Financial Accounting Standards Board ("FASB") states revenues are realized or realizable when related assets received or held are readily convertible into known amounts of cash. In those cases where there is no reasonable basis for estimating the "known amount" of cash to be collected, the cash basis or cost recovery method of recognizing revenues may be used. Collections on the accounts may vary greatly in both the timing and amount ultimately recovered compared with the total revenues earned on the accounts because of a variety of economic and social factors affecting the real estate environment in general. The Company has determined that the known amount of cash to be realized or realizable on its revenue generating activities cannot be reasonably estimated and as such, classifies its finance receivables as nonaccrual and recognizes revenues in the accompanying consolidated statements of income on the cash basis or cost recovery method in accordance with ASC 310-10, *Receivables*. The Company applies the cash basis method to its original product and the cost recovery method to its special product as follows:

Finance Receivables—Original Product: Under the Company's original product, delinquent assessments are funded only up to the Super Lien Amount as discussed above. Recoverability of funded amounts is generally assured because of the protection of the Super Lien Amount. As such, payments by unit owners on the Company's original product are recorded to income when received in accordance with the provisions of the Florida Statute (718.116(3)) and the provisions of the purchase agreements entered into between the Company and community associations. Those provisions require that all payments be applied in the following order: first to interest, then to late fees, then to costs of collection, then to legal fees expended by the Company and then to assessments owed. In accordance with the cash basis method of recognizing revenue and the provisions of the statute, the Company records revenues for interest and late fees when cash is received. In the event the Company determines the ultimate collectability of amounts funded under its original product are in doubt, payments are applied to first reduce the funded or principal amount.

Finance Receivables—Special Product (New Neighbor Guaranty program): During 2012, the Company began offering associations an alternative product under the *New Neighbor Guaranty* program where the Company will fund amounts in excess of the Super Lien Amount. Under this special product, the Company purchases substantially all of the delinquent assessments owed to the association, in addition to all accrued interest and late fees, in exchange for payment by the Company of (i) a negotiated amount or (ii) on a going forward basis, all monthly assessments due for a period up to 48 months. Under these arrangements, the Company considers the collection of amounts funded is not assured and under the cost recovery method, cash collected is applied to first reduce the carrying value of the funded or principal amount with any remaining proceeds applied next to interest, late fees, legal fees, collection costs and any amounts due to the community association. Any excess proceeds still remaining are recognized as revenues. If the future proceeds collected are lower than the Company's funded or principal amount, then a loss is recognized.

Cash

The Company maintains cash balances at several financial institutions that are insured under the Federal Deposit Insurance Corporation's ("FDIC") Transition Account Guarantee Program. Balances with the financial institutions may exceed federally insured limits.

Finance Receivables

Finance receivables are recorded at the amount funded or cost (by unit). The Company evaluates its finance receivables at each period end for losses that are considered probable and can be reasonably estimated in accordance with ASC 450-20. As discussed above, recoverability of funded amounts under the Company's original product is generally assured because of the protection of the Super Lien Amount. As such, the Company did not have any allowance for credit losses related to its original product at December 31, 2015 and 2014.

Under the *New Neighbor Guaranty* program (special product), the Company funds amounts in excess of the Super Lien Amount. In these instances, the Company had in effect during 2015 and 2014 purchased credit insurance covering all funded amounts in excess of a deductible amount, which is equal to six months of delinquent assessments. Recoveries under this credit insurance program for the years ended December 31, 2015 and 2014 were $236,000 and $81,000, respectively. When evaluating the carrying value of its finance receivables, the Company looks at the likelihood of future cash flows based on historical payoffs, the fair value of the underlying real estate, the general condition of the community association in which the unit exists, and the general economic real estate environment in the local area. This insurance product was not renewed and only claims filed related to foreclosures occurring on or before January 28, 2016 will be covered under this policy.

Note 1. Summary of Significant Accounting Policies (Continued)

The Company estimated an allowance for credit losses of $125,000 as of December 31, 2015 under ASC 450-20 related to its New Neighbor Guaranty program. See note 4. The Company did not have any significant receivable balances at December 31, 2014 that met the criteria of ASC 450-20 and as such, did not have an allowance for credit losses for the New Neighbor Guaranty program at that date.

The Company will charge any receivable against the allowance for credit losses when management believes the uncollectibility of the receivable is confirmed. The Company considers writing off a receivable when (i) a first mortgage holder who names the association in a foreclosure suit takes title and satisfies an estoppel letter for amounts owed which are less than amounts the Company funded to the association; (ii) a tax deed is issued with insufficient excess proceeds to pay amounts the Company funded to the association; or (iii) an association settles an account for less than amounts the Company funded to the association. Upon the occurrence of any of these events, the Company evaluates the potential recovery via a deficiency judgment against the prior owner and the ability to collect upon the deficiency judgment within the 20 year statute of limitations period or whether the deficiency judgment can be sold. Additionally, with *New Neighbor Guaranty* accounts and other accounts where the Company has purchased insurance still available, the Company will determine if after applying insurance proceeds any write offs are warranted. If the Company determines that collection through a deficiency judgment or sale of a deficiency judgment is not feasible, the Company writes off the unrecoverable receivable amount. Any losses greater than the recorded allowance will be recognized as expense. Under the Company's revenue recognition policies, all finance receivables (original product and special product) are classified as nonaccrual.

Real Estate Assets Owned

In the event collection of a delinquent assessment results in a unit being sold in a foreclosure auction, the Company has the right to bid (on behalf of the community association) for the delinquent unit as attorney in fact, applying any amounts owed for the delinquent assessment to the foreclosure price as well as any additional funds that the Company, in its sole discretion, decides to pay. If a delinquent unit becomes owned by the community association by acquiring title through an association lien foreclosure auction, by accepting a deed-in-lieu of foreclosure, or by any other way, the Company in its sole discretion may direct the community association to quitclaim title of the unit to the Company.

Properties quitclaimed to the Company are in most cases acquired subject to a first mortgage or other liens, and are recognized in the accompanying consolidated balance sheets solely at costs incurred by the Company in excess of original funding. At times, the Company will acquire properties through foreclosure actions free and clear of any mortgages or liens. In these cases, the Company records the estimated fair value of the properties in accordance with ASC 820-10, *Fair Value Measurements*. The Company does not generally incur significant costs on many of its real estate assets owned. Any real estate held for sale is adjusted to fair value less cost to dispose in the event the carrying value of a unit or property exceeds its estimated net realizable value.

If the Company elects to take a quitclaim title to a unit or property held for sale, the Company is responsible to pay all future assessments on a current basis, until a change of ownership occurs. The community association must allow the Company to lease or sell the unit to satisfy obligations for delinquent assessments of the original debt. All proceeds collected from any sale of the unit shall be first applied to all amounts due the Company plus any additional funds paid by the Company to purchase the unit, if applicable. Rental revenues and sales proceeds related to real estate assets held for sale are recognized when earned and realizable. Expenditures for current assessments owed to associations, repairs and maintenance, utilities, etc. are expensed when incurred.

If the community association elects (prior to the Company obtaining title through its own election) to maintain ownership and not quitclaim title to the Company, the community association must pay the Company all interest, late fees, collection costs and legal fees expended, plus the original funding on the unit, which have accrued according to the purchase agreement entered into by the community association and the Company. In this event, the unit will be reassigned to the community association.

Fixed Assets

The Company capitalizes all acquisitions of fixed assets in excess of $500. Fixed assets are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Fixed assets are comprised of furniture, computer and office equipment with an assigned useful life of 3 to 5 years. Fixed assets also includes capitalized software costs. Capitalized software costs include costs to develop software to be used solely to meet the Company's internal needs, consist of employee salaries and benefits and fees paid to outside consultants during the application development stage, and are amortized over their estimated useful life of 5 years. As of December 31, 2015 and December 31, 2014, capitalized software costs, net of accumulated amortization, was $91,729 and $114,988, respectively. Amortization expense for capitalized software costs for the periods ended December 31, 2015 and December 31, 2014 was $23,259 and $1,308, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Debt Issue Costs

The Company capitalizes all debt issue costs and amortizes them on a method that approximates the effective interest method over the remaining term of the note payable. Debt issue costs were $197,959 at December 31, 2015 and $290,688 at December 31, 2014. In connection with refinancing certain debt of the Company in 2015, the Company wrote off debt issue costs of approximately $71,000.

Settlement Costs with Associations

Community associations working with the Company will at times incur costs in connection with litigation initiated by the Company against property owners and or mortgage holders. These costs include settlement agreements whereby the community association agrees to pay some monetary compensation to the opposing party or judgments against the community associations for fees of opposing legal counsel or other damages awarded by the courts. The Company indemnifies the community association for these costs pursuant to the provisions of the agreement between the Company and the community association. Costs incurred by the Company for these indemnification obligations for the year ended December 31, 2015 and 2014 were $805,180 and $373,422, respectively. The Company does not limit its indemnification based on amounts ultimately collected from property owners.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes resulting primarily from the tax effects of temporary differences between financial and income tax reporting. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Prior to the initial public offering in October 2015, the taxable earnings of the Predecessor were included in the tax returns of its members (separate limited liability companies) and taxed depending on personal tax situations. In connection with the initial public offering, the members contributed ownership interests to the Company (a newly form C-Corporation) and all earnings subsequent to that date (October 23, 2015) are subject to taxes and reflected in the Company's consolidated financial statements.

Loss Per Share

Basic loss per share is calculated as net loss to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted loss per share for the period equals basic loss per share as the effect of any stock based compensation awards or stock warrants would be anti-dilutive.

Stock-Based Compensation

The Company records all equity-based incentive grants to employees and non-employee members of the Company's Board of Directors in operating expenses in the Company's Consolidated Statement of Income based on their fair values determined on the date of grant. Stock-based compensation expense, reduced for estimated forfeitures, is recognized on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the outstanding equity awards.

Contingencies

The Company accrues for contingent obligations, including estimated legal costs, when the obligation is probable and the amount is reasonably estimable. As facts concerning contingencies become known, the Company reassesses its position and makes appropriate adjustments to the consolidated financial statements. Estimates that are particularly sensitive to future changes include those related to tax, legal and other regulatory matters.

Fair Value of Financial Instruments

FASB ASC 825-10, Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. The Company engages a third party valuation firm to assist in estimating the fair value of its finance receivables. See Note 11.

Note 1. Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

Funding amounts are secured by a priority lien position provided under Florida law (see discussion above regarding Florida Statute 718.116). However, in the event the first mortgage holder takes title to the property, the amount payable by the mortgagee to satisfy the priority lien is capped under this same statute and would generally only be sufficient to reimburse the Company for funding amounts noted above for delinquent assessments. Amounts paid by the mortgagee would not generally reimburse the Company for interest, administrative late fees and collection costs. Even though the Company does not recognize these charges as revenues until collected, its business model and long-term viability is dependent on its ability to collect these charges.

In the event a delinquent unit owner files for bankruptcy protection, the Company may at its option be reimbursed by the association for the amounts funded (i.e., purchase price) and all collection rights are re-assigned to the association.

New Accounting Pronouncements

Revenue Recognition - On May 28, 2014, the Financial Accounting Standards Board issued ASU 2014-09—*Revenue from Contracts with Customers (Topic 606)* which provided new accounting guidance regarding revenue recognition, and is effective for annual periods beginning after December 15, 2017. The Company has not yet evaluated the impact of this new guidance on its consolidated financial statements.

Debt Issue Costs - In April 2015, FASB issued ASU 2015-03, *Interest – Imputation of interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015.

Subsequent Events

The Company has evaluated subsequent events through the date which the consolidated financial statements were issued. Other than events described in Note 13, there were no material subsequent events that required recognition in these consolidated financial statements.

Note 2. Finance Receivables – Original Product

The Company’s original funding product provides financing to community associations only up to the secured or “Super Lien Amount” as discussed in Note 1. Finance receivables for the original product as of December 31, based on the year of funding are approximately as follows:

	2015	2014
Funded during the current year	$ 94,000	$ 221,000
1-2 years outstanding	87,000	348,000
2-3 years outstanding	193,000	667,000
3-4 years outstanding	390,000	733,000
Greater than 4 years outstanding	773,000	462,000
	$ 1,537,000	$ 2,431,000
Number of active units with delinquent assessments	1,983	2,950
Amount of outstanding interest and late fees on active units	$ 21,000,000	$ 23,500,000

Note 3. Finance Receivables – Special Product (New Neighbor Guaranty program)

The Company typically funds amount equal to or less than the “Super Lien Amount”. During 2012 the Company began offering Associations an alternative product under the New Neighbor Guaranty program where the Company funds amounts in excess of the “Super Lien Amount”.

Under this special product, the Company purchases substantially all of the outstanding past due assessments due from delinquent property owners, in addition to all interest, late fees and other charges in exchange for the Company’s commitment to pay monthly assessments on a going forward basis up to 48 months.

Note 3. Finance Receivables – Special Product (New Neighbor Guaranty program) (Continued)

As of December 31, 2015, maximum future contingent payments under these arrangements was approximately $988,000. The Company had mitigated the credit risk for these transactions by insuring the payment of a portion of uncollected assessments paid by the Company during 2015 and 2014, (See Note 4 below).

Finance receivables at December 31, 2015 and 2014 related to this special product were approximately $716,000 and $1,043,000, respectively, under agreements with 32 associations covering 175 units at December 31, 2015 and 15 associations covering 245 units at December 31, 2014.

Delinquent assessments and accrued charges under these arrangements as of December 31, are as follows:

	2015	2014
Delinquent assessments	$ 2,018,000	$ 3,089,000
Accrued interest and late fees	1,088,000	2,004,000

Recoveries on the collection of assessments in excess of the Company's cost during 2015 and 2014 approximated $346,000 and $137,000, respectively.

Note 4. New Neighbor Guaranty (NNG) Allowance for Credit Losses

Allowance for credit losses are recorded for losses that are considered "probable" and can be "reasonably estimated" in accordance with ASC 450-20. Recoverability of the Company's Original Product is generally assured because of the protection of the Super Lien under Florida statute and as such no allowance is recorded. Recoverability of the Company's NNG Product was, in prior years, considered to be generally assured by the purchase of credit insurance. The coverage was not renewed and only claims filed related to foreclosures occurring on or before January 28, 2016 will be covered under the insurance policy.

As a result of the insurance policy not being renewed, credit losses on the NNG product were estimated by the Company based on analyzing the investment in each unit as of December 31, 2015 and comparing that balance to the average payout for completed units for the past 12 months. The Company performed an alternative analysis based on a calculation of historical loss experience using insurance recoveries during 2015 and 2014. Based on both these analyses, the Company estimated that an allowance for credit losses of $125,000 was necessary as of December 31, 2015.

Note 5. Real Estate Assets Owned

Real estate assets owned as reported in the accompanying consolidated balance sheet consists of the fair market value less cost to dispose for those foreclosed units acquired free and clear of any mortgage or other liens plus costs incurred by the Company in excess of original funding on units. Real estate assets owned at December 31, 2015, and 2014, were approximately $285,300 and $42,700 respectively, consisting of eleven and two units owned respectively, at these dates. The Company acquired nine new unencumbered units at the end of 2015 that were capitalized at fair value less cost to dispose of approximately $237,000. The fair market value of each unit was first applied to recover the Company's investment with any remaining proceeds applied next to interest, late fees, legal fees, collection costs, and payable to the association. Any excess proceeds still remaining were recognized as a gain.

Most units are quitclaimed to the Company without the Company incurring additional cost and are subject to mortgage. Total units within the real estate portfolio at December 31, 2015 and 2014 as a result of foreclosure action were, including those discussed above, 43 and 20, respectively. During 2015 and 2014, the Company sold one and five units, respectively, and realized proceeds of approximately $10,000 and $156,000, respectively. Any proceeds collected are first applied to recover the Company's investment with any remaining proceeds applied next to interest, late fees, legal fees, collection costs and any amounts due to the community association. Any excess proceeds still remaining are recognized as gain on sale of real estate assets. If the future proceeds collected are lower than the Company's carrying value, then a loss is recognized on the sale. There was no significant gain or loss on the disposal of real estate assets during 2015 or 2014. Rental revenues collected in 2015 and 2014 were approximately $180,000 and $127,000, respectively.

As mentioned above, upon a unit being quitclaim deeded to the Company, the Company becomes responsible for current association assessments. The monthly contingent obligation for assessments due on these units to associations as of December 31, 2015 and 2014 approximates $15,000 and $7,000, respectively.

Note 6. Long-Term Debt and Other Financing Arrangements

	Year ended December 31, 2015	2014
Financing agreement with FlatIron capital. Down payment of $16,500 was required upfront and equal installment payments of $9,610 to be made over a 10 month period. Annualized interest is 5.25%	$ 48,050	$ —
Promissory note issued to a financial institution, bearing interest at 8%, interest payable monthly and principal payments due quarterly. Secured by all of the Company's rights, title, interest, claims and demands associated with certain condominium units held in LMF SPE #2, LLC and all cash held in LMF SPE #2, LLC. Accrued but unpaid interest is due monthly beginning January 29, 2015. Installment of principal and interest are due quarterly. Note matures on December 30, 2017 and can be prepaid at any time without penalty.	6,241,555	7,431,938
Promissory note issued to a financial institution, bearing interest at 6%, principal of $55,555 per month plus interest due through maturity on February 1, 2018. This loan is collateralized by all of the accounts receivable, contract rights and lien rights arising from or relating to collection of Association payments made by the Company relating to certain Accounts as well as all deposit accounts and cash of LMF October 2010 Fund, LLC. LM Funding, LLC and its members guaranteed this loan.	1,440,000	—
	$ 7,729,605	$ 7,431,938

Minimum required principal payments on the Company's debt as of December 31, 2015 are as follows :

Years Ending December 31,	
2016	$ 2,469,331
2017	5,260,274
	$ 7,729,605

Note 7. Commitments and Contingencies

Leases

The Company leases its office under an operating lease beginning March 1, 2014 and ending July 31, 2019

Future minimum lease payments due under this lease as of December 31, 2015 are as follows:

Years Ending December 31,	
2016	$ 343,000
2017	354,000
2018	364,000
2019	216,000
	$ 1,277,000

The Company shares this space and the related costs associated with this operating lease with a related party (see Note 10) that also performs legal services associated with the collection of delinquent assessments. Rent expense recognized in 2015 and 2014 approximated $159,000 and $153,000, respectively.

7. COMMITMENTS AND CONTINGENCIES (Continued)

Legal Proceedings

Other than the lawsuits described below, we are not currently a party to material litigation proceedings. However, we frequently become party to litigation incident to the ordinary course of business, including either the prosecution or defense of claims arising from contracts by and between us and client associations. Regardless of the outcome, litigation can have an adverse impact on us because of prosecution, defense and settlement costs, diversion of management resources and other factors.

Solaris at Brickell Bay Condominium Association, Inc. v. LM Funding, LLC, Case No: 2014-20043-C, was brought before the Circuit Court of the Eleventh Judicial Circuit, Miami-Dade Civil Division on July 31, 2014. On May 4, 2011, we entered into a Delinquent Assessments Proceeds Purchase Agreement with the plaintiff (the "Solaris Agreement"). On February 13, 2014, the plaintiff notified us of its intent to rescind the Solaris Agreement, claiming that we had failed to foreclose on Accounts assigned to us under the Solaris Agreement. In response, we requested that the plaintiff pay amounts we believe to be owed to us under the Solaris Agreement. In its complaint, the plaintiff alleges claims such as a usurious loan transaction, state and federal civil Racketeer Influenced and Corrupt Organization Act claims, Florida Deceptive and Unfair Trade Practices Act ("FDUTPA") violations and other related claims. The plaintiff has requested rescission of the Solaris Agreement, forfeiture of all amounts lent by us to the plaintiff, a declaratory judgment that we have violated FDUTPA, other damages for breach of contract and violations of FDUTPA and attorneys' fees. We believe these claims are without merit and we have counterclaimed for breach of contract, unjust enrichment, and other claims in the alternative. In the third quarter of 2015, we were successful in having the majority of the plaintiff's claims against us dismissed. The plaintiff has since refiled a similar styled complaint and we are likewise seeking a dismissal of those allegations. The outcome of this litigation is indeterminate at this time and litigation remains ongoing.

Wilmington Savings Fund Society FSB v. Business Law Group PA, LM Funding, LLC, Bruce Rodgers, Case No. 15-CA-009871, was brought before the Thirteenth Judicial Circuit Court for Hillsborough County Florida on October 29th, 2015. LM Funding, LLC received service on November 16, 2015. Plaintiff as trustee brought an action against Business Law Group, P.A., LM Funding, LLC, and Bruce Rodgers individually, alleging broad interactions with only Business Law Group, surrounding a dispute arising in the normal course of litigation. Plaintiff alleges against all parties claims such as violations of FDUTPA, unjust enrichment, and civil conspiracy. The plaintiff has requested declaratory relief that we have violated portions of FDUTPA, restitution, and additional monetary damages, and alleges that it is a proper plaintiff to represent a putative class. We believe these claims are without merit and plan to pursue all remedies available against plaintiff. This litigation is in its early stages and the outcome is indeterminate at this time.

Note 8. Income Taxes

Prior to the initial public offering in October 2015, the earnings of the Predecessor, which was a limited liability company taxed as a partnership, were taxable to its members. In connection with the contribution of membership interests to the Company (a C-Corporation formed in 2015), the net income or loss of the Company after the initial public offering is taxable to the Company and reflected in the accompanying consolidated financial statements.

The Company performs an evaluation of the realizability of its deferred tax assets on a quarterly basis. The Company considers all positive and negative evidence available in determining the potential of realizing deferred tax assets, including the scheduled reversal of temporary differences, recent and projected future taxable income and prudent and feasible tax planning strategies. The estimates and assumptions used by the Company in computing the income taxes reflected in the accompanying consolidated financial statements could differ from the actual results reflected in the income tax returns filed during the subsequent year.
Adjustments are recorded based on filed returns when finalized or the related adjustments are identified.

Significant components of the tax benefit recognized in the accompanying consolidated statement of income for the period subsequent to the initial public offering (October 23, 2015 to December 31, 2015) are as follows:

Current tax benefit	$ 171,007
Federal	9,953
State	180,960
Deferred tax expense	(34,405)
	$ 146,555

8. INCOME TAXES (Continued)

The reconciliation of the income tax computed at the combined federal and state statutory rate of 37.63% to the income tax benefit is as follows:

Benefit on net loss after initial public offering of $166,711	$ 62,733	37.6 %
Nondeductible expenses	(7,246)	(4.3)%
Tax benefit of historical carryover basis at contribution of members' interest	91,068	54.6 %
Tax benefit/effective rate	$ 146,555	87.9 %

The significant components of the Company's deferred tax liabilities and assets as of December 31, 2015 are as follows:

Deferred tax liabilities:	
Tax expense for internally developed software	$ 34,280
Tax depreciation in excess of book	7,523
	41,803
Deferred tax assets:	
Step up in basis at contribution to C-Corp	1,826,688
Loss carryforwards	180,960
Step up in basis - purchase of non-controlling interest	102,325
Allowance for credit losses	47,038
Stock option expense	5,369
	2,162,380
Net deferred tax asset	$ 2,120,577

As discussed above, the Predecessor effected a transaction resulting in the contribution of member interests to the Company (a newly formed C-Corporation). This transaction was recorded at the carryover basis of the Predecessor for both tax and financial reporting purposes. In accordance with ASC 740-10-45-19, *Income Taxes*, the Company accounted for the tax effect of the difference in tax basis and book basis assets and liabilities at contribution date as a direct consequence of a change in tax status. As such, the Company recognized a net deferred tax asset for the tax effect of those basis differences equal to $91,068 with a corresponding increase in tax benefit. As a result of various equity transactions prior to the incorporation, the former members of the Predecessor recognized taxable gains associated with redemption consideration and/or deficit capital accounts totaling approximately $5.25 million. In accordance with ASC 740-20-45-11, the Company accounted for the tax effect of the step up in income tax basis related to these transactions with or among shareholders and recognized a deferred tax asset and corresponding increase in equity of approximately $1.97 million.

Note 9. Stockholders' Equity

Initial Public Offering

In October 2015, LMFA closed its initial public offering of 1,200,000 units, each unit consisting of one share of common stock and one warrant to purchase one share of common stock, at a public offering price of $10.00 per unit. The units were listed on the Nasdaq Capital Market under the symbol "LMFAU" and commenced trading on October 23, 2015. The shares of common stock and warrants comprising the units began trading separately on December 8, 2015, and the units ceased trading on December 7, 2015. Shares of LM Funding America, Inc. common stock trade on the Nasdaq Capital Market under the symbol "LMFA" and the warrants trade on the Nasdaq Capital Market under the symbol "LMFAW".

The Company received aggregate proceeds from the offering of $12,000,000 and incurred costs related to the offering of approximately $2,312,000. Net proceeds of approximately $9,688,000 were credited to additional paid-in capital. Immediately prior to the offering, the members of the Predecessor contributed all of their membership interests to the Company and their related member account balances totaling a deficit of approximately $5,257,000 were closed against additional paid-in capital. The former members of the Predecessor recognized taxable gains associated with both deficit capital accounts and redemption transactions noted below resulting in a step up in income tax basis for assets of the Predecessor and favorable tax benefits to the Company. The Company recorded a deferred tax asset related to the tax effect of these transactions with or among shareholders of approximately $1,974,000 with a corresponding increase to additional paid-in of capital in accordance with ASC 740-20-45-11, *Income Taxes*.

9. SHAREHOLDERS' EQUITY (Continued)

Minority Interest Purchase

Effective November 1, 2015, LM Funding America, Inc. purchased for $250,000 the outstanding 5% ownership in its subsidiary LMF SPE #2 held by CRE Funding, LLC. Under the terms of the agreement, the tax consequences of the transaction are retroactive to December 31, 2014.

Redemption of Membership Interest

In January 2015, the Company and another related party entity redeemed the membership interests in LM Funding, LLC beneficially owned by one of its co-founders, Frank C. Silcox, for an aggregate redemption price of $2,000,000 ($1,960,000 paid by the Company). The redemption was recorded as a reduction in capital. The redemption of allowed management and the members of LM Funding, LLC to have more flexibility to execute its business strategy.

Stock Options

The 2015 Omnibus Incentive Plan provides for the issuance of stock options, stock appreciation rights, performance shares, performance units, restricted stock, restricted stock units, shares of our common stock, dividend equivalent units, incentive cash awards or other awards based on our common stock. Awards may be granted alone or in addition to, in tandem with, or (subject to the 2015 Omnibus Incentive Plan's prohibitions on repricing) in substitution for any other award (or any other award granted under another plan of ours or of any of our affiliates).

On October 22, 2015 the Company granted to the President of the Company pursuant to his employment contract 94,500 stock options with an exercise price of $10.00. These stock options vest evenly over a three year period. The maximum term of an option is 10 years from the date of grant.

The Black-Scholes pricing model was used to determine the fair value of the stock options granted by the Company. The Company recognizes this value as an expense over the period in which the stock options vest. The grant date fair value of the options granted was $2.36. Compensation expense recognized from the vesting of stock options was approximately $14,000 for the year ended December 31, 2015. The remaining unrecognized compensation cost associated with unvested stock options as of December 31, 2015 is approximately $209,000, which will be recognized through October 31, 2018. At December 31, 2015, the stock options had a remaining life of approximately 10 years.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires the use of subjective assumptions. Expected volatility was based on historical volatility of another public company similar operating similar businesses and market share as the Company. The expected life (in years) was determined using historical data to estimate options exercise patterns. The Company does not expect to pay any dividends for the foreseeable future thus zero was in the calculation. The risk free interest rate was based on the rate for US Treasury bonds commensurate with the expected term of the granted options. Significant assumptions used in the option-pricing model to fair value options granted were as follows:

	2015
Risk-free rate	1.93 %
Expected life	6 years
Expected volatility	25.00 %
Expected dividend	—

9. STOCKHOLDERS' EQUITY (Continued)

The following is a summary of the stock option plan activity during 2015 and 2014:

	Number of Options	Weighted Average Exercise Price
Options Outstanding at December 31, 2014	—	$ —
Granted	94,500	10.00
Exercised	—	—
Forfeited	—	—
Options Outstanding at December 31, 2015	94,500	$ 10.00
Options Exercisable at December 31, 2015	6,038	$ 10.00

Note 10. Related Party Transactions

Legal services for the Company associated with the collection of delinquent assessments from property owners are performed by a law firm (Business Law Group "BLG") which was owned solely by Bruce M. Rodgers, the Chief Executive Officer of LMFA until through the date of the initial public offering. The law firm performs collection work on a deferred billing basis wherein the law firm receives payment for services rendered upon collection from the property owners or at amounts ultimately subject to negotiations with the Company.

Effective January 1, 2015 the Company entered into a new related party agreement with this law firm regarding the allocation of proceeds related to collection costs. Under the previous agreement, all cash collected from third parties related to collection costs (lien filing fees, process and serve costs) were allocated to the related party law firm. Under the new agreement, any recovery of these collection costs are accounted for as a reduction in expense incurred by the Company. The Company incurred expenses related to these types of costs of $506,000 and $716,000, during 2015 and 2014, respectively. For the year ended December 31, 2015, approximately $299,000 in proceeds from property owners was recognized by the Company and recorded as a reduction of collection costs incurred.

Amounts collected from property owners and paid to BLG for 2015 and 2014 were approximately $1,581,000 and $2,296,000, respectively. Legal fees charged to the Company by BLG in excess of amounts collected from property owners during 2015 were approximately $95,000. There were no legal fees charged to the Company by BLG in excess of amounts collected from property owners during 2014. As of December 31, 2015 and 2014, receivables from property owners for charges ultimately payable to BLG approximate $5,649,000 and $6,605,000, respectively.

The Company also shares office space and related common expenses with BLG. All shared expenses, including rent, are charged to the legal firm based on an estimate of actual usage. Any expenses of BLG paid by the Company that have not been reimbursed or settled against other amounts are reflected as due from related parties in the accompanying balance sheet. Amounts receivable from BLG as of December 31, 2015 and 2014 were approximately $406,000 and $464,000, respectively.

After the change in ownership discussed below, upon the occurrence of a triggering even wherein BLG received no payment from the delinquent unit owner, the Company pays BLG $700. For the period, the Company incurred 113 cases where no payment was received by BLG and the Company incurred expense of $79,100. The Company also began paying BLG $7,000 per month following the change in ownership.

On October 23, 2015 our Chairman and Chief Executive Officer, Bruce M. Rodgers, transferred his interest in BLG to other attorneys at the firm through a redemption of his interest in the firm, and BLG is now under control of those lawyers. This enables Mr. Rodgers to work full-time for the Company and to focus his efforts exclusively on implementing our business strategy.

Note 11. Fair Value of Financial Instruments

The Company estimates that the fair value of its financial assets and liabilities approximate carrying value except for its finance receivables. FASB ASC 820, Fair Value Measurements and Disclosures defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to classify its fair value estimates based on the "Level" of reliability of data inputs used in those estimates. Under this guidance, financial instruments are categorized within the fair value hierarchy as follows:

Level 1 inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be assessed at the measurement date.

Level 2 inputs – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs – Unobservable inputs significant to the fair value estimate that are supported by little or no market pricing and are based on the Company's estimates and assumptions that presumably market participants would use.

The Company considers the data inputs used to estimate the fair value of its finance receivables to fall within Level 3 of the fair value hierarchy. Fair value measurements as noted below are based on the income approach using a discount rate of 9.10% and 6.25% for finance receivables at December 31, 2015 and 2014, respectively. The recovery period as of both dates was assumed to be 8.5 years. The carrying amount and estimated fair value of finance receivables at December 31 are as follows:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Finance receivables:				
Original product	$ 1,537,101	$ 8,695,000	$ 2,430,456	$15,415,000
Special product, net of allowance (1)	715,534	1,460,000	1,042,805	1,290,000

(1) For New Neighbor Guaranty program

Note 12. Reconciliation of Net Income To Cash Provided By Operating Activities

	2015	2014
Net income	$ 1,731,777	$ 2,382,464
Adjustments to reconcile net income to		
cash provided by operating activities		
Non-controlling interest	139,865	163,869
Depreciation and amortization	247,646	152,668
Decrease (increase) in prepaid expenses and other assets	159,326	(148,266)
Increase (decrease) in accounts payable and accrued expenses	122,062	(18,357)
Decrease in deferred revenue - origination fees	(10,226)	(59,745)
Decrease in accrued interest payable	—	(95,608)
Increase (decrease) in other liabilities and obligations	6,344	45,545
Income tax benefit	(146,555)	—
	$ 2,250,239	$ 2,422,570

Note 13. Subsequent Events

Stock options granted in 2016

On January 4, 2016 the Company granted a total of 84,600 stock options to our employees at an exercise price of $12.50 per share. These awards will vest evenly over a three year period. The maximum term of an option is 10 years from the date of grant. The grant date fair value of the options granted was $1.27. Total expense to be recognized for the employee options is approximately $107,000.

On January 4, 2016 the company granted a total of 37,904 stock options to consultants of the company at an exercise prices of $12.50 per share. These awards vest immediately upon acceptance of agreement. The maximum term of an option is 10 years from the date of grant. The grant date fair value of the options granted was $0.70. Total expense to be recognized for the consultant options is approximately $26,000.

On January 4, 2016 the Company granted a total of 25,000 stock options to non-employee directors at an exercise price of $10.00 per share. These awards will vest evenly over a three year period. The maximum term of an option is 10 years from the date of grant. The grant date fair value of the options granted was $1.90. Total expense to be recognized for the director options is approximately $48,000.

Significant assumptions used in the option-pricing model to fair value the above option agreements were as follows:

	Employees	Consultants	Board of Directors
Risk-free rate	1.90 %	1.73 %	1.90 %
Expected life	6 years	5 years	6 years
Expected volatility	25.13 %	20.61 %	25.13 %
Expected dividend	—	—	—

Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 4, 2016 (the “Effective Date”), the Company entered into employment agreements (each individually, an “Employment Agreement” and collectively, the “Employment Agreements”) with Steve Weclew (“Mr. Weclew”), the Company’s Chief Financial Officer, and Aaron L. Gordon (“Mr. Gordon”), the Company’s Secretary and General Counsel.

Mr. Weclew’s Employment Agreement

Under the terms of the Employment Agreement between the Company and Mr. Weclew, Mr. Weclew will serve as Chief Financial Officer of the Company for a term of one year. The term of the Employment Agreement will be automatically renewed each successive year unless Mr. Weclew or the Company provides written notice of termination. Mr. Weclew is to receive a base salary of $200,000 per year, subject to possible merit increases beginning in 2017. In addition, Mr. Weclew is eligible to receive an annual bonus and long term incentive awards as determined by the Company’s Board of Directors and is eligible to participate in any equity incentive plan, stock option plan, or similar plan adopted by the Company.

On the Effective Date, Mr. Weclew also received stock options to purchase 25,600 shares of the Company’s common stock under the Company’s 2015 Omnibus Incentive Plan (“Plan”) at a price equal to $12.50 per share. These stock options vest over a three year period in equal annual installments beginning on the one year anniversary of the Effective Date. Additional grants under the Plan may be made to Mr. Weclew based upon an evaluation of his performance by the Company’s Board of Directors.

If the Company terminates Mr. Weclew’s employment “without cause” or Mr. Weclew resigns “for good reason” during the term of his Employment Agreement, Mr. Weclew will be entitled to receive his accrued salary and accrued bonus, as well as cash in an amount equal to his salary in equal installments over a 12 month period, subject to certain set-offs for amounts earned in substantially similar full-time employment. As a condition to receiving such accrued bonus amounts and severance payments, Mr. Weclew must execute, deliver, and not revoke a general release in favor of the Company. In addition, all unvested restricted shares, options and warrants granted during the term of the Employment Agreement will become fully vested and non-forfeitable. If Mr. Weclew’s employment terminates during the term of the Employment Agreement due to death or disability, Mr. Weclew or his beneficiaries will be entitled to receive his accrued salary and accrued bonus and all unvested restricted shares, options and warrants granted during the term of the Employment Agreement will become fully vested and non-forfeitable. If Mr. Weclew’s employment terminates “for cause” or Mr. Weclew resigns “without good reason” during the term of the Employment Agreement, Mr. Weclew will be entitled to receive his accrued salary. The Employment Agreement includes non-competition and non-solicitation covenants that will be in effect while Mr. Weclew is employed by the Company and for the two year period following the termination of his employment.

13. SUBSEQUENT EVENTS (Continued)

Mr. Gordon's Employment Agreement

Under the terms of the Employment Agreement between the Company and Mr. Gordon, Mr. Gordon will serve as Secretary and General Counsel of the Company for a term of one year. The term of the Employment Agreement will be automatically renewed each successive year unless Mr. Gordon or the Company provides written notice of termination. Mr. Gordon is to receive a base salary of $125,000 per year, subject to possible merit increases beginning in 2017, as well as an automobile and cellular phone allowance of $600 per month. In addition, Mr. Gordon is eligible to receive an annual bonus and long term incentive awards as determined by the Company's Board of Directors and is eligible to participate in any equity incentive plan, stock option plan, or similar plan adopted by the Company.

On the Effective Date, Mr. Gordon also received stock options to purchase 17,600 shares of the Company's common stock under the Plan at a price equal to $12.50 per share. These stock options vest over a three year period in equal annual installments beginning on the one year anniversary of the Effective Date. Additional grants under the Plan may be made to Mr. Gordon based upon an evaluation of his performance by the Company's Board of Directors.

If the Company terminates Mr. Gordon's employment "without cause" or Mr. Gordon resigns "for good reason" during the term of his Employment Agreement, Mr. Gordon will be entitled to receive his accrued salary and accrued bonus, as well as cash in an amount equal to his salary in equal installments over a 12 month period, subject to certain set-offs for amounts earned in substantially similar full-time employment. As a condition to receiving such accrued bonus amounts and severance payments, Mr. Gordon must execute, deliver, and not revoke a general release in favor of the Company. In addition, all unvested restricted shares, options and warrants granted during the term of the Employment Agreement will become fully vested and non-forfeitable. If Mr. Gordon's employment terminates during the term of the Employment Agreement due to death or disability, Mr. Gordon or his beneficiaries will be entitled to receive his accrued salary and accrued bonus and all unvested restricted shares, options and warrants granted during the term of the Employment Agreement will become fully vested and non-forfeitable. If Mr. Gordon's employment terminates "for cause" or Mr. Gordon resigns "without good reason" during the term of the Employment Agreement, Mr. Gordon will be entitled to receive his accrued salary. The Employment Agreement includes non-competition and non-solicitation covenants that will be in effect while Mr. Gordon is employed by the Company and for the two year period following the termination of his employment.

The foregoing is only a brief description of the material terms of the Employment Agreements, does not purport to be a complete description of the Employment Agreements, and is qualified in its entirety by reference to the Employment Agreements, which are filed as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K and are incorporated herein by reference.

AmTrust Policy

To protect any amount invested by us in excess of the Super Lien Amount, we purchased insurance from an affiliate of AmTrust North America, or AmTrust, covering all assessments lost during the term of coverage due to a first mortgage foreclosure resulting in a Super Lien Amount payoff, less a deductible equal to six months of assessments. Effective January 28, 2016 the AmTrust insurance policy was non-renewed. All existing units which have had a triggering event as of the non-renewal date will be insured through November 30th, 2016. Any new units acquired subsequent to the non-renewal date will not be covered under this policy. Management believes this will not have an adverse impact on expenses as historically the company was paying more in insurance premiums compared with insurance claims.

Florida Office of Financial Regulation

As a result of the Florida's Office of Financial Regulation's ("OFR") examination of LM Funding, LLC, we have agreed to become licensed as a consumer debt collector.

Exhibit 32.2

Exhibit Index

Exhibit Number	Description
2.1	Contribution Agreement, dated October 21, 2015, by and between CGR63, LLC, BRR Holding, LLC and LM Funding America, Inc. (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on October 23, 2015)
3.1	Certificate of Incorporation of LM Funding America, Inc., as amended. (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 (Amendment No. 2) filed on August 27, 2015 (Registration No. 333-205232))
3.2	By-Laws of LM Funding America, Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
4.1	Form of Warrant Agreement. (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
4.2	Form of Common Stock Certificate. (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (Amendment No. 2) filed on August 27, 2015 (Registration No. 333-205232))
10.1#	Employment Agreement, dated October 22, 2015, by and between Bruce M. Rodgers and LM Funding America, Inc. (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on October 23, 2015)
10.2#	Employment Agreement, dated October 22, 2015, by and between Carollinn Gould and LM Funding America, Inc. (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 23, 2015)
10.3#	Employment Agreement, dated October 22, 2015, by and between Sean Galaris and LM Funding America, Inc. (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on October 23, 2015)
10.4#	Employment Agreement, dated January 4, 2016, by and between the Company and Steve Weclew. (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on January 7, 2016)
10.5#	Employment Agreement, dated January 4, 2016, by and between the Company and Aaron L. Gordon. (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on January 7, 2016)
10.6#	LM Funding America, Inc. 2015 Omnibus Incentive Plan. (incorporated by reference to Exhibit 10.4 to the Form 8-K filed on October 23, 2015)
10.7#	Form of LM Funding America, Inc. 2015 Omnibus Incentive Plan Stock Option Award Agreement. (incorporated by reference to Exhibit 10.5 to the Form 8-K filed on October 23, 2015)
10.8#	Form of LM Funding America, Inc. 2015 Omnibus Incentive Plan Restricted Stock Award Agreement. (incorporated by reference to Exhibit 10.6 to the Form 8-K filed on October 23, 2015)
10.9	Services Agreement, dated April 15, 2015, between LM Funding, LLC and Business Law Group, P.A. (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.10	Software License Agreement, dated April 15, 2015, between LM Funding, LLC and Business Law Group, P.A. (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.11	Assessment Recovery Indemnity (ARI) Policy for Community Associations, dated December 1, 2012, in favor of LM Funding, LLC and issued by Security National Insurance Company, a member of AmTrust North America, an AmTrust Financial Company. (incorporated by reference to Exhibit 10.9 to the Form of Association Receivables Purchase Agreement. (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.12	Form of Association Receivables Purchase Agreement. (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.13	Form of Escrow Agreement among SunTrust Bank, N.A., International Assets Advisory, LLC and LM Funding America, Inc. (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
10.14	Form of Selected Dealer Agreement between International Assets Advisory, LLC and the members of the selling group. (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))

Exhibit Number	Description
10.15	Credit Agreement, dated December 30, 2014, among LMF SPE#2, LLC, as borrower, LM Funding, LLC, CGR63, LLC and LM Funding Management, LLC, as guarantors, and Heartland Bank, as lender. (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.16	Irrevocable Continuing Guaranty Agreement, dated December 30, 2014, by LM Funding, LLC, CGR63, LLC and LM Funding Management, LLC in favor of Heartland Bank. (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.17	Pledge Agreement, dated December 30, 2014, by LM Funding, LLC and CRE Funding, LLC in favor of Heartland Bank. (incorporated by reference to Exhibit 10.15 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.18	Form of Lock-Up Agreement. (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.19	Errors and Omissions Agreement, dated June 25, 2015, by LMF October 2010 Fund, LLC in favor of IBERIABANK. (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
10.20	Business Loan Agreement (Asset Based), dated June 25, 2015, between LMF October 2010 Fund, LLC and IBERIABANK. (incorporated by reference to Exhibit 10.18 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
10.21	Commercial Guaranty, dated June 25, 2015, by Carollinn Gould in favor of IBERIABANK. (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
10.22	Commercial Guaranty, dated June 25, 2015, by Bruce Rodgers in favor of IBERIABANK. (incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
10.23	Commercial Security Agreement, dated June 25, 2015, by LMF October 2010 Fund, LLC in favor of IBERIABANK. (incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
10.24	Promissory Note, dated June 25, 2015, by LMF October 2010 Fund, LLC in favor of IBERIABANK. (incorporated by reference to Exhibit 10.22 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
10.25#	Form of Indemnification Agreement to be entered into between LM Funding America, Inc. and its directors and officers. (incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232)
21.1	Subsidiaries of the registrant.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\# Indicates a management contract or compensatory arrangement.

Exhibit 32.2

Signatures

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

LM FUNDING AMERICA, INC.

Date: March 30, 2016

By: /s/ Bruce M. Rodgers
Bruce M. Rodgers
Chief Executive Officer and Chairman of the Board

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

LM FUNDING AMERICA, INC.

Date: March 30, 2016

By: /s/ Bruce M. Rodgers
Bruce M. Rodgers
Chief Executive Officer and Chairman of the Board

Date: March 30, 2016

By: /s/ Stephen Weclew
Stephen Weclew
Chief Financial Officer

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

Name	Title	Date
/s/ Bruce M. Rodgers **Bruce M. Rodgers**	Chairman of the Board of Directors	March 30, 2016
/s/ Carollinn Gould **Carollinn Gould**	Member of the Board of Directors	March 30, 2016
/s/ Andrew Graham **Andrew Graham**	Member of the Board of Directors	March 30, 2016
/s/ Martin A. Traber **Martin A. Traber**	Member of the Board of Directors	March 30, 2016

SCHEDULE 14A

(Rule 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

LM FUNDING AMERICA, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on the table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

LMFUNDING
AMERICA, INC.
LMfunding.com

NOTICE OF ANNUAL MEETING
AND PROXY STATEMENT

2016

LM Funding America, Inc. • 302 Knights Run Ave Suite 1000 Tampa, FL 33602 • T (813) 222-8996 • F (813) 221-7909 • lmfunding.com

LMFUNDING AMERICA, INC.
LMfunding.com

April 29, 2016

TO OUR SHAREHOLDERS:

You are cordially invited to attend our 2016 Annual Shareholders' Meeting, which will be held at Cinebistro at Hyde Park Village, 1609 West Swann Avenue, Tampa, Florida 33606, on Thursday, June 16, 2016, at 3 p.m., local time. Shareholders will be admitted beginning at 2:30 p.m.

The attached notice of annual meeting of shareholders and proxy statement cover the formal business of the annual meeting and contains a discussion of the matters to be voted upon at the annual meeting. At the annual meeting, our management will also provide a report on our operations and achievements during the past year.

Your vote is very important. Whether or not you plan to attend the meeting in person, please vote your shares by completing, signing and returning the accompanying proxy card, or by following the instructions on the card for voting by telephone or Internet. If you later decide to attend the annual meeting and vote in person, you may revoke your proxy at that time.

Bruce M. Rodgers, Esq.

Chairman of the Board
Chief Executive Officer

LM Funding America, Inc. • 302 Knights Run Ave Suite 1000 Tampa, FL 33602 • T (813) 222-8996 • F (813) 221-7909 • lmfunding.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF LM FUNDING AMERICA, INC.:

TIME:	3 p.m., local time, on Thursday, June 16, 2016. Shareholders will be admitted beginning at 2:30 p.m.
PLACE:	Cinebistro at Hyde Park Village 1609 West Swann Avenue Tampa, Florida 33606
ITEMS OF BUSINESS:	1. To elect two Class I directors to hold office for a three-year term ending at the 2019 annual meeting of shareholders; and 2. To transact such other business that may properly come before the meeting or any adjournments or postponements thereof.
RECORD DATE	Shareholders of record on May 2, 2016 are entitled to notice of the annual meeting and are entitled to vote at the annual meeting in person or by proxy.
ANNUAL REPORT	Our 2015 Annual Report to Shareholders, which is not a part of this proxy statement, is enclosed.
PROXY VOTING	It is important that your shares be represented at the annual meeting and voted in accordance with your instructions. Please indicate your instructions by promptly signing and dating the enclosed proxy card and mailing it in the enclosed postage paid, pre-addressed envelope or by following the instruction on the proxy card for telephone or Internet voting.

By Order of the Board of Directors,

Aaron L. Gordon, Esq.
General Counsel and Secretary

LMFUNDING
AMERICA, INC.
LMfunding.com

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 16, 2016

TO THE SHAREHOLDERS OF LM FUNDING AMERICA, INC.: **May 2, 2016**

This proxy statement and the form of proxy are delivered in connection with the solicitation by the Board of Directors of LM Funding America, Inc. (the “company,” “we,” or “us”), a Delaware corporation, of proxies to be voted at our 2016 Annual Meeting of Shareholders and at any adjournments or postponements thereof.

You are invited to attend our Annual Meeting of Shareholders on Thursday, June 16, 2016, beginning at 3 p.m., local time. The Annual Meeting will be held at Cinebistro at Hyde Park Village, 1609 West Swann Avenue, Tampa, Florida 33606. Shareholders will be admitted beginning at 2:30 p.m.

Your vote is very important. Therefore, whether you plan to attend the Annual Meeting or not and regardless of the number of shares you own, please date, sign and return the enclosed proxy card promptly or follow the instructions on the card for voting by telephone or Internet.

At the meeting, the use of cameras, audio or video recording equipment, communications devices or similar equipment will be prohibited.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on June 16, 2016:

This proxy statement and the 2015 Annual Report to Shareholders are available at www.proxyvote.com

Upon your written request, we will provide you with a copy of our 2015 annual report on Form 10-K, including exhibits, free of charge. Send your request to LM Funding America, Inc., c/o Aaron Gordon, General Counsel and Secretary, 302 Knights Run Avenue, Suite 1000, Tampa, Florida 33602.

ABOUT THE ANNUAL MEETING

What is the purpose of the meeting?

The principal purpose of the Annual Meeting is to elect two directors to the company's Board of Directors. In addition, our management will report on our performance during 2015, discuss challenges ahead and respond to questions from shareholders.

When were these materials mailed?

We began mailing this proxy statement on or about May 16, 2016.

Who is entitled to vote?

Shareholders of record at the close of business on the record date, May 2, 2016, are entitled to vote in person or by proxy at the Annual Meeting. In general, shareholders are entitled to one vote per share on each matter voted upon. In an election for directors, however, shareholders are entitled to vote the number of shares they own for as many director candidates as there are directors to be elected. The Board of Directors has determined that the Board of Directors should include two Class I directorships. Accordingly, since two directors are to be elected at this Annual Meeting, in electing directors, each share will entitle the shareholder to two votes, one per director. Shareholders may not cumulate their votes. As of April 29, 2016 there were 3,300,000 common shares outstanding.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares outstanding will constitute a quorum, permitting us to conduct the business of the meeting.

What is the difference between a shareholder of record and a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, then you are a "shareholder of record." This Notice of Meeting and proxy statement has been provided directly to you by LM Funding America, Inc. You may vote by ballot at the meeting or vote by proxy. To vote by proxy, sign, date and return the enclosed proxy card or follow the instructions on the proxy card for voting by telephone or Internet.

If your shares are held for you in a brokerage, bank or other institutional account (that is, held in "street name"), then you are not a shareholder of record. Rather, the institution is the shareholder of record and you are the "beneficial owner" of the shares. The accompanying Notice of Meeting and this proxy statement have been forwarded to you by that institution. If you complete and properly sign the accompanying proxy card and return it in the enclosed envelope, or follow the instructions on the proxy card for voting by telephone or Internet, the institution will cause your shares to be voted in accordance with your instructions. If you are a beneficial owner of shares and wish to vote in person at the Annual Meeting, then you must obtain a proxy, executed in your favor, from the holder of record (the institution).

How do I vote?

By Ballot at the Meeting. If you are a shareholder of record and attend the Annual Meeting, you may vote in person by ballot at the Annual Meeting. To vote by ballot, you must register and confirm your shareholder status at the meeting. If the shareholder of record is a corporation, partnership, limited liability company or other entity of which you are an officer or other authorized person, then you should bring evidence of your authority to vote the shares on behalf of the entity. If your shares are held for you in a brokerage, bank or other institutional account (that is, in "street name"), you must obtain a proxy, executed in your favor, from that institution (the holder of record) to vote your beneficially-owned shares by ballot at the Annual Meeting. In the election of directors (Matter No. 1), each share held by a shareholder of record will be entitled to two votes, one for each director to be elected.

By Proxy. If you complete, sign and return the accompanying proxy card or follow the instructions on the proxy card for voting by telephone or Internet, then your shares will be voted as you direct. In the election of directors (Matter No. 1), your options with respect to each director are to direct a vote "FOR" or to "WITHHOLD AUTHORITY."

If you are a shareholder of record, then you may opt to deliver your completed proxy card in person at the Annual Meeting.

Can I vote by telephone or Internet?

Yes. If you follow the instructions on the proxy card for voting by telephone or Internet, your shares will be voted as you direct.

How Abstentions and Broker Non-Votes Are Treated

Abstentions will be counted as shares that are present for purposes of determining a quorum. For the election of directors, abstentions are excluded entirely from the vote and do not have any effect on the outcome. Broker non-votes occur when a broker or other nominee holding shares for a beneficial owner does not have discretionary voting power on a matter and has not received instructions from the beneficial owner. Broker non-votes are included in the determination of the number of shares represented at the Annual Meeting for purposes of determining whether a quorum is present. If you do not provide your broker or other nominee with instructions on how to vote your "street name" shares, your broker or nominee will not be permitted to vote them on nonroutine matters such as proposal 1. Shares subject to a broker non-vote will not be considered entitled to vote with respect to proposal 1 and will not affect the outcome of proposal 1.

What does it mean if I receive more than one proxy card?

You will receive separate proxy cards when you own shares in different ways. For example, you may own shares individually, as a joint tenant, in an individual retirement account, in trust or in one or more brokerage accounts. You should complete, sign and return each proxy card you receive or follow the telephone or Internet instructions on each card. The instructions on each proxy card may differ. Be sure to follow the instructions on each card.

Can I change my vote or instruction?

Yes. You may follow the instructions on the proxy card to change your votes or instructions any time before midnight the day before the meeting. In addition, if you are a shareholder of record, you may revoke your proxy any time before your shares are voted by filing with the secretary of the company a written notice of revocation or submitting a duly executed proxy bearing a later date. If you file a notice of revocation, you may then vote (or abstain from voting) your shares in person at the Annual Meeting. If you submit a later dated proxy, then your shares will be voted in accordance with that later dated proxy. No such notice of revocation or later dated proxy, however, will be effective unless received by us at or before the Annual Meeting and before your shares have been voted. Unless the proxy is revoked, the shares represented thereby will be voted at the Annual Meeting or any adjournment thereof as indicated on the proxy card. Sending in a proxy does not affect your right to vote in person if you attend the meeting, although attendance at the meeting will not by itself revoke a previously granted proxy.

If I submit a proxy card, how will my shares be voted?

Your shares will be voted as you instruct on the proxy card.

What happens if I submit a proxy card and do not give specific voting instructions?

If you are a shareholder of record and sign and return the proxy card without indicating your instructions, your shares will be voted in accordance with the recommendations of the Board of Directors. With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. As of the date this proxy statement went to print, we did not know of any other matter to be raised at the Annual Meeting.

What are the Board's recommendations?

The Board recommends votes—

- *FOR* election of the following nominees for director positions:

Mr. Bruce Martin Rodgers
Ms. Carollinn Gould

What vote is required to approve each item?

Election of directors. In the election of directors, the two highest recipients of "FOR" votes will be elected. A properly executed proxy card marked "WITHHOLD AUTHORITY" with respect to the election of one or more director nominees will not be voted with respect to the director or directors indicated, even though it will be counted for purposes of determining whether there is a quorum present at the Annual Meeting.

Other Matters. We do not anticipate other matters coming to a vote at the Annual Meeting. Should any other matter be brought to a vote, the matter will be approved by the affirmative vote of the majority of the outstanding shares present in person or by proxy at the Annual Meeting and entitled to vote on the subject matter at a meeting at which a quorum is present unless a greater number of affirmative votes is required for approval of that matter under our certificate of incorporation, by-laws, or Delaware General Corporate Law.

How will votes be counted?

All votes will be tabulated by the secretary of the company. We have engaged Broadridge Financial Solutions, Inc. to collect and tabulate proxy instructions. Although abstentions and broker non-votes are each included in the determination of the number of shares present, they are not counted on any matters brought before the meeting.

Who is paying for the preparation and mailing of the proxy materials and how will solicitations be made?

We will pay the expenses of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees in person or by mail, telephone, facsimile or electronic transmission. We have requested brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to beneficial owners and have agreed to reimburse those institutions for their out-of-pocket expenses.

MATTER NO. 1
ELECTION OF DIRECTORS

Two directors are to be elected at the Annual Meeting. In accordance with the company's certificate of incorporation, the Board of Directors is divided into three classes. Class I and Class II each consists of two directors, with Class III consisting of three directors. All directors within a class have the same three-year terms of office. The class terms expire at successive annual meetings so that each year a class of directors is elected. The current terms of director classes expire in 2016 (Class I directors), 2017 (Class II directors), and 2018 (Class III directors). Each of the Class I directors elected at the 2016 Annual Meeting will be elected to serve a three-year term.

With the recommendation of the Nominating and Governance Committee, the Board of Directors has nominated the following persons to stand for election as Class I directors at the 2016 Annual Meeting of Shareholders, with terms expiring in 2019:

Mr. Bruce Martin Rodgers
Ms. Carollinn Gould

Each of the nominees for election as a director has consented to serve if elected. If, as a result of circumstances not now known or foreseen, one or more of the nominees should be unavailable or unwilling to serve as a director, proxies may be voted for the election of such other persons as the Board of Directors may select. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve.

The persons named in the enclosed proxy card intend, unless otherwise directed, to vote such proxy "FOR" the election of Mr. Bruce M. Rodgers and Ms. Carollinn Gould, as Class I directors of LM Funding America, Inc. The nominees receiving the two highest "FOR" vote totals will be elected as directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ELECTION OF EACH OF THE NOMINEES AS DIRECTORS OF THE COMPANY — ITEM 1 ON YOUR PROXY CARD.

DIRECTORS

Set forth below is a summary of the background and experience of each director nominee and director. There are no family relationship among any of the directors and/or executive officers of the company except as follows: Mr. Bruce M. Rodgers, our Chairman and Chief Executive Officer, and Ms. Carollinn Gould, our Vice President—General Manager and director, have been married since 2004 and Joel E. Rodgers, Sr. is the father of Bruce M. Rodgers and the father-in-law of Carollinn Gould.

Directors Standing for Election (Class I)

Bruce M. Rodgers. Mr. Rodgers, age 52, has served as the Chairman of the Board of Directors and Chief Executive Officer of the company since its initial public offering in October 2015. Prior to that Mr. Rodgers owned Business Law Group, P.A. ("BLG") and served as counsel to the founders of LM Funding, LLC ("LMF"). Mr. Rodgers was instrumental in developing the company's business model prior to inception. Mr. Rodgers transferred his interest in BLG to other attorneys in the firm by means of redemption of such interest in BLG prior to the company going public in 2015. Mr. Rodgers is a former business transactions attorney and was an associate of Macfarlane, Ferguson, & McMullen, P.A. from 1991 to 1995 and a partner from 1995-1998 and was an equity partner of Foley & Lardner LLP from 1998 to 2003. Originally from

Bowling Green, Kentucky, Mr. Rodgers holds an engineering degree from Vanderbilt University (1985) and a Juris Doctor, with honors, from the University of Florida (1991). Mr. Rodgers also served as an officer in the United States Navy from 1985-1989 rising to the rank of Lieutenant, Surface Warfare Officer. Mr. Rodgers is a member of the Florida Bar and holds an AV-Preeminent rating from Martindale Hubbell.

Mr. Rodgers brings to the Board of Directors considerable experience in business, management, and law, and because of those experiences and his education, he possesses analytical and legal skills which are considered of importance to the operations of the company, the oversight of its performance and the evaluation of its future growth opportunities. Furthermore, his performance as chief executive officer has indicated an in-depth understanding of the company's business. Mr. Rodgers and the Rodgers family hold a controlling majority interest in the Company.

Carollinn Gould. Ms. Gould, age 52, co-founded LMF in January 2008, and has served as Vice President—General Manager and a Director of the company since its initial public offering in October 2015. Prior to joining LMF, Ms. Gould owned and operated a recruiting company specializing in the placement of financial services personnel. Prior to that, Ms. Gould worked at Outback Steakhouse (NYSE: OSI) ("OSI") where she opened the first restaurant in 1989 and finished her career at OSI in 2006 as shared services controller for over 1,000 restaurants. Ms. Gould holds a Bachelor's Degree in Business Management from Nova Southeastern University.

As a co-founder of LMF, Ms. Gould brings to our Board of Directors an encyclopedia of knowledge regarding LMF's growth, operations, and procedures. Since inception she has controlled all bank accounts of the Company and managed its internal control systems. She also brings public company audit experience from her duties as controller at OSI as well as a wealth of personnel management and human resources skills. Ms. Gould and the Rodgers family hold a controlling majority interest in the Company.

Directors Continuing in Office

Directors whose present terms continue until 2017 (Class II):

Douglas I. McCree. Mr. McCree, age 50, has served as a director of the company since its initial public offering in October 2015. Mr. McCree has been with First Housing Development Corporation of Florida ("First Housing") since 2000 and has served as its Chief Executive Officer since 2004. From 1987 through 2000, Mr. McCree held various positions with Bank of America, N.A. including Senior Vice President—Affordable Housing Lending. Mr. McCree serves on numerous professional and civic boards. He received a B.S. from Vanderbilt University majoring in economics. Mr. McCree brings to the Board of Directors many years of banking experience and a strong perspective on public company operational requirements from his experience as Chief Executive Officer of First Housing.

Joel E. Rodgers, Sr. Mr. Rodgers, age 78, has served as a director of the company since its initial public offering in October 2015. Mr. Rodgers has been Vice President of Allied Signal, Inc. (1987-1992) and CEO of Baron Blakeslee, Inc. (1985-1987). Since 1995 Mr. Rodgers has served as a part-time Professor at Nova Southeastern University teaching finance, statistics, marketing, operations, and strategy. He has published numerous articles dealing with empowerment and corporate leadership. Mr. Rodgers represented the United States State Department in China, Mexico and Brazil in negotiations regarding the Montreal Protocol which dealt with limiting fluorocarbon discharge. Mr. Rodgers' civic work extends to service on the library, hospital, and municipal utility boards of Bowling Green, Kentucky. Mr. Rodgers holds a Doctorate of Business Administration from Nova Southeastern University, a Masters of Business Administration from University of Kentucky, a B.S. in Mechanical Engineering from University of New Mexico and was a University of Illinois PhD candidate. He brings to our Board of Directors a lifetime of management, finance and marketing experience as well as an academic career of study in each.

Directors whose present terms continue until 2018 (Class III):

C. Birge Sigety. Mr. Sigety, age 62, has served as a director of the company since its initial public offering in October 2015. Mr. Sigety is currently CEO of Bison Investments, Inc., a private investment fund he started in 1996. Prior to that, Mr. Sigety was CEO of Professional Medical Products, Inc., a privately held company with over $165 million in sales, nine manufacturing plants, and 2200 employees doing business throughout the United States and in 40 other countries. Mr. Sigety has participated in a number of start-up companies in the banking, real estate, and medical device industries. Mr. Sigety holds a B.A. in English Literature from Bates College. Mr. Sigety brings to our Board of Directors an insight regarding all stages of development of companies and has experience growing companies from the start-up stage to international prominence. Mr. Sigety also brings to our Board of Directors a financial background in public and private capital markets.

Martin A. Traber. Mr. Traber, age 70, has served as a director of the company since its initial public offering in October 2015. Since 1994, Mr. Traber has been a partner of Foley & Lardner LLP, in Tampa, Florida, representing clients in securities law matters and corporate transactions. Mr. Traber is a founder of NorthStar Bank in Tampa, Florida and from 2007 to 2011 served as a member of the Board of Directors of that institution. Mr. Traber serves on the Board of Directors of JHS Capital Holdings, Tampa, Florida and on the Advisory Board of Platinum Bank, Tampa, Florida. From 2012 to 2013, he served on the Board of Directors of Exeter Trust Company, Portsmouth, New Hampshire. Mr. Traber holds a Bachelor of Arts and a Juris Doctor from Indiana University.

Mr. Traber currently serves as a director of the board of directors of HCI Group, Inc., a New York Stock Exchange listed company headquartered in Tampa, Florida, primarily engaged in the homeowners' insurance business (NYSE: HCI) ("HCI") and as a member of HCI's compensation committee and nominating and governance committee. Mr. Traber has served on the board of directors of HCI since its inception.

Mr. Traber brings considerable legal, financial and business experience to the Board of Directors. He has counseled and observed numerous businesses in a wide range of industries. The knowledge gained from his observations and his knowledge and experience in business transactions and securities law are considered of importance in monitoring the Company's performance and when we consider and pursue business acquisitions and financial transactions. As a corporate and securities lawyer, Mr. Traber has a fundamental understanding of governance principles and business ethics. His knowledge of other businesses and industries is useful in determining management and director compensation.

Andrew L. Graham. Mr. Graham, age 57, has served as a director of the company since its initial public offering in October 2015. Since June 2008, Mr. Graham has served as Vice President, General Counsel and Secretary of HCI Group, Inc. (NYSE:HCI). From 1999 to 2007, Mr. Graham served in various capacities, including as General Counsel, for Trinsic, Inc. (previously named Z-Tel Technologies, Inc.), a publicly-held provider of communications services headquartered in Tampa, Florida. Since 2011, Mr. Graham has served on the Internal Audit Committee of Hillsborough County, Florida. From 2007 to 2011, he served on the Board of Trustees of Hillsborough Community College, a state institution serving over 45,000 students annually. Mr. Graham holds a Bachelor of Science, major in Accounting, from Florida State University and a Juris Doctor, as well as a Master of Laws (L.L.M.) in Taxation, from the University of Florida College of Law. Mr. Graham was licensed in Florida as a Certified Public Accountant from 1982 to 2001. As a Certified Public Accountant, he audited, reviewed and compiled financial statements and prepared tax returns. Mr. Graham's experience serving as general counsel to publicly-held companies brings to our Board of Directors a comprehensive understanding of public company operations, financial reporting, disclosure, and corporate governance, as well as perspective regarding potential acquisitions. With his accounting education and experience, he brings also a sophisticated understanding of accounting principles, auditing standards, internal accounting control and financial presentation and analysis.

Arrangements as to Selection and Nomination of Directors

We are aware of no arrangements as to the selection and nomination of directors.

Independent Directors

Based upon recommendations of our nominating and governance committee, the Board of Directors has determined that current directors Messrs. McCree, Graham, Sigety and Traber are “independent directors” meeting the independence tests set forth by NASDAQ Stock Market and Rule 10A-3(b)(i) under the Exchange Act, including having no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). In the case of Mr. Traber, the Board of Directors considered his role as a partner of Foley & Lardner LLP, which provides legal services to the company, and determined that the fees received by the law firm from us amount to less than 1% of the firm’s total revenue and also considered Mr. Traber’s personal financial substance, his other sources of income and his lack of dependence upon legal fees from the company.

DIRECTOR COMPENSATION

The compensation of our non-employee directors is determined by the Board of Directors which solicits a recommendation from the compensation committee.

Directors who are employees of the company do not receive any additional compensation for their service as directors. During 2015, the company's non-employee directors each earned fees of $2,917 for service to the company, which includes attendance at Board and committee meetings held during 2015.

The following table sets forth information with respect to compensation earned by each of our directors (other than "named executive officers") during the year ended December 31, 2015.

Name	Fees Earned or Paid in Cash ($)(1)	Option Awards ($)	Total ($)
Martin A. Traber	$ (2)	$ —	$ —
Andrew Graham	$ 2,917	$ —	$ 2,917
C. Birge Sigety	$ 2,917	$ —	$ 2,917
Douglas I. McCree	$ 2,917	$ —	$ 2,917
Joel E. Rodgers, Sr.	$ 2,917	$ —	$ 2,917

(1) Represents the prorata compensation for the period from October 23, 2015 (IPO date) to December 31, 2015.

(2) Cash compensation for Mr. Traber is waived pursuant to the policies and procedures of his employment with Foley & Lardner, LLP.

TRANSACTIONS WITH RELATED PERSONS

Transactions

LMF has engaged Business Law Group, P.A., ("BLG") on behalf of many of its Association clients to service and collect the Accounts and to distribute the proceeds as required by Florida law and the provisions of the purchase agreements between LMF and the Associations. In addition, Ms. Gould entered into an employment agreement to work part-time with the LMF. Ms. Gould's employment agreement with LMF permits her to also work as General Manager of Business Law Group, P.A. which pays her additional compensation of $150,000 per year.

Legal Services

One of our directors, Martin A. Traber, is a partner at the law firm of Foley & Lardner LLP, and since our inception in 2015, the firm has provided legal representation to us. During 2015, Foley & Lardner LLP billed us approximately $699,000, which represents less than 1% of Foley & Lardner's fee revenue. These services were provided on an arm's-length basis, and paid for at fair market value. We believe that such services were performed on terms at least as favorable to us as those that would have been realized in transactions with unaffiliated entities or individuals. These billings include the legal fees incurred in filing our S-1 registration statement and subsequent IPO.

ADVERSE INTERESTS

We are not aware of any material proceedings in which an executive officer or director is a party adverse to the company or has a material interest adverse to the company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3, 4, and 5 filed for the year 2015, we believe that all of our directors, officers, and 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them. In addition, all such forms were filed timely.

CODE OF ETHICS

We have adopted a code of ethics applicable to all employees and directors, including our chief executive officer and chief financial officer. We have posted the text of our code of ethics to our internet web site: www.lmfunding.com by clicking “Investors” at the top and then “Corporate Governance” and then the appropriate “Code of Ethics”. We intend to disclose any change to or waiver from our code of ethics by posting such change or waiver to our internet web site within the same section as described above.

CORPORATE GOVERNANCE GUIDELINES

We have adopted Corporate Governance Guidelines to promote effective governance of the company. A current copy of our Corporate Governance Guidelines is available on our website www.lmfunding.com by clicking “Investors” at the top and then “Corporate Governance” and then “Corporate Governance Guidelines.”

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors held one meeting during 2015. During 2015, no director attended less than 75% of the Board and applicable committee meetings.

Board members are encouraged, but not required to attend the Annual Meeting of the Shareholders.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

We have established procedures by which shareholders may communicate with members of the Board of Directors, individually or as a group. Shareholders wishing to communicate with the Board of Directors or a specified member of the Board may send written communications addressed to: Board of Directors, LM Funding America, Inc., c/o Aaron Gordon, Esq., General Counsel and Secretary of the Corporation, 302 Knights Run Avenue, Suite 1000, Tampa, Florida 33602. The mailing envelope should clearly specify the intended recipient or recipients, which may be the Board of Directors as a group or an individual member of the Board. The communication should include the shareholder’s name and the number of shares owned. Communications that are not racially, ethically or religiously offensive, commercial, pornographic, obscene, vulgar, profane, defamatory, abusive, harassing, threatening, malicious, false or frivolous in nature will be promptly forwarded to the specified members of the Board of Directors. We have also established procedures by which all interested parties (not just shareholders) may communicate directly with our non-management or independent directors as a group. Any interested party wishing to communicate with our non-management or independent directors as a group may send written communications addressed to: Board of Directors, LM Funding America, Inc., c/o Aaron Gordon, Esq., General Counsel and Secretary of the Corporation, 302 Knights Run Avenue, Suite 1000, Tampa, Florida 33602. The mailing envelope should clearly specify the intended recipients, which may be the non-management directors or the independent directors as a group. The Secretary will promptly forward the envelope for distribution to the intended recipients.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an audit committee, a compensation committee, and a nominating and governance committee.

Audit Committee

The company has a separately-designated standing audit committee established in accordance with the Securities and Exchange Act of 1934. The audit committee's responsibilities include the following:

- assisting our Board of Directors in its oversight of the quality and integrity of our accounting, auditing, and reporting practices;
- overseeing the work of our internal accounting and auditing processes;
- discussing with management our processes to manage business and financial risk;
- making appointment, compensation, and retention decisions regarding, and overseeing the independent registered public accounting firm engaged to prepare or issue audit reports on our financial statements;
- establishing and reviewing the adequacy of procedures for the receipt, retention and treatment of complaints received by our company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures; and
- conducting an appropriate review and approval of all related party transactions for potential conflict of interest situations on an ongoing basis.

The audit committee is composed of three members: Andrew Graham, its chairman, C. Birge Sigety and Douglas I. McCree. Since our common shares are listed on Nasdaq Capital Markets, we are governed by its listing standards. Accordingly, the members of the audit committee are considered to be "independent directors" pursuant to the definition contained in Rule 5605(a)(2) of the NASDAQ and the criteria for independence set forth in Rule 10A-3(b)(1) of the Securities and Exchange Commission. The Board of Directors has determined that Mr. Graham is an audit committee financial expert. The Audit Committee met formally one time during 2015 and otherwise acted by unanimous written consent. The Board of Directors has adopted a written Audit Committee Charter. A current copy of the charter is available on our website www.lmfunding.com by clicking "Investors" and then "Corporate Governance."

Compensation Committee

The compensation committee's responsibilities include the following:

- reviewing and approving the compensation programs applicable to our executive officers;
- recommending to the Board of Directors and periodically reviewing policies for the administration of the executive compensation programs;

- reviewing and approving the corporate goals and objectives relevant to the compensation of the executive officers, evaluating the performance of the executive officers in light of those goals, objectives and strategies, and setting the compensation level of the executive officers based on this evaluation;
- reviewing on a periodic basis the operation of our executive compensation programs to determine whether they are properly coordinated and achieving their intended purposes;
- administering and making awards under the company's 2015 Omnibus Incentive Plan and monitoring and supervising the administration of any other benefit plans the company may have; and
- reviewing and approving compensation to outside directors.

The compensation committee has the authority to determine the compensation of the named executive officers, except the Chief Executive Officer. The compensation committee makes recommendations to the Board of Directors for non-employee directors and Chief Executive Officer compensation and equity awards under the company's 2015 Omnibus Incentive Plan. At least annually the compensation committee considers the results of the company's operations and its financial position and makes compensation determinations. The compensation committee did not engage or rely on consultants in determining compensation paid to executive officers in 2015, instead relying on the judgment and knowledge of its own members. The compensation committee views the determination of such compensation to be a collaborative effort and accordingly it welcomes recommendations and advice from executive officers and other directors. The compensation committee is composed of three members: C. Birge Sigety, Douglas I. McCree and Martin A. Traber each of whom have been determined to be "independent" within the meaning of SEC and NASDAQ regulations. The Board of Directors has adopted a formal compensation committee charter. As required under NASDAQ Rule 5605(d)(1), the Compensation Committee assesses the adequacy of its charter on an annual basis. The compensation committee met formally one time during 2015 and otherwise acted by unanimous written consent.

A current copy of the charter is available on our website www.lmfunding.com by clicking "Investors" and then "Corporate Governance."

Nominating and Governance Committee

The functions of the nominating and governance committee include the following:

- establishing criteria for selection of potential directors, taking into account all factors it considers appropriate;
- identifying and selecting individuals believed to be qualified as candidates to serve on the board and recommending to the board candidates to stand for election as directors at the annual meeting of shareholders or, if applicable, at a special meeting of the shareholders;
- recommending members of the board to serve on the committees of the board;
- evaluating and ensuring the independence of each member of each committee of the board required to be composed of independent directors;
- developing and recommending to the board a set of corporate governance principles appropriate for our company and consistent with the applicable laws, regulations, and listing requirements;
- developing and recommending to the board a code of conduct for our company's directors, officers, and employees;

- ensuring that we make all appropriate disclosures regarding the process for nominating candidates for election to the board, including any process for shareholder nominations, the criteria established by the committee for candidates for nomination for election to the board, and any other disclosures required by applicable laws, regulations, or listing standards; and
- reporting regularly to the board (i) regarding meetings of the committee, (ii) with respect to such other matters as are relevant to the committee's discharge of its responsibilities, and (iii) with respect to such recommendations as the committee may deem appropriate.

The nominating and governance committee is composed of three members: Douglas I. McCree, Bruce M. Rodgers and Joel E. Rodgers, Sr. The nominating and governance committee did not meet in 2015, but held a meeting in 2016 prior to the submission of this proxy statement. The Board of Directors has adopted a written nominating and governance committee charter. A current copy of the charter is available on our website at www.lmfunding.com by clicking "Investors" and then "Corporate Governance."

Each of the proposed director nominees was recommended by the nominating and governance committee to the Board of Directors.

The nominating and governance committee identifies director candidates in numerous ways. Generally, the candidates are known to and recommended by members of the Board of Directors or management. In evaluating director candidates, the nominating and governance committee considers a variety of attributes, criteria and factors, including experience, skills, expertise, diversity, personal and professional integrity, character, temperament, business judgment, time availability, dedication and conflicts of interest. At a minimum, director candidates must be at least 18 years of age and have such business, financial, technological or legal experience or education to enable them to make informed decisions on behalf of the company. The nominating and governance committee has not adopted a specific policy on diversity.

The nominating and governance committee will consider director candidates recommended by shareholders. Any shareholder wishing to recommend one or more director candidates should send the recommendations before November 1st of the year preceding the next annual meeting of shareholders to the Secretary of the company, Aaron Gordon, Esq., General Counsel and Secretary, 302 Knights Run Avenue, Suite 1000, Tampa, Florida 33602. Each recommendation should set forth the candidate's name, age, business address, business telephone number, residence address, and principal occupation or employment and any other attributes or factors the shareholder wishes the committee to consider, as well as the shareholder's name, address and telephone number and the class and number of shares held. The Committee may require the recommended candidate to furnish additional information. The secretary will forward recommendations of qualified candidates to the nominating and governance committee and those candidates will be given the same consideration as all other candidates.

A shareholder wishing to nominate an individual for election to the Board of Directors at the Annual Meeting of the Shareholders, rather than recommend a candidate to the Nominating and Governance Committee, must comply with the advance notice requirements set forth in our bylaws. See "Shareholder Proposals for Presentation at the 2017 Annual Meeting" for further information.

Board of Directors Leadership Structure

Our business and affairs are managed under the direction of the Board of Directors. Under our current leadership structure, Bruce M. Rodgers serves as chairman of the board and chief executive officer. Mr. Rodgers' role includes providing continuous feedback on the direction and performance of the company, serving as chairman of regular meetings of the Board of Directors, setting the agenda of meetings of the Board of Directors and leading the Board of Directors in anticipating and responding to changes in our business. Mr. Rodgers plays a significant role also in formulating and executing the company's strategic plans, financing activity and investment decisions. We believe board oversight and planning is a collaborative effort among the directors, each of whom has unique skills, experience and education, and this structure facilitates collaboration and communication among the directors and management and makes the best use of their respective skills. The Board of Directors periodically reviews the board leadership structure to evaluate whether the structure remains appropriate for the company and may determine to alter this leadership structure anytime based on then existing circumstances.

Board of Directors' Role in Risk Oversight

The Board of Directors plays a significant role in monitoring risks to the company. Where major risks are involved, the Board of Directors takes a direct role in reviewing those matters. The Board of Directors also approves any strategic initiatives and any large or unusual investment or other such expenditure of the company's resources. The Board of Directors has established committees to assist in ensuring that material risks are identified and managed appropriately. Among them are the audit committee, the compensation committee, and the nominating and governance committee. The Board and its committees regularly review material operational, financial, compensation and compliance risks with executive management. The audit committee is responsible for assisting the Board of Directors in its oversight of the quality and integrity of our accounting, auditing, and reporting practices and discussing with management our processes to manage business and financial risk. The compensation committee considers risk in connection with its design of our compensation programs for our executives. The nominating and governance committee regularly reviews the company's corporate governance structure and board committee assignments. Each committee regularly reports to the Board of Directors.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Skoda Minotti & Co. Certified Public Accountants was our principal registered public accounting firm for 2015.

AUDIT FEES

The following table sets forth the aggregate fees for services related to the years ended December 31, 2015 and 2014 provided by Skoda Minotti & Co. Certified Public Accountants, our principal accountant:

	2015	2014
Audit Fees(1)	$ 187,000	$ 105,000
All Other Fees(2)	191,050	10,650
Total	$ 378,050	$ 115,650

(1) Audit Fees represent fees billed for professional services rendered for the audit of our annual financial statements, review of our quarterly financial statements included in our quarterly reports on Form 10-Q, and audit services provided in connection with other statutory and regulatory filings.

(2) All Other Fees represent fees billed for services provided to us not otherwise included in the category above, which are primarily fees related to our S-1 Registration Statement completed in October 2015.

PRE-APPROVAL POLICIES

All auditing services and non-auditing services are pre-approved by the audit committee. The audit committee has delegated this authority to the chairman of the audit committee for situations when pre-approval by the full audit committee is inconvenient. Any decisions by the chairman of the audit committee must be disclosed at the next audit committee meeting.

AUDIT COMMITTEE REPORT

TO: The Board of Directors of LM Funding America, Inc.

The audit committee oversees the financial reporting processes of LM Funding America, Inc. on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the audit committee reviewed the audited financial statements in the Annual Report with management and discussed with management the quality, in addition to the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The audit committee reviewed with representatives of Skoda Minotti & Co. Certified Public Accountants, the company's independent registered public accounting firm responsible for auditing the company's financial statements and expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America, their judgments as to the quality, not just the acceptability, of the company's accounting principles. The audit committee has discussed with the independent registered public accounting firm the matters required to be discussed under auditing standards adopted by the Public Company Accounting Oversight Board. The audit committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

The audit committee discussed with representatives of Skoda Minotti & Co. Certified Public Accountants, the overall scope and plans for their audit. The audit committee met with representatives of Skoda Minotti & Co. Certified Public Accountants, with and without management present, to discuss the results of their examinations, their evaluations of the company's internal controls, and the overall quality of the company's financial reporting.

In reliance on the reviews and discussions referred to above, the audit committee recommended to the Board of Directors the inclusion of the audited financial statements in the company's Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE
Andrew Graham, Chairman
C. Birge Sigety
Douglas I. McCree

EXECUTIVE OFFICERS

The following table provides information with respect to our executive officers as of April 29, 2016:

Name	Age	Title
Bruce M. Rodgers	52	Chairman and Chief Executive Officer
Stephen Weclew	36	Chief Financial Officer
Sean Galaris	47	President
Carollinn Gould	52	Vice-President, General Manager and Director
Aaron Gordon	30	General Counsel and Corporate Secretary

Bruce M. Rodgers. Mr. Rodgers background and experience is contained above in the section of the Proxy Statement entitled "Directors" above.

Stephen Weclew. Mr. Weclew, age 36, has served as Chief Financial Officer of the company since its initial public offering in October 2015, in charge of all financial reporting. From 2012 to 2014, Mr. Weclew served in various finance positions for the North American Wound Care Division of Smith and Nephew including Director of Finance, Finance Manager, and Reporting/Controls Manager. From 2010 to 2012, Mr. Weclew was the Assistant Controller for Airgas Retail Solutions, Inc. Mr. Weclew was a Senior Business Consultant with BST Global, Inc. from 2007 to 2010 and served in the Audit and Assurance practice for Deloitte & Touche from 2004 to 2007. Mr. Weclew earned a B.S. in Business, Major Accounting and a Masters of Accountancy from University of Central Florida. He is a licensed C.P.A.

Sean Galaris. Mr. Galaris, age 47, has served as President of the company since its initial public offering in October 2015. Prior to joining the company, Mr. Galaris served as Senior Vice President of The Continental Group, a FirstService Corporation held company (NASDAQ: FSRV), and President of its subsidiary Sterling Management for 13 years. Operating in the largest geographic region in Florida, Mr. Galaris was responsible for managing approximately 350 properties across North Florida. Working with national and local developers to build several of the largest communities in Florida, Mr. Galaris managed the openings of over 100 condominium and homeowner associations across the state. He has been a licensed Real Estate Broker and Community Association Manager for over 15 years. Originally from the greater Boston area, he holds a B.S. in Business (Management) from Salem State College where he captained the men's basketball team for three years, prior to his career as a professional basketball player in Europe.

Carollinn Gould. Ms. Gould's background and experience is contained above in the section of the Proxy Statement entitled "Directors" above.

Aaron Gordon. Mr. Gordon, age 30, has served as General Counsel and Secretary of the company since its initial public offering in October 2015. Mr. Gordon supervises the acquisition of delinquent condominium and home owner's association accounts receivable. Since 2009, Mr. Gordon has provided legal counsel for LMF's business operations. Prior to his career as a lawyer Mr. Gordon was an associate for HealthTrust, LLC, a commercial real estate valuation firm which specializes in the seniors' housing sector. Originally from Fort Myers, Florida, Mr. Gordon holds a B.S. in Real Estate from Florida State University, Magna Cum Laude, and a Juris Doctor from the University of Florida with a practice certificate in Estates and Trust Administration. Mr. Gordon was admitted to the Florida Bar in 2009 and the New York Bar in 2010.

We are aware of no arrangements as to the selection or appointment of executive officers.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

SUMMARY COMPENSATION TABLE

The following table provides summary information concerning compensation for services rendered in all capacities awarded to, earned by or paid to our named executive officers during the years ended December 31, 2015 and 2014. The table does not include compensation for 2014 for each named executive officer if such officer was not employed by the company in 2014.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)	All Other Compensation ($)(3)	Total ($)
Bruce Rodgers Chairman and CEO	2015	$ 62,192	$ —	$ —	$ —	$ 666	$ 62,858
Stephen Weclew Chief Financial Officer	2015	$116,000	$ —	$ —	$ —	$ 16,051	$132,051
Sean Galaris	2015	$166,154	$ —	$ —	$223,020 (2)	$ 22,224	$397,378
President	2014	$150,000	$81,427	$ —	$ —	$ 17,451	$248,878

(1) Represents the grant date fair value of the award, calculated in accordance with FASB Accounting Standard Codification 718, "Compensation — Stock Compensation," or ASC 718. A summary of the assumptions made in the valuation of these awards is provided under Note 9 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 30, 2016

(2) Includes an option to purchase 94,500 shares of common stock granted to Mr. Galaris on October 22, 2015. The option has an exercise price of $10.00 per share and expires on October 21, 2025. The option vests fully in three equal annual installments on October 21, 2016, October 21, 2016 and October 21, 2017.

(3) These Amounts consist of:
- health insurance premiums paid by the company in excess of non-executive contribution
- Auto Allowance

Name	Year	Health Insurance Premiums ($)	Auto Allowance ($)	Total ($)
Bruce Rodgers	2015	$ 666	$ —	$ 666.00
Stephen Weclew	2015	$ 16,051	$ —	$16,051.00
Sean Galaris	2015	$ 20,224	$ 2,000	$22,224.00
	2014	$ 17,451	$ —	$17,451.00

Employment Agreements

Certain executives' compensation and other arrangements are set forth in employment agreements. These employment agreements are described below.

Bruce M. Rodgers. On October 22, 2015, we entered into an employment agreement with Mr. Bruce M. Rodgers, our Chief Executive Officer. His agreement provides for annual compensation of $385,000 and he may be granted annual bonuses at the discretion of the Board of Directors. Mr. Rodgers is entitled to participate in all of our pension, life insurance, health insurance, disability insurance and other benefit plans on the same basis as our other employee officers participate. The term of Mr. Rodgers' agreement is for three years and is automatically renewed each year unless terminated for "cause", as defined in the employment agreement. He will receive the base salary and benefits due under the employment agreement for the remainder of the term if terminated "without cause", as defined in the employment agreement, or such base salary shall be paid for the remainder of the term to his estate if his employment is terminated due to his death. Mr. Rodgers' employment agreement contains certain non-competition covenants and confidentiality provisions.

Steven Weclew. On January 4, 2016, we entered into an employment agreement with Mr. Steve Weclew, our Chief Financial Officer. His agreement provides for annual compensation of $200,000 and he may be granted annual bonuses at the discretion of the Board of Directors. Mr. Weclew is entitled to participate in all of our pension, life insurance, health insurance, disability insurance and other benefit plans on the same basis as our other employee officers participate. The agreement provides that, if we terminate Mr. Weclew' employment without cause then he will be entitled to severance compensation in the amount of his base salary and his health and welfare benefits for the 12-month period following the date of termination. The agreement provides that Mr. Weclew will only be entitled to the unpaid base salary owing to him up through and including the date of termination if he (a) is terminated due to death or disability, (b) is terminated by the company for cause, or (c) he chooses to terminate his employment. Mr. Weclew's employment agreement contains certain non-competition covenants and confidentiality provisions.

Sean Galaris. On October 22, 2015, we entered into an employment ag reement with Mr. Sean Galaris, our President. His agreement provides for annual compensation of $250,000 and he received a grant of options equal to 4.5% of the outstanding shares of the Company at conclusion of the offering on October 22, 2015 with an exercise price equal to the offering price and a ten-year term. Such options will vest ratably over a three-year period while Mr. Galaris is still employed by us. He may be granted annual bonuses at the discretion of the Board of Directors. Mr. Galaris is entitled to participate in all of our pension, life insurance, health insurance, disability insurance and other benefit plans on the same basis as our other employee officers participate. The term of Mr. Galaris' agreement is for two years and is automatically renewed for successive one-year terms unless terminated for "cause", as defined in the employment agreement. He will receive the base salary and benefits due under the employment agreement for the remainder of the term if terminated "without cause", as defined in the employment agreement, or such base salary shall be paid for the remainder of the term to his estate if his employment is terminated due to his death. Mr. Galaris' employment agreement contains certain non-competition covenants and confidentiality provisions.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on exercisable and unexercisable options and unvested stock awards held by the named executive officers on December 31, 2015.

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**
Bruce Rodgers	—	—	$ —	—
		—	$ —	—
Stephen Weclew	—	—	$ —	—
		—	$ —	—
Sean Galaris	—	94,500 (1)	$ 10.00	10/22/2025
	—	—	$ —	—

(1) Represents the unvested portion of an option to purchase 94,500 shares of common stock granted on October 22, 2015, which fully vests on October 21, 2025.

EQUITY COMPENSATION PLAN INFORMATION

The table below sets forth information with respect to shares of common stock that may be issued under our 2015 Omnibus Incentive Plan, as of December 31, 2015:

	Equity Compensation Plan Information		
	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	94,500	$ 10.00	505,500
Equity compensation plans not approved by security holders	-	$ -	-

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of April 29, 2016 by:

- each person who is known by us to beneficially own more than 5% of our outstanding common stock,
- each of our directors and named executive officers, and
- all directors and executive officers as a group.

The number and percentage of shares beneficially owned are based on 3,300,000 common shares outstanding as of April 29, 2016. Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, which generally require that the individual have voting or investment power with respect to the shares. In computing the number of shares beneficially owned by an individual listed below and the percentage ownership of that individual, shares underlying options, warrants and convertible securities held by each individual that are exercisable or convertible within 60 days of May 2, 2016, are deemed owned and outstanding, but are not deemed outstanding for computing the percentage ownership of any other individual. Except as otherwise indicated in the footnotes to this table, or as required by applicable community property laws, all individuals listed have sole voting and investment power for all shares shown as beneficially owned by them. Unless otherwise indicated in the footnotes, the address for each principal shareholder is LM Funding America, Inc., 302 Knights Run Avenue, Suite 1000, Tampa, Florida 33602.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage
5% Stockholders:		
Bard Associates, Inc. (1)	301,650	8.74 %
CGR63, LLC. (2)	2,323,664	67.70 %
Executive Officers and Directors		
Sean Galaris (3)	8,000	*
Bruce M. Rodgers (4)	2,367,840	68.95 %
Carollinn Gould (4)	2,367,840	68.95 %
Douglas I. McCree (5)	10,000	*
Joel E. Rodgers, Sr. (6)	2,000	*
C. Birge Sigety (7)	40,000	1.20 %
Martin A. Traber (8)	20,000	*
Andrew L. Graham (9)	8,000	*
Stephen Weclew (10)	2,000	*
All Executive Officers and Directors as a Group (10 individuals)	2,458,240	71.68 %

* Represents less than 1% of beneficial ownership

(1) Includes 150,825 shares of common stock and 150,825 shares of common stock issuable upon the exercise of warrants held by Bard Associates, Inc.

(2) Includes 2,191,244 shares of common stock and 132,420 shares of common stock issuable upon the exercise of warrants held by CGR63, LLC. Bruce M. Rodgers, Carollinn Gould and their family, including

trusts or custodial accounts of minor children of each of Mr. Rodgers and Ms. Gould, own 100% of the outstanding membership interests of CGR63, LLC.

(3) Includes 4,000 shares of common stock and 4,000 shares of common stock issuable upon the exercise of warrants at an exercise price of $12.50. This amount excludes 94,500 options that are not exercisable 60 days after record date of May 2, 2016.

(4) Includes 2,323,664 shares beneficially owned by CGR63, LLC and 44,176 shares beneficially owned by BRR Holding, LLC, of which 132,420 shares in the case of CGR63, LLC and 1,500 shares in the case of BRR Holding, LLC are issuable upon the exercise of warrants to purchase shares of common stock. Bruce M. Rodgers, Carollinn Gould and their family, including trusts or custodial accounts of minor children of each of Mr. Rodgers and Ms. Gould, own 100% of the outstanding membership interests of CGR63, LLC and 100% of the outstanding membership interests of BRR Holding, LLC, and therefore Mr. Rodgers may be deemed to have shared voting and investment power for all 2,367,840 shares owned by CGR63, LLC and BRR Holding, LLC.

(5) Includes 5,000 shares of common stock, and 5,000 shares of common stock issuable upon the exercise of warrants at an exercise price of $12.50. This amount excludes 5,000 options that are not exercisable 60 days after the record date of May 2, 2016.

(6) Includes 1,000 shares of common stock, and 1,000 shares of common stock issuable upon the exercise of warrants at an exercise price of $12.50. This amount excludes 5,000 options that are not exercisable 60 days after the record date of May 2, 2016.

(7) Includes 20,000 shares of common stock (10,000 shares of common stock owned directly and 10,000 shares of common stock owned indirectly via a Trust), and 20,000 shares of common stock issuable upon the exercise of warrants (10,000 owned directly and 10,000 owned indirectly via a Trust) at an exercise price of $12.50. This amount excludes 5,000 options that are not exercisable 60 days after record date of May 2, 2016.

(8) Includes 10,000 shares of common stock, and 10,000 shares of common stock issuable upon the exercise of warrants at an exercise price of $12.50. This amount excludes 5,000 options that are not exercisable 60 days after record date of May 2, 2016.

(9) Includes 2,000 shares of common stock, and 6,000 shares of common stock issuable upon the exercise of warrants at an exercise price of $12.50. This amount excludes 5,000 options that are not exercisable 60 days after record date of May 2, 2016.

(10) Includes 1,000 shares of common stock, and 1,000 shares of common stock issuable upon the exercise of warrants at an exercise price of $12.50. This amount excludes 25,600 options that are not exercisable 60 days after record date of May 2, 2016.

OTHER MATTERS

We do not expect any other matters to be brought before the meeting. However, if any other matters are presented, it is the intention of the persons named in the proxy to vote the proxy as recommended by the Board of Directors or, if no recommendation is given, in their own discretion using their best judgment.

SHAREHOLDER PROPOSALS FOR PRESENTATION AT THE 2017 ANNUAL MEETING

Shareholder proposals intended to be considered for inclusion in next year's proxy statement and form of proxy for presentation at the 2017 Annual Meeting of Shareholders must comply with Securities and Exchange Commission Rule 14a-8. The deadline for submitting such proposals is January 17, 2016 (120 days before the date of this year's mailing without regard to the year), unless the date of the 2017 Annual Meeting is more than

30 days before or after the one-year anniversary date of the 2016 Annual Meeting, in which case proposals must be submitted a reasonable time before we print our proxy materials for the 2017 Annual Meeting.

Shareholders wishing to submit proposals for the 2017 Annual Meeting outside the process of Securities and Exchange Commission Rule 14a-8 must comply with the advance notice and other provisions of Article II, Section 11 of our bylaws. To be timely, notice of the proposal must be received by the company by March 14, 2017, unless the date of the 2017 Annual Meeting is more than 30 days before or after the one-year anniversary date of the 2016 Annual Meeting, in which case the notice must be delivered at least 45 days before the company sends its proxy materials to shareholders for the 2017 Annual Meeting.

Address proposals to LM Funding America, Inc., Attention: **Aaron Gordon, Esq., General Counsel and Secretary, 302 Knights Run Avenue, Suite 1000, Tampa, Florida 33602**. The specific requirements for submitting shareholder proposals are set forth in Article II, Section 11 of our bylaws.

DELIVERY OF PROXY MATERIALS TO HOUSEHOLDS

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. The company will promptly deliver a separate copy of any of these documents to you if you contact us at the following address or telephone number: LM Funding America, Inc., Attention: **Aaron Gordon, Esq., General Counsel and Secretary, 302 Knights Run Avenue, Suite 1000, Tampa, Florida 33602**, telephone: 813-222-8996. If you want to receive separate copies of the proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact the company at the above address or telephone number.

LM FUNDING AMERICA, INC.
302 KNIGHTS RUN AVE., SUITE 1000
TAMPA, FL 33602

Investor Address Line 1
Investor Address Line 2
Investor Address Line 3
Investor Address Line 4
Investor Address Line 5
John Sample
1234 ANYWHERE STREET
ANY CITY, ON A1A 1A1

1 OF 2
1 1

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

CONTROL # → 0000000000000000

NAME	SHARES
THE COMPANY NAME INC. - COMMON	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS A	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS B	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS C	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS D	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS E	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS F	123,456,789,012.12345
THE COMPANY NAME INC. - 401 K	123,456,789,012.12345

PAGE 1 OF 2

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: ☒

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

The Board of Directors recommends you vote FOR the following:

	For All	Withhold All	For All Except
	○	○	○

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

1. Election of Directors

Nominees

01 Mr. Bruce M. Rodgers 02 Ms. Carollinn Gould

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

02 0000000000

Investor Address Line 1
Investor Address Line 2
Investor Address Line 3
Investor Address Line 4
Investor Address Line 5
John Sample
1234 ANYWHERE STREET
ANY CITY, ON A1A 1A1

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

0000292172_1 R1.0.1.25

Signature [PLEASE SIGN WITHIN BOX] Date

JOB #

Signature (Joint Owners) Date

SHARES
CUSIP #
SEQUENCE #

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice & Proxy Statement, Form 10-K are available at www.proxyvote.com

LM FUNDING AMERICA, INC.
Annual Meeting of Shareholders
June 16, 2016 3:00 PM
This proxy is solicited by the Board of Directors

The shareholder(s) hereby appoint(s) Bruce M. Rodgers and Aaron Gordon, or either of them, as proxies, each with the power to appoint (his/her) substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of (Common/Preferred) stock of LM FUNDING AMERICA, INC. that the shareholder(s) is/are entitled to vote at the Annual Meeting of shareholder(s) to be held at 03:00 PM, EST on June 16, 2016, at the Cinebistro at Hyde Park Village, 1609 West Swann Avenue, Tampa, FL 33606, and any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

0000292172_2 R1.0.1.25

Continued and to be signed on reverse side