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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 2023**

**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** | **47-3844457** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. employer identification no.)** |
| **1200 West Platt Street<br>Suite 100<br>Tampa, FL** | **33606** |
| **(Address of principal executive offices)** | **(Zip code)** |

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class: | Trading symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock par value $0.001 per share | LMFA | The Nasdaq Stock Market LLC |

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☑ | Smaller reporting company | ☑ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant had 14,651,883 shares of Common Stock, par value $0.001 per share, outstanding as of August 7, 2023.

**LM FUNDING AMERICA, INC.**

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

**LM Funding America, Inc. and Subsidiaries Consolidated Balance Sheets**

| | June 30, 2023 (Unaudited) | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Cash | $ 1,847,239 | $ 4,238,006 |
| Digital Assets (Note 2) | 1,992,557 | 888,026 |
| Finance receivables | 14,097 | 26,802 |
| Marketable securities (Note 5) | 8,668 | 4,290 |
| Notes receivable from Seastar Medical Holding Corporation (Note 5) | 2,238,442 | 3,807,749 |
| Prepaid expenses and other assets | 1,425,585 | 1,233,322 |
| Income tax receivable | 293,466 | 293,466 |
| Current assets | 7,820,054 | 10,491,661 |
| Fixed assets, net (Note 3) | 27,208,981 | 27,192,317 |
| Deposits on mining equipment (Note 4) | 282,171 | 525,219 |
| Hosting services deposits (Note 4) | 2,357,658 | 2,200,452 |
| Real estate assets owned | 80,057 | 80,057 |
| Long-term investments - debt security (Note 5) | - | 2,402,542 |
| Less: Allowance for losses on debt security (Note 5) | - | (1,052,542 ) |
| Long-term investments - debt security, net (Note 5) | - | 1,350,000 |
| Long-term investments - equity securities (Note 5) | 188,493 | 464,778 |
| Investment in Seastar Medical Holding Corporation (Note 5) | 1,345,500 | 10,608,750 |
| Symbiont intangible assets (Note 11) | 2,804,902 | - |
| Operating lease - right of use assets (Note 8) | 239,671 | 265,658 |
| Other assets | 10,726 | 10,726 |
| Long-term assets | 34,518,159 | 42,697,957 |
| Total assets | $ 42,338,213 | $ 53,189,618 |
| **Liabilities and stockholders' equity** | | |
| Accounts payable and accrued expenses | 2,005,147 | 1,570,906 |
| Note payable - short-term (Note 6) | 119,353 | 475,775 |
| Due to related parties (Note 7) | 68,217 | 75,488 |
| Current portion of lease liability (Note 8) | 94,509 | 90,823 |
| Total current liabilities | 2,287,226 | 2,212,992 |
| Lease liability - net of current portion (Note 8) | 151,685 | 179,397 |
| Long-term liabilities | 151,685 | 179,397 |
| Total liabilities | 2,438,911 | 2,392,389 |
| Stockholders' equity (Note 9) | | |
| Preferred stock, par value $.001; 150,000,000 shares authorized; no shares issued and outstanding as of June 30, 2023 and December 31, 2022 | - | - |
| Common stock, par value $.001; 350,000,000 shares authorized; 14,651,883 shares issued and outstanding as of June 30, 2023 and 13,091,883 as of December 31, 2022 | 14,652 | 13,092 |
| Additional paid-in capital | 94,100,806 | 92,195,341 |
| Accumulated deficit | (52,952,718 ) | (43,017,207 ) |
| Total LM Funding America stockholders' equity | 41,162,740 | 49,191,226 |
| Non-controlling interest | (1,263,438 ) | 1,606,003 |
| Total stockholders' equity | 39,899,302 | 50,797,229 |
| Total liabilities and stockholders' equity | $ 42,338,213 | $ 53,189,618 |

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

**LM Funding America, Inc. and Subsidiaries Consolidated Statements of Operations (unaudited)**

| | Three Months Ended June 30, 2023 | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|---|---|
| Revenues: | | | | |
| Digital mining revenues | $ 2,968,322 | $ - | $ 5,059,173 | $ - |
| Specialty finance revenue | 190,173 | 193,953 | 373,009 | 346,085 |
| Rental revenue | 37,155 | 40,580 | 76,986 | 79,452 |
| **Total revenues** | **3,195,650** | **234,533** | **5,509,168** | **425,537** |
| Operating costs and expenses: | | | | |
| Digital mining cost of revenues (exclusive of depreciation and amortization shown below) | 2,361,825 | - | 4,029,498 | - |
| Staff costs & payroll | 2,463,440 | 4,296,695 | 3,396,275 | 8,588,892 |
| Professional fees | 236,974 | 1,031,431 | 809,330 | 1,806,251 |
| Settlement costs with associations | 10,000 | - | 10,000 | 160 |
| Selling, general and administrative | 242,559 | 122,271 | 482,023 | 237,191 |
| Real estate management and disposal | 69,355 | 22,414 | 101,158 | 53,895 |
| Depreciation and amortization | 1,169,120 | 2,007 | 1,970,993 | 5,101 |
| Collection costs | (373 ) | (7,906 ) | 9,435 | (11,726 ) |
| Impairment loss on mined digital assets | 239,599 | - | 439,153 | - |
| Realized gain on sale of mined digital assets | (646,458 ) | - | (1,070,791 ) | - |
| Other operating costs | 205,943 | 141,509 | 457,854 | 149,893 |
| **Total operating costs and expenses** | **6,351,984** | **5,608,421** | **10,634,928** | **10,829,657** |
| **Operating loss** | **(3,156,334 )** | **(5,373,888 )** | **(5,125,760 )** | **(10,404,120 )** |
| Realized gain (loss) on securities | - | 45,261 | - | (349,920 ) |
| Realized gain on convertible debt securities | - | 287,778 | - | 287,778 |
| Unrealized loss on convertible debt security | - | (288,320 ) | - | - |
| Unrealized gain (loss) on marketable securities | (1,412 ) | (24,030 ) | 4,378 | (23,900 ) |
| Impairment loss on hosting deposits | - | - | (36,691 ) | - |
| Unrealized gain (loss) on investment and equity securities | (3,716,681 ) | 12,215,401 | (9,539,535 ) | 11,229,002 |
| Impairment loss on digital assets | - | (377,707 ) | - | (377,707 ) |
| Realized gain on sale of purchased digital assets | - | - | 1,917 | - |
| Digital assets other income | - | 1,292 | - | 5,658 |
| Other income - coupon sales | 25,721 | - | 629,312 | - |
| Gain on adjustment of note receivable allowance | 1,052,543 | - | 1,052,543 | - |
| Other income - finance revenue | 37,660 | - | 37,660 | - |
| Dividend income | - | 1,375 | - | 2,750 |
| Interest income | 116,147 | 80,975 | 171,224 | 179,345 |
| **Income (loss) before income taxes** | **(5,642,356 )** | **6,568,137** | **(12,804,952 )** | **548,886** |
| Income tax expense | - | - | - | - |
| **Net income (loss)** | **$ (5,642,356 )** | **$ 6,568,137** | **$ (12,804,952 )** | **$ 548,886** |
| Less: loss (income) attributable to non-controlling interest | 1,093,177 | (3,723,797 ) | 2,869,441 | (3,432,597 ) |
| **Net income (loss) attributable to LM Funding America Inc.** | **$ (4,549,179 )** | **$ 2,844,340** | **$ (9,935,511 )** | **$ (2,883,711 )** |
| | | | | |
| **Basic income (loss) per common share** | **$ (0.35 )** | **$ 0.22** | **$ (0.76 )** | **$ (0.22 )** |
| **Diluted income (loss) per common share** | **$ (0.35 )** | **$ 0.22** | **$ (0.76 )** | **$ (0.22 )** |
| | | | | |
| Weighted average number of common shares outstanding | | | | |
| Basic | 13,182,162 | 13,091,882 | 13,153,038 | 13,076,359 |
| Diluted | 13,182,162 | 13,091,882 | 13,153,038 | 13,076,359 |

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

**LM Funding America, Inc. and Subsidiaries Consolidated Statements of Cash Flows**
**(unaudited)**

| | Six Months ended June 30, 2023 | Six Months ended June 30, 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income (loss) | $ (12,804,952 ) | $ 548,886 |
| **Adjustments to reconcile net income (loss) to net cash used in operating activities** | | |
| Depreciation and amortization | 1,970,993 | 5,101 |
| Noncash lease expense | 47,874 | 47,127 |
| Stock compensation | 564,930 | 658,999 |
| Stock option expense | 1,342,095 | 6,637,479 |
| Accrued investment income | (91,864 ) | (176,438 ) |
| Impairment loss on digital assets | 439,153 | 377,707 |
| Impairment loss on hosting deposits | 36,691 | - |
| Unrealized loss (gain) on marketable securities | (4,378 ) | 23,900 |
| Unrealized loss (gain) on investment and equity securities | 9,539,535 | (11,229,002 ) |
| Realized loss (gain) on securities | - | 349,920 |
| Realized gain on convertible note receivable | - | (287,778 ) |
| Realized gain on sale of digital assets | (1,072,708 ) | - |
| Proceeds from securities | - | 2,565,893 |
| Convertible debt and interest converted into marketable securities | - | 844,882 |
| Investments in marketable securities | - | (844,882 ) |
| Reversal of allowance loss on debt security | (1,052,543 ) | - |
| **Change in operating assets and liabilities:** | | |
| Prepaid expenses and other assets | (85,713 ) | 623,511 |
| Hosting deposits | (193,897 ) | - |
| Advances (repayments) to related party | (7,271 ) | 249,959 |
| Accounts payable and accrued expenses | 434,241 | (27,168 ) |
| Mining of digital assets | (5,059,173 ) | - |
| Proceeds from sale of digital assets | 4,579,676 | - |
| Lease liability payments | (45,913 ) | (52,440 ) |
| Deferred taxes and taxes payable | - | (326,178 ) |
| Income taxes receivable | - | (143,822 ) |
| Net cash used in operating activities | (1,463,224 ) | (154,344 ) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Net collections of finance receivables - original product | (1,824 ) | 11,473 |
| Net collections of finance receivables - special product | 14,529 | (6,877 ) |
| Capital expenditures | (1,744,609 ) | (13,235 ) |
| Investment in note receivable | - | (910,000 ) |
| Collection of note receivable | 1,661,171 | - |
| Investment in digital assets | (35,157 ) | (786,586 ) |
| Proceeds from sale of purchased digital assets | 43,678 | - |
| Symbiont asset acquisition | (402,359 ) | - |
| Deposits for mining equipment | - | (13,538,333 ) |
| Net cash used in investing activities | (464,571 ) | (15,243,558 ) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Insurance financing repayments | (357,649 ) | (114,688 ) |
| Insurance financing | 1,227 | - |
| Issue costs from the issuance of common stock | (106,550 ) | - |
| Net cash used in financing activities | (462,972 ) | (114,688 ) |
| NET DECREASE IN CASH | (2,390,767 ) | (15,512,590 ) |
| CASH - BEGINNING OF YEAR | 4,238,006 | 32,559,185 |
| **CASH - END OF YEAR** | **$ 1,847,239** | **$ 17,046,595** |
| | | |
| **SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES** | | |
| ROU assets and operating lease obligation recognized | $ 21,887 | $ 300,787 |
| Reclassification of mining equipment deposit to fixed assets, net | $ 1,172,888 | $ 15,058,872 |
| **SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION** | | |
| Cash paid for interest | $ - | $ - |
| Cash paid for taxes | $ - | $ 470,000 |

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

**LM Funding America, Inc. and Subsidiaries Consolidated Statements of Changes in Stockholders' Equity**
**For the Three and Six Months Ended June 30, 2023 and 2022**
**(unaudited)**

| | Common Stock | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | | Amount | | Additional paid-in capital | | Accumulated Deficit | | Non-Controlling Interest | | Total Equity |
| **Balance - December 31, 2021** | **13,017,943** | **$** | **13,018** | **$** | **74,525,106** | **$** | **(13,777,006 )** | **$** | **249,089** | **$** | **61,010,207** |
| Stock issued for services | 73,940 | | 74 | | (74 ) | | - | | - | | - |
| Stock compensation | - | | - | | 329,500 | | - | | - | | 329,500 |
| Stock option expense | - | | - | | 3,318,737 | | - | | - | | 3,318,737 |
| Net loss | - | | - | | - | | (5,728,051 ) | | (291,200 ) | | (6,019,251 ) |
| **Balance - March 31, 2022** | **13,091,883** | **$** | **13,092** | **$** | **78,173,269** | **$** | **(19,505,057 )** | **$** | **(42,111 )** | **$** | **58,639,193** |
| Stock compensation | - | $ | - | $ | 329,499 | $ | - | $ | - | $ | 329,499 |
| Stock option expense | - | | - | | 3,318,737 | | - | | - | | 3,318,737 |
| Net loss | - | | - | | - | | 2,844,340 | | 3,723,797 | | 6,568,137 |
| **Balance - June 30, 2022** | **13,091,883** | **$** | **13,092** | **$** | **81,821,505** | **$** | **(16,660,717 )** | **$** | **3,681,686** | **$** | **68,855,566** |
| | | | | | | | | | | | |
| **Balance - December 31, 2022** | **13,091,883** | **$** | **13,092** | **$** | **92,195,341** | **$** | **(43,017,207 )** | **$** | **1,606,003** | **$** | **50,797,229** |
| Stock option expense | - | | - | | 194,356 | | - | | - | | 194,356 |
| Net loss | - | | - | | - | | (5,386,332 ) | | (1,776,264 ) | | (7,162,596 ) |
| **Balance - March 31, 2023** | **13,091,883** | **$** | **13,092** | **$** | **92,389,697** | **$** | **(48,403,539 )** | **$** | **(170,261 )** | **$** | **43,828,989** |
| Stock option expense | - | | - | | 1,147,739 | | - | | - | | 1,147,739 |
| Issuance of restricted stock | 1,560,000 | | 1,560 | | 563,370 | | - | | - | | 564,930 |
| Net loss | - | | - | | - | | (4,549,179 ) | | (1,093,177 ) | | (5,642,356 ) |
| **Balance - June 30, 2023** | **14,651,883** | **$** | **14,652** | **$** | **94,100,806** | **$** | **(52,952,718 )** | **$** | **(1,263,438 )** | **$** | **39,899,302** |

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

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

LM Funding America, Inc. (“we”, “our”, “LMFA” or the “Company”) was formed as a Delaware corporation on April 20, 2015.

LMFA is the sole member of several entities including LM Funding, LLC, which was organized in January 2008, US Digital Mining and Hosting Co., LLC, which was formed on September 10, 2021 (“US Digital”); LMFA Financing LLC, formed on November 23, 2020, and LMFAO Sponsor LLC, formed on October 29, 2020 (LMFA is a majority member of LMFAO Sponsor LLC). Additionally, US Digital has formed various 100% owned subsidiaries to engage in business in various states. LMFAO Sponsor LLC formed a majority owned subsidiary LMF Acquisition Opportunities Inc. ("LMAO") on October 29, 2020 which was organized as a special purpose acquisition company that that completed an initial public offering in January 2021, whereupon the company ceased to be majority owned by LMFA. LMF Acquisition Opportunities Inc. was subsequently merged with Seastar Medical Holding Corporation on October 28, 2022.

The Company also from time to time organizes other subsidiaries to serve a specific purpose or hold a specific asset.

The Company currently has two lines of business: our recently commenced cryptocurrency mining business and a historical specialty finance business.

On September 15, 2021, we announced our plan to operate in the Bitcoin mining ecosystem, and we subsequently commenced Bitcoin mining operations in late September 2022. This business operation deploys our computing power to mine Bitcoin and validate transactions on the Bitcoin network. We conduct this business through a wholly owned subsidiary, US Digital, which we formed in 2021 to develop and operate our cryptocurrency mining business.

**Cryptocurrency Mining Business**

Bitcoin was introduced in 2008 with the goal of serving as a digital means of exchanging and storing value. Bitcoin is a form of digital currency that depends upon a consensus-based network and a public ledger called a “blockchain”, which contains a record of every Bitcoin transaction ever processed. The Bitcoin network is the first decentralized peer-to-peer payment network, powered by users participating in the consensus protocol, with no central authority or middlemen, that has wide network participation. The authenticity of each Bitcoin transaction is protected through digital signatures that correspond with addresses of users that send and receive Bitcoin. Users have full control over remitting Bitcoin from their own sending addresses. All transactions on the Bitcoin blockchain are transparent, allowing those running the appropriate software to confirm the validity of each transaction. To be recorded on the blockchain, each Bitcoin transaction is validated through a proof-of-work consensus method, which entails solving complex mathematical problems to validate transactions and post them on the blockchain. This process is called mining. Miners are rewarded with Bitcoins, both in the form of newly-created Bitcoins and transaction fees in Bitcoin, for successfully solving the mathematical problems and providing computing power to the network.

We obtain Bitcoin as a result of our mining operations, and we sell Bitcoin from time to time to support our operations and strategic growth. We plan to convert some of our Bitcoin to U.S. dollars. We may engage in regular trading of Bitcoin or engage in hedging activities related to our holding of Bitcoin. However, our decisions to hold or sell Bitcoin at any given time may be impacted by the Bitcoin market, which has been historically characterized by significant volatility. Currently, we do not use a formula or specific methodology to determine whether or when we will sell Bitcoin that we hold, or the number of Bitcoins we will sell. Rather, decisions to hold or sell Bitcoins are currently determined by management by monitoring the market in real time.

Factors such as access to computer processing capacity, interconnectivity, electricity cost, environmental factors (such as cooling capacity) and location play important roles in mining. In Bitcoin mining, “hashrate” is a measure of the computing and processing power and speed by which a mining computer mines and processes transactions on the Bitcoin network. We expect to continue increasing our computing power through 2023 and beyond as we expand the number of active mining machines. A company’s computing power measured in hashrate is generally considered to be one of the most important metrics for evaluating Bitcoin mining companies.

**Specialty Finance Company**

The Company has historically engaged in the business of providing funding to nonprofit community associations primarily located in the State of Florida. 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. In addition to our original product offering, we also purchase Accounts on varying terms tailored to suit each Association's financial needs, including under our New Neighbor Guaranty™ program.

In our specialty finance business, we purchase an Association's 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 line of business, we have developed proprietary software for servicing Accounts, which we believe enables law firms to service Accounts efficiently and profitably.

Under our 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.

Because we acquire and collect on the delinquent receivables of Associations, the Account debtors are third parties about whom we have little or no information. 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.

**Principles of Consolidation**

The consolidated financial statements include the accounts of LMFA and its wholly-owned subsidiaries: LM Funding, LLC; LMF October 2010 Fund, LLC; REO Management Holdings, LLC (including all 100% owned subsidiary limited liability companies); LM Funding of Colorado, LLC; LM Funding of Washington, LLC; LM Funding of Illinois, LLC; US Digital (includes all 100% owned subsidiary limited liability companies) and LMF SPE #2, LLC and various single purpose limited liability corporations owned by REO Management Holdings, LLC which own various properties. It also includes LMFA Sponsor, LLC (a 69.5% owned subsidiary). All significant intercompany balances have been eliminated in consolidation.

**Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The interim consolidated financial statements as of June 30, 2023 and for the three and six months ended June 30, 2023 and June 30, 2022, respectively are unaudited. In the opinion of management, the interim consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of the results for the interim periods. The accompanying consolidated balance sheet as of December 31, 2022, is derived from the audited consolidated financial statements presented in the Company's Annual Report on Form 10-K for fiscal the year ended December 31, 2022.

**Reclassifications**

Certain prior period amounts on the consolidated balance sheets have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results of operations.

**Segment and Reporting Unit Information**

Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Chief Executive Officer and Chief Financial Officer of the Company comprise the CODM, as a group. The Company has two operating segments as of June 30, 2023, which we refer to as Specialty Finance and Mining Operations. Our corporate oversight function and other components that may earn revenues that are only incidental to the activities of the Company are aggregated and included in the "All Other" category. See Note 10, "Segment Information".

**Digital Assets**

When applicable, we account for all digital assets other than stablecoin as indefinite-lived intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other.* We have ownership of and control over our digital assets and use third-party custodial services to secure it. Digital assets that are purchased are initially recorded at cost and digital assets that are received in exchange for services provided are recognized at fair value as of the date received. Digital assets are measured on the consolidated balance sheet at cost, net of any impairment losses incurred since acquisition. We account for stablecoin as financial assets in accordance with ASC 310, *Receivables*. The stablecoin are recorded at cost less impairment, which approximates their fair value.

We determine the fair value of our digital assets that are accounted for as intangible assets in accordance with ASC 820, *Fair Value Measurement*, based on quoted prices on the active exchange(s) that we have determined is the principal market for such assets (Level 1 inputs). We perform an analysis each month to identify whether events or changes in circumstances indicate that it is more likely than not that our digital assets are impaired. If the current carrying value of a digital asset exceeds the fair value so determined, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the fair value determined on lowest intra-day price.

The impaired digital assets are written down to their fair value at the time of impairment and this new cost basis will not be adjusted upward for any subsequent increase in fair value. When applicable, any impairment loss on digital assets held for investment would be recognized during the period incurred within "Impairment loss on digital assets" in other income/expense in the Consolidated Statements of Operations. Impairment loss on mined digital assets would be recognized during the period incurred within "Impairment loss on mined digital assets" in operating costs and expenses in the Consolidated Statements of Operations.

Gains or losses are not recorded until realized upon sale, at which point they are presented separately from any impairment losses. Any realized gain or loss from the sale of digital assets that were purchased as an investment is recorded in other income (loss), while any realized gain or loss from the sale of digital assets that were earned through mining operations would be recognized within operating costs and expenses. The Company accounts for its gains or losses in accordance with the first in first out (“FIFO”) method of accounting.

Digital assets earned by the Company through its mining activities, proceeds from the sale of mined digital assets, realized gain (loss) from the sale of digital assets and the loss on impairment of digital assets are included within operating activities on the Consolidated Statements of Cash Flows, where applicable. Purchases of digital assets and proceeds from the sale of purchased digital assets and included within investing activities in the Consolidated Statements of Cash Flows.

**Equipment Purchases**

We ordered 125 S19 XP machines in January 2023 from Bitmain for an aggregate purchase price of approximately $0.5 million which were delivered in April 2023. We also paid $0.3 million to acquire an additional 101 S19 XP machines from Bitmain which were delivered in May 2023.

**Fixed Assets**

The Company capitalizes all acquisitions of fixed assets in excess of $500. Fixed assets are stated at cost, net of accumulated depreciation. State and local use tax for equipment shipped from overseas is generally accrued on a quarterly basis at the time equipment is placed in service and is paid to the state in which the equipment is being utilized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets and commences once the assets are ready for their intended use. Fixed assets are comprised of furniture, computer, office equipment and mining machines with assigned useful lives of 3 to 5 years.

The Company classifies mining machine deposit payments within "Deposits on mining equipment" in the consolidated balance sheets. As mining machines are received, the respective cost of the mining machines plus the related shipping and customs fees are reclassified from "Deposits on mining equipment" to "Fixed assets, net" in the consolidated balance sheet. Refer to Note 4.

The Company operates in an emerging industry for which limited data is available to make estimates of the useful economic lives of mining machines. To the extent that any of the assumptions underlying management’s estimate of useful life of its mining machines are subject to revision in a future reporting period, either as a result of changes in circumstances or through the availability of greater quantities of data, then the estimated useful life could change and have a prospective impact on depreciation expense and the carrying amounts of these assets.

**Intangible Symbiont Assets**

The Company capitalizes acquisition of intangible assets such as trade name and patent portfolio, in excess of $1,000. Intangible assets (such as patent portfolio and trade names) are stated at cost, net of accumulated amortization. Amortizable intangible assets are amortized over their assigned useful lives. The assets acquired from Symbiont were capitalized at approximately $2.8 million. Refer to Note 11.

**Impairment of Long-Lived Assets**

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment amount is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

**Coupon Sales**

From time to time the Company receives coupons from Bitmain to incentivize purchases of equipment. Coupons have a stated face value in dollars and can be applied against future invoices for purchased machines. Coupons are transferable and there are not restrictions on the sale to third parties. Occasionally, the Company sells coupons to third parties in exchange for cash consideration. As there is currently no active market for the buying and selling of Bitmain coupons, the Company has determined that the fair value of coupons received is nil at the time of receipt therefore revenue associated with the sale of such coupons is not recognized until the sale transaction has been completed and cash consideration has been received from the third party. During the three and six months ended June 30, 2023, the Company sold Bitmain coupons for approximately $26 thousand and $629 thousand respectively, which was recognized as other income within "Other income - coupon sales" in the Consolidated Statements of Operations.

**Hosting Contracts**

On September 5, 2022, the Company, through its wholly-owned subsidiary US Digital, entered into a hosting agreement (the “Core Hosting Agreement”) with Core Scientific Inc. (“Core”) pursuant to which Core, under various additional orders, agreed to host approximately 3,000 of the Company's Bitcoin miner machines at a secure location and provide power, maintenance and other services specified in the contract with a term of one year, with automatic renewals unless either party notifies the other party in writing not less than ninety (90) calendar days before such renewal of its desire for the order not to renew unless terminated sooner pursuant to the terms of the Core Hosting Agreement. In April 2023, the Company subsequently added approximately 1,400 machines under this agreement for Core to host a total of approximately 4,400 machines. The Company installed all of the approximately 4,400 machines at the Core site as of June 30, 2023. The Company entered into a supplemental agreement on August 4, 2023 to host 500 machines that will be moved from the Longbow Host Co LLC site.

As required under the Core Hosting Agreement, the Company has paid approximately $2.2 million as of June 30, 2023 and December 31, 2022 as a deposit. In December 2022, Core filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of Texas. Core's bankruptcy filing has not negatively impacted our mining ability at their sites as of the date of this filing.

On January 26, 2023, the Company entered into a hosting agreement (the “Phoenix Hosting Agreement”) with Phoenix Industries Inc. (“Phoenix”) pursuant to which Phoenix agreed to host 228 of the Company's Bitcoin Miner S19J Pro machines at a secure location and provide power, maintenance and other services specified in the contract with a term of two years. This Phoenix Hosting Agreement would renew automatically for an additional two years if the Company were to provide written notice to Phoenix of our desire of renewal at least sixty (60) days in advance of the conclusion of the initial term of two years, unless terminated sooner pursuant to the terms of the Phoenix Hosting Agreement. As required under the Phoenix Hosting Agreement, the Company paid approximately $36 thousand as a deposit in January 2023. The Company and Phoenix mutually terminated this agreement effective April 18, 2023 and the Company's S19J Pro machines were returned to the Company in May 2023. The Company fully impaired the $36 thousand deposit during the six months ended June 30, 2023.

On March 9, 2023, the Company entered into a hosting agreement (the “Longbow Hosting Agreement”) with Longbow Host Co LLC (“Longbow”) pursuant to which Longbow agreed to host 500 of the Company's Bitcoin Miner S19J Pro machines at a secure location and provide power, maintenance and other services specified in the contract with a term of two years. Upon written request from the Company at least ninety (90) days prior to the conclusion of the then current term and approval by Longbow, the term shall renew for successive one year periods with a three percent (3%) increase as of the commencement of each renewal term unless terminated sooner pursuant to the terms of the Longbow Hosting Agreement. As required under the Longbow Hosting Agreement, the Company paid approximately $157 thousand as a refundable deposit in March 2023. The Company had 500 machines installed at the Longbow site as of June 30, 2023. The Company terminated this agreement on August 1, 2023.

On May 5, 2023, the Company entered into a hosting agreement (the “GIGA Hosting Agreement”) with GIGA Energy Inc. (“GIGA”) pursuant to which GIGA agreed to host 1,080 of the Company's Bitcoin Miner S19J Pro machines at a secure location and provide power, maintenance and other services specified in the contract with a term of one year. As required under the GIGA Hosting Agreement, the Company paid approximately $173 thousand as a pre-payment in May 2023 and expects to pay a refundable deposit of $173 thousand in August 2023. The Company had 720 machines installed at the GIGA site as of June 30, 2023 of which 360 were electrified.

**Revenue Recognition – Bitcoin Mining**

We recognize revenue for Bitcoin mining operations in accordance with ASC 606. The Company has entered into contracts with Bitcoin mining pool operators to provide computing power to the mining pools. Contract inception occurs daily and the contracts are terminable at any time by either party. The Company's enforceable right to compensation only begins when the Company starts providing computing power to the mining pool operator. When participating in ratable share pools, in exchange for providing computing power the Company is entitled to a fractional share of the Bitcoin award the mining pool operator receives for successfully adding a block to the blockchain, plus a fractional share of the transaction fees attached to that blockchain. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm. When participating in a Full Pay Per Share ("FPPS") mining pool, in exchange for providing computing power to the pool the Company is entitled to compensation, calculated on a daily basis, at an amount that approximates the total Bitcoin that could have been mined using the Company's computing power, calculated on a look-back basis across previous blocks using the pools hash rate index.

The transaction consideration the Company receives is noncash consideration, in the form of Bitcoin, which the Company measures at fair value on the date received in our wallet which is not materially different than the fair value at contract inception or time the Company has earned the award from the mining pools. Fair value of the Bitcoin award received is determined using the spot price of Bitcoin on the date received. The Company cannot determine, during the course of providing computing power, that a reversal of revenue is not probable and therefore revenue is recognized when the Company receives consideration from the mining pool operator.

**Cost of Revenues**

The Company includes energy costs and external co-location mining hosting fees in cost of revenues. Depreciation of mining machines is included within "Depreciation and amortization" in the Consolidated Statements of Operations.

**Investment in Securities**

Investment in Securities includes investments in common stocks and convertible notes receivables. Investments in securities are reported at fair value with changes in unrecognized gains or losses included in other income on the income statement. The fair value of the Borqs convertible note receivable is based on its classification as a trading securities. The Symbiont convertible note receivable is reported at amortized costs less impairment. As a result of a bankruptcy judgment against Symbiont, the Symbiont convertible note receivable was used to purchase Symbiont's intangible assets which include software coding, customer contracts, trademarks, and other intangible assets. See Footnote 11.

**Investments in Unconsolidated Entities**

We account for investments in less than 50% owned and more than 20% owned entities using the equity method of accounting. Because we have elected the fair value option for these securities, unrealized holding gains and losses during the period are included in other income within the Consolidated Statements of Operation.

**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.

**Income (Loss) Per Share**

Basic income (loss) per share is calculated as net income (loss) to common stockholders divided by the weighted average number of common shares outstanding during the period.

The Company issued approximately 1,560 thousand restricted shares during the three and six months ended June 30, 2023. The weighted average shares used in calculating loss per share for the three and six months ended June 30, 2023 includes 260 thousand of restricted shares that were fully vested as of June 30, 2023 based on their respective vesting date and excludes 1,300 thousand restricted shares that were legally issued but not vested as of June 30, 2023. During the three and six months ended June 30, 2022, the Company issues approximately 74 thousand shares at various times has weighted averaged these shares in calculating income (loss) per share includes the issued shares in calculating income (loss) per share for the relevant period.

Diluted income (loss) per share for the period equals basic loss per share as the effect of any convertible notes, stock based compensation awards or stock warrants would be anti-dilutive.

The anti-dilutive stock based compensation awards consisted of:

| | As of June 30, | |
|---|---|---|
| | **2023** | **2022** |
| Stock Options | 3,597,578 | 3,956,827 |
| Stock Warrants | 7,677,441 | 7,677,441 |
| Restricted Shares | 1,300,000 | - |

**Income Taxes**

The Company's calculation of its tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. The Company recognizes tax liabilities for uncertain tax positions based on management's estimate of whether it is more likely than not that additional taxes will be required. The Company had no uncertain tax positions as of June 30, 2023 and December 31, 2022.

Deferred income taxes are recognized in the consolidated financial statements for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates. Temporary differences arise from net operating losses, differences in depreciation methods of archived images, and property and equipment, stock-based and other compensation, and other accrued expenses. A valuation allowance is established when it is determined that it is more likely than not that some or all of the deferred tax assets will not be realized.

The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S., or the various state jurisdictions, may be materially different from managements estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities. Interest and penalties are included in tax expense.

The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operation in the provision for income taxes. As of June 30, 2023 and December 31, 2022, the Company had no accrued interest or penalties related to the underpayment of income taxes.

Income tax expense/(benefit) from operations for the three and six months ended June 30, 2023 and 2022 was nil in each period, which resulted primarily from maintaining a full valuation allowance against the Company's deferred tax assets.

**Note 2. Digital Assets**

Digital assets are as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Digital assets | $ 1,992,557 | $ 888,026 | $ 408,879 |

**Bitcoin**

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of Year | $ 888,026 | $ - |
| Purchase of Bitcoin | 35,157 | 786,586 |
| Production of Bitcoin | 5,059,173 | - |
| Impairment loss on mined Bitcoin | (439,153 ) | (377,707 ) |
| Carrying amount of Bitcoin sold | (3,550,646 ) | - |
| End of Period | $ 1,992,557 | $ 408,879 |

**GUSD**

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of Year | $ - | $ - |
| Purchase of GUSD | - | 500,000 |
| GUSD Earned on digital assets | - | 5,658 |
| Sale of GUSD | - | (505,658 ) |
| End of Period | $ - | $ - |

The Company mined 106.6 and 198.3 Bitcoin for the three and six months ended June 30, 2023, respectively. The Company sold 111.0 and 175.9 Bitcoin for the three and six months ended June 30, 2023, respectively.

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Bitcoin Balance | 79.1 | 54.9 | 21.5 |

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of Year | 54.9 | - |
| Production of Bitcoin | 198.3 | - |
| Purchase of Bitcoin | 2.0 | 21.5 |
| Sale of Bitcoin | (175.9 ) | - |
| Fees | (0.2 ) | - |
| End of Period | 79.1 | 21.5 |

**Note 3. Fixed Assets, net**

The components of fixed assets as of June 30, 2023 and December 31, 2022 are as follows:

| | Useful Life (Years) | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Mining machines | 5 | $ 29,616,134 | $ 27,637,041 |
| Furniture, computer and office equipment | 3-5 | 224,876 | 216,312 |
| Gross fixed assets | | 29,841,010 | 27,853,353 |
| Less: accumulated depreciation | | (2,632,029 ) | (661,036 ) |
| Fixed assets, net | | $ $ 27,208,981 | $ $ 27,192,317 |

As of June 30, 2023, there were approximately 5,200 mining machines in service at various hosting sites, approximately 360 machines in storage at a hosting facility and 359 machines in storage at a company location. At December 31, 2022, there were approximately 2,700 mining machines in services at a Core location, approximately 2,700 machines at a Compute North LLC location which were awaiting transfer to storage as of December 31, 2022 and approximately 200 machines in transit. Depreciation has not commenced on those machines not yet in service. The Company's depreciation expense recognized for the three and six months ended June 30, 2023 was approximately $1,169,000 and $1,971,000, respectively, and approximately $2,000 and $5,000, for the three and six months ended June 30, 2022, respectively.

There was no impairment loss recorded on fixed assets during the three and six months ended June 30, 2023 and 2022.

**Note 4. Deposits on Mining Equipment and Hosting Services**

As further described in Note 1, the Company has entered into a series of mining machine purchase agreements, hosting and colocation service agreements in connection with our cryptocurrency mining operations which required deposits to be paid in advance of the respective asset or service being received.

As of June 30, 2023 and December 31, 2022, the Company has a total of approximately $0.3 million and approximately $0.5 million, respectively, classified as "Deposits on mining equipment".

The Company classifies hosting deposit payments within "Hosting services deposits" in the consolidated balance sheets. As of June 30, 2023 and December 31, 2022 the Company has a total of approximately $2.4 million and $2.2 million, respectively, classified as "Hosting services deposits". The Company impaired approximately $37 thousand of the hosting deposit with Phoenix upon the termination of their agreement during the Six Months ended June 30, 2023.

**Note 5. Investments**

**Marketable Securities**

Our marketable equity securities are publicly traded stocks measured at fair value using quoted prices for identical assets in active markets and classified as Level 1 within the fair value hierarchy. Marketable equity securities as of June 30, 2023 and December 31, 2022 are as follows:

| | Cost | Cost of Shares Sold | Gross Unrealized Gain (Loss) | Fair Value |
|---|---|---|---|---|
| Marketable equity securities, June 30, 2023 | $ 4,290 | $ - | $ 4,378 | $ 8,668 |
| Marketable equity securities, December 31, 2022 | $ 2,976,933 | $ (2,915,813 ) | $ (56,830 ) | $ 4,290 |

During the three and six months ended June 30, 2022, the Company sold 3,863,200 and 8,759,094 shares, respectively, of Borqs shares for approximately $890 thousand and $2,318 thousand, respectively. The Company realized a net gain (loss) of approximately $45 thousand and ($350) thousand for the three and six months ended June 30, 2022, respectively. The net gain (loss) is included within "Realized gain (loss) on securities" within the Consolidated Statements of Operations.

**Short-term Investments – convertible debt securities**

The Company entered into an agreement with BORQS Technologies Inc. ("Borqs") (Nasdaq: BRQS) in February 2021 under which the Company agreed to purchase Senior Secured Convertible Promissory Notes ("Notes") of Borqs up to an aggregate principal amount of $5 million. The Company's purchase of the Notes was a part of a larger transaction in which an aggregate of $20 million in

Notes were sold by Borqs in a private transaction to several institutional and individual investors, including the Company. The Notes became due in February 2023, had an annual interest rate of 8%, were convertible into ordinary shares of Borqs at a 10% discount from the market price, and had 90% warrant coverage (with the warrants exercisable at 110% of the conversion price). The Company received 2,922,078 warrants which had a nominal value on the grant date. One-third of the Notes ($1,666,667) were funded by the Company at the execution of definitive agreements for the transaction, and two-thirds of the Notes ($3,333,333) were purchased and funded upon the satisfaction of certain conditions, including effectiveness of a registration statement that was deemed effective on May 3, 2021.

The Company sold the remaining 4,895,894 shares during the first quarter of 2022 which resulted in a realized loss of $395 thousand which is reflected in 'Realized gain on securities' in the Consolidated Statements of Operations for the six months ended June 30, 2022. The remaining principal amount of the Notes plus accrued interest through the date of conversion ($965,096) was converted into common shares of Borqs at a conversion price of $0.25 per share or 3,863,200 shares. A gain of approximately $288 thousand was recognized on the conversion of the convertible debt to common shares and is included within "Realized gain on convertible debt securities" in the Consolidated Statements of Operations for the three and six months ended June 30, 2022. Subsequent to the conversion, the 3,863,200 shares were sold which resulted in a realized gain of $45 thousand which is included within "Realized gain on securities" in the Consolidated Statements of Operations for the three and six months ended June 30, 2022.

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Convertible note | $ - | $ - | $ - |
| End of period | $ - | $ - | $ - |

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of year | $ - | $ 539,351 |
| Investment in convertible debt security | - | - |
| Accrued interest income on convertible debt security | - | 17,753 |
| Convertible debt and interest converted into marketable shares | - | (844,882 ) |
| Realized gain on conversion into marketable shares | - | 287,778 |
| End of period | $ - | $ - |

*Note receivable - LMFAO and SeaStar Medical*

On February 1, 2022, LMAO issued an unsecured promissory note to LMFAO Sponsor LLC ("Sponsor"), pursuant to which LMAO may borrow up to an aggregate principal amount of $500,000 to be used for a portion of LMAO's expenses. As of June 30, 2022, LMAO had drawn down $310,000 under the promissory note with LMFAO Sponsor LLC to pay for offering expenses. On July 28, 2022 (effective as of June 30, 2022), the aggregate principal limit was increased to $1,750,000. The loan was non-interest bearing, unsecured and due at the earlier of the 24-month anniversary of LMAO's initial public offering or the closing of its initial business combination.

On April 21, 2022, LMAO entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among LMAO, LMF Merger Sub, Inc., a Delaware corporation and direct, wholly owned subsidiary of LMAO ("Merger Sub"), and SeaStar Medical, Inc., a Delaware corporation ("SeaStar Medical").

On July 29, 2022, LMAO issued a press release announcing that its board of directors elected to extend the date by which LMAO has to consummate a business combination from July 29, 2022 to October 29, 2022 (the "Extension"), as permitted under LMAO's Amended and Restated Certificate of Incorporation. In connection with the Extension, LMFAO Sponsor deposited an aggregate of $1,035,000 (representing $0.10 per public share of LMAO) into LMAO's trust account on July 29, 2022. This deposit was made in respect of a non-interest bearing loan to LMAO (the "Extension Loan").

On October 28, 2022, LMAO through the Sponsor, consummated the previously announced business combination transaction (the "LMAO Business Combination") contemplated by the Merger Agreement. Pursuant to the Merger Agreement, upon the closing of the LMAO Business Combination, SeaStar Medical was merged with and into Merger Sub, with SeaStar Medical continuing as the surviving entity in the merger as a wholly-owned subsidiary of LMAO and with LMAO subsequently changing its name in connection with the merger to SeaStar Medical Holding Corporation ("SMHC").

In connection with the closing of the LMAO Business Combination, on October 28, 2022, Sponsor and SMHC amended, restated, and consolidated (i) the original Promissory Note, dated July 29, 2022, issued by LMAO to Sponsor in the principal amount of $1,035,000 and (ii) the original Amended and Restated Promissory Note, effective June 30, 2022, issued by LMAO to Sponsor in the principal amount of $1,750,000 (collectively, the "Original Sponsor Notes"), by entering into one consolidated amended and restated promissory note with an aggregate principal amount of $2,785,000 (the "Amended Sponsor Note"). During the three and six months ended June 30, 2023, approximately nil and $1,104 thousand, respectively of repayments were received from Seastar under the Amended Sponsor Note. As of June 30, 2023 and December 31, 2022, there was $1,757 thousand and $2,785 thousand of principal, respectively and $23 thousand and $35 thousand of accrued interest, respectively, on the Amended Sponsor Note included in "Notes receivable from Seastar Medical Holding Corporation" on the consolidated balance sheets.

On September 9, 2022, the Company entered into a Credit Agreement with SeaStar Medical pursuant to which the Company agreed to make advances to SeaStar Medical of up to $700,000 for general corporate purposes at an interest rate equal to 15% per annum. All advances made to SeaStar Medical under the Credit Agreement ("Original LMFA Note) and accrued interest were due and payable to LMFA on the maturity date. The agreement was modified on October 28, 2022 to reduce the interest rate to 7% per annum and the maturity date of the loan to October 30, 2023 ("amended LMFA Note"). As of December 31, 2022, SeaStar Medical had borrowed $700,000 under the amended LMFA Note. During the three and six months ended June 30, 2023, approximately nil and $273 thousand, respectively of repayments were received from Seastar for the Amended LMFA Note. As of June 30, 2023 and December 31, 2022, there was $453 thousand and $700 thousand of principal, respectively, and $6 thousand and $19 thousand of accrued interest, respectively, on the amended LMFA Note in "Notes receivable from Seastar Medical Holding Corporation" included in the consolidated balance sheets.

The Amended Sponsor Note and the Amended LMFA Note (collectively, the “Notes”) extended the maturity date of the Original Sponsor Notes and Original LMFA Note, respectively, from the closing date of the Business Combination to October 30, 2023, subject to mandatory prepayments equal to a specified percentage of funds raised by SMHC prior to maturity. The Notes both bear interest at a per annum rate equal to seven percent (7%), simple interest, and pursuant to Security Agreements entered into by the parties (the “Security Agreements”), are secured by all of the assets of SMHC and SeaStar Medical (excluding certain intellectual property rights). On March 15, 2023, the Company extended the due date of the notes to June 15, 2024 as part of an agreement to allow SeaStar Medical to incur certain debt to accelerate the partial repayment of part of this loan.

On November 2, 2022 the Company advanced $268 thousand to SeaStar Medical for working capital needs, which was repaid on January 18, 2023. As of June 30, 2023 and December 31, 2022 there was nil and $268 thousand of the advance included in "Notes receivable from Seastar Medical Holding Corporation (formerly LMAO)" on the consolidated balance sheets. As of June 30, 2023 and December 31, 2022 there was also approximately nil and $12 thousand in amounts payable from the Company to Seastar Medical included in "Due to related parties" on the consolidated balance sheets.

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Notes receivable from Seastar Medical Holding Corporation (formerly LMAO) | $ 2,238,442 | $ 3,807,749 | $ 910,000 |
| End of period | $ 2,238,442 | $ 3,807,749 | $ 910,000 |

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of year | $ 3,807,749 | $ - |
| Investment (repayment) in Seastar Medical Holding Corporation notes receivable (formerly LMAO) | (1,661,171 ) | 910,000 |
| Accrued interest income | 91,864 | - |
| End of period | $ 2,238,442 | $ 910,000 |

**Long-term Investments**

Long-term investments held to maturity in debt securities consist of the following:

**Symbiont.IO**

The Company entered into a secured promissory note and loan agreement with Symbiont.IO, Inc. (“Symbiont”) on December 1, 2021 under which the Company loaned Symbiont an aggregate principal amount of $2 million. The outstanding principal amount under the note bears interest at a rate of 16% per annum. The outstanding principal, plus any accrued and unpaid interest, became due and payable on December 1, 2022 but has not been paid to date. The Symbiont note is secured by a first priority perfected security interest in the assets of Symbiont.

Symbiont filed for bankruptcy on December 1, 2022. Symbiont agreed to assign a Chief Restructuring Officer on April 18, 2023 to facilitate the sale of all of its assets. On June 2, 2023, the Company acquired substantially all of the assets of Symbiont in a sale under Section 363 of the Bankruptcy Code and are recorded as intangible assets (see Footnote 11). A $1.1 million loss allowance was previously recorded against the Symbiont debt security for the year ended December 31, 2022 which was subsequently reversed upon the purchase of the Symbiont assets for total consideration of $2.8 million, which approximates the fair value of such assets. Refer to Note 11.

As of December 31, 2022, there was $347 thousand of accrued interest on the Symbiont security and $55 thousand of accrued reimbursement of legal fees incurred by the Company included in "Long-term investments - debt security".

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Symbiont.IO Note Receivable | $ - | $ 1,350,000 | $ 2,185,863 |
| End of period | $ - | $ 1,350,000 | $ 2,185,863 |

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of year | $ 1,350,000 | $ 2,027,178 |
| Accrued interest income on debt securities | - | 158,685 |
| Accrued recovery of legal fees | - | - |
| Reclassification to intangible assets (Note 11) | (2,402,542 ) | |
| Reversal of allowance for losses on debt security | 1,052,542 | - |
| End of period | $ - | $ 2,185,863 |

**LMF Acquisition Opportunities Inc. and SeaStar Medical - Warrants**

Pursuant to the Merger Agreement, the 5,738,000 private placement warrants of LMAO held by Sponsor automatically converted into 5,738,000 warrants of SMHC on a one-for-one basis at the time of the LMAO business combination and are subject to certain transfer restrictions (the "Private Placement Warrants").

The fair value of the Private Placement Warrants is classified as Level 3 in the fair value hierarchy as the calculation is dependent upon company specific adjustments to the observable trading price of SMHC (formerly LMAO) public warrants for lack of marketability. Subsequent changes in fair value will be recorded in the income statement during the period of the change.

During the three and six months ended June 30, 2023 and 2022, our re-measurement resulted in an unrealized loss of $0.2 million and $0.3 million, respectively for 2023 and an unrealized loss of $0.4 million and $1.5 million, respectively for 2022 and is included within "Unrealized gain (loss) on investment and equity securities" within our Consolidated Statements of Operations.

Long-term investments for the SMHC (formerly LMAO) warrants consist of the following:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Seastar Medical Holding Corporation (formerly LMAO) warrants | $ 188,493 | $ 464,778 | $ 516,420 |
| End of period | $ 188,493 | $ 464,778 | $ 516,420 |

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of year | $ 464,778 | $ 1,973,413 |
| Investments in equity securities | - | - |
| Unrealized loss on equity securities | (276,285 ) | (1,456,993 ) |
| End of period | $ 188,493 | $ 516,420 |

**LMF Acquisition Opportunities Inc. and SeaStar Medical - Common Stock**

Pursuant to the Merger Agreement, the 2,587,500 shares of Class B common stock of LMAO held by Sponsor automatically converted into 2,587,500 shares of LMAO's Class A common stock on a one-for-one basis and the Class A Common Stock and Class B Common Stock of LMAO was reclassified as Common Stock of SMHC at the time of the LMAO business combination and are subject to certain transfer restrictions. As of June 30, 2023, Sponsor holds 2,587,500 shares, or approximately 20% of the total common shares of SMHC, along with 5,738,000 private placement warrants. Taking into consideration the approximately 30% minority interest in Sponsor, the percentage of ownership in the total common shares of SMHC that is attributable to the Company is approximately 14%.

Our investment in SMHC (formerly LMAO) common stock qualifies for equity-method accounting, for which we have elected the fair value option which requires the Company to remeasure our retained interest in SMHC (formerly LMAO) at fair value and include any resulting adjustments as part of a gain or loss on investment. Prior to the closing of the LMAO business combination, the calculation of fair value of our retained interest in LMAO included company-specific adjustments applied to the observable trading price of LMAO's Class A common stock related risk of forfeiture should LMAO not consummate a business combination. Subsequent to the LMAO business combination, the fair value calculation related to our retained interest in SMHC is based upon the observable trading price of SMHC's Class A common stock.

As part of the merger, Sponsor agreed that it will not transfer its shares of SMHC common stock until the date that is the earlier of (1) the twelve month anniversary of the closing of the merger and (2) the last sale price of the Common Stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the close of the merger.

As a result of the remeasurement of our retained interest in SMHC (formerly LMAO), we recognized an unrealized loss on securities of $3.5 million and $9.3 million for the three and six months ended June 30, 2023, respectively, and an unrealized gain on securities of $12.6 million and $12.7 million for three and six months ended June 30, 2022, respectively, within our Consolidated Statements of Operations.

Long-term investments for the SMHC (formerly LMAO) common stock consist of the following:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Seastar Medical Holding Corporation common stock | $ 1,345,500 | $ 10,608,750 | $ - |
| Investment in unconsolidated affiliate | - | - | 17,362,125 |
| End of period | $ 1,345,500 | $ 10,608,750 | $ 17,362,125 |

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of year | $ 10,608,750 | $ 4,676,130 |
| Unrealized gain (loss) on equity investment | (9,263,250 ) | 12,685,995 |
| End of period | $ 1,345,500 | $ 17,362,125 |

**Note 6. Debt and Other Financing Arrangements**

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Financing agreement with Imperial PFS that is unsecured. Down payment of $78,000 was required upfront and equal installment payments of $45,672 to be made over a 10 month period. The note matures on August 1, 2023. Annualized interest is 7.35%. | $ 91,345 | $ 365,379 |
| Financing agreement with Imperial PFS that is unsecured. Down payment of $15,000 was required upfront and equal installment payments of $13,799 to be made over an 8 month period. The note matures on August 1, 2023. Annualized interest is 7.35%. | 28,008 | 110,396 |
| | $ 119,353 | $ 475,775 |

Minimum required principal payments on the Company's debt as of June 30, 2023 are as follows:

| Maturity | Amount |
|---|---|
| 2023 (excluding the six months ended June 30, 2023) | $ 119,353 |
| | $ 119,353 |

The notes were fully paid off on the August 1, 2023 due date.

**Note 7. Due to Related Party**

Legal services for the Company associated with the collection of delinquent assessments from property owners were performed by a law firm, Business Law Group, P.A. (“BLG”), which was owned solely by Bruce M. Rodgers, the chairman and CEO of the Company, until and through the date of its initial public offering in 2015. Following the initial public offering, Mr. Rodgers transferred his interest in BLG to other attorneys at the firm through a redemption of his interest in the firm. The law firm historically performed collection work primarily 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.

Under its agreement with BLG, the Company paid BLG a fixed monthly fee of $82,000 for services rendered. The Company paid BLG a minimum per unit fee of $700 in any case where there is a collection event and BLG received no payment from the property owner. This provision was expanded to also include any unit where the Company has taken title to the unit or where the Association has terminated its contract with either BLG or the Company.

On February 1, 2022, the Company consented to the assignment by BLG to the law firm BLG Association Law, PLLC (“BLGAL”) of the Services Agreement, dated April 15, 2015, previously entered into by the Company and BLG (the “Services Agreement”).  The Services Agreement had set forth the terms under which BLG would act as the primary law firm used by the Company and its association clients for the servicing and collection of association accounts. The assignment of the Services Agreement was necessitated by the death of the principal attorney and owner of BLG. In connection with the assignment, BLGAL agreed to amend the Services Agreement on February 1, 2022, to reduce the monthly compensation payable to the law firm from $82,000 to $53,000 (the “Amendment”). Bruce M. Rodgers is a 50% owner of BLGAL, and the assignment and Amendment was approved by the independent directors of the Company. A $150 thousand termination fee was also paid to BLG in association with the assignment.

The Company had originally engaged 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 the Company and the Associations. This engagement was subsequently assigned to BLGAL as described above. Carollinn Gould, who is a Director of the Company, worked as the General Manager of BLG and works as the General Manager of BLGAL.

Amounts paid to BLG or BLGAL for the three and six months ended June 30, 2023 were approximately $159 thousand and $318 thousand, respectively, and three and six months ended 2022 were approximately $159 thousand and $347 thousand, respectively.

Under the Services Agreement in effect during the three and six months ended June 30, 2023 and 2022, the Company pays all costs (lien filing fees, process and serve costs) incurred in connection with the collection of amounts due from property owners.  Any recovery of these collection costs is accounted for as a reduction in expense incurred. The Company incurred expenses related to collection costs for the three and six months ended June 30, 2023 in the amounts of approximately $17 thousand and $30 thousand, respectively and for the three and six months ended June 30, 2022 in the amounts of $14 thousand and $34 thousand, respectively. Recoveries during the three and six months ended June 30, 2023 were $17 thousand and $21 thousand, respectively and for 2022 were approximately $22 thousand and $46 thousand for 2022, respectively.

The Company also shares office space, personnel and related common expenses with BLGAL. All shared expenses, including rent, are charged to BLGAL based on an estimate of actual usage. Any expenses of BLGAL or 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 consolidated balance sheet. BLGAL and BLG, as applicable, were charged a total of approximately $15 thousand and $30 thousand for the office sub-lease during the three and six months ended June 30, 2023 and $15 thousand and $30 thousand for 2022, respectively.

Amounts payable to BLGAL and BLG, in aggregate as of June 30, 2023 and December 31, 2022 were approximately $68 thousand and $63 thousand, respectively.

**Note 8. Commitments and Contingencies**

**Leases**

The Company leases certain office space and office equipment under non-cancelable operating leases. Leases with an initial term of one year or less are not recorded on the balance sheet, and the Company generally recognizes lease expense for these leases on a straight-line basis over the lease term. As of June 30, 2023, the Company’s long term operating leases have a remaining lease term of between 26 and 35 months and include options to renew the leases. The exercise of lease renewal options is generally at the Company’s sole discretion. The Company’s leases do not contain any material residual value guarantees or material restrictive covenants. The Company does not have any material financing leases.

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use ("ROU") assets and current and long-term operating lease liabilities are separately stated on the Consolidated Balance Sheet. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value of future lease payments are discounted using either the implicit rate in the lease, if known, or the Company's incremental borrowing rate for the specific lease as of the lease commencement date. The ROU asset is also adjusted for any prepayments made or incentives received. The lease terms include options to extend or terminate the lease only to the extent it is reasonably certain any of those options will be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company accounts for lease components (e.g., fixed payments) separate from the non-lease components (e.g., common-area maintenance costs) for its building lease. For office equipment, the company does not separate lease components (e.g., fixed payments) from the non-lease components (e.g., service costs).

The Company's office lease began July 15, 2019 and was due to expire on July 31, 2022. During the first quarter of 2022 the Company exercised its option to extend its office lease to July 31, 2025. The Company accounted for the lease extension as a lease modification under ASC 842. Due to the lease extension, the Company remeasured the lease liability and ROU asset associated with the lease. As of the effective date of modification, the Company recorded an adjustment to the right-of-use asset and lease liability in the amount of $300,787 based on the net present value of lease payments discounted using an estimated incremental borrowing rate of 7.5%. Subsequent renewal options were not considered probable of being exercised as of lease commencement. This office space is in a building owned by a board member.

The Company shares this space and the related costs associated with this operating lease with a related party (see Note 7) that also performs legal services associated with the collection of delinquent assessments. The related party has a sub-lease for approximately $4,800 per month plus operating expenses.

Lease expense recognized for the three and six months ended June 30, 2023 and 2022 was approximately $28,300 and $57,500 for 2023 and $29 thousand and 52 thousand for 2022, respectively. Sub-lease income for the three and six months ended June 30, 2023 and 2022 was approximately $15 thousand and 29 thousand for 2023 while it was $15 thousand and $29 thousand for 2022, respectively.

On February 27, 2023, the Company executed a lease for office equipment which has been classified as an operating lease. The lease term is 39 months. As of the effective date of the lease, the Company recorded an adjustment to the right-of-use asset and lease liability in the amount of approximately $22 thousand based on the net present value of lease payments discounted using an estimated incremental borrowing rate of 7.35%.

The following table presents supplemental balance sheet information related to operating leases as of June 30, 2023 and December 31, 2022:

| | Balance Sheet Line Item | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| ROU assets | Right of use asset, net | $ 239,671 | $ 265,658 |
| Total lease assets | | $ 239,671 | $ 265,658 |
| **Liabilities** | | | |
| Current lease liabilities | Lease liability | $ 94,509 | $ 90,823 |
| Long-term lease liabilities | Lease liability | 151,685 | 179,397 |
| Total lease liabilities | | $ 246,194 | $ 270,220 |
| Weighted-average remaining lease term (in years) | | 2.2 | 2.7 |
| Weighted-average discount rate | | 7.49 % | 7.50 % |

The following table presents supplemental cash flow information and non-cash activity related to operating leases for the Six Months ended June 30, 2023 and 2022:

| | For the Six Months Ended June 30, 2023 | 2022 |
|---|---|---|
| **Operating cash flow information** | | |
| Cash paid for amounts included in the measurement of lease liabilities | $ (45,913 ) | $ (52,440 ) |
| **Non-cashflow information** | | |
| ROU assets and operating lease obligation recognized | $ 21,887 | $ 300,787 |

The following table presents maturities of operating lease liabilities on an undiscounted basis as of June 30, 2023:

**Lease Maturity Table**

| | | Operating Leases |
|---|---|---|
| 2023 (excluding the six months ended June 30, 2023) | | 58,482 |
| 2024 | | 121,385 |
| 2025 | | 85,324 |
| 2026 | | 3,163 |
| (less: imputed interest) | | (22,160 ) |
| | $ | 246,194 |

**Legal Proceedings**

Except as described below, we are not currently a party to material pending or known threatened litigation proceedings. However, we frequently become party to litigation in 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.

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.

In October 2021, we entered into a sale and purchase agreement (the "Uptime Purchase Agreement") with Uptime Armory LLC ("Uptime") pursuant to which US Digital agreed to purchase, and Uptime agreed to supply to US Digital, an aggregate of 18 modified 40-foot cargo containers ("POD5ive containers") that will be designed to hold and operate 280 S19 Pro Antminers manufactured by Bitmain. The purchase price of the POD5ive containers totals $3.15 million, of which $2.4 million or 75% was paid in 2021 as a non-refundable down payment and the remaining 25% was paid after Uptime delivered a "notice of completion" of the equipment in 2022. However, no containers have been delivered as of December 31, 2022.

On November 8, 2022, LMFA filed an action in Florida circuit court against Uptime and Bit5ive, LLC in a case styled *US Digital Mining and Hosting Co. LLC v. Uptime Amory, LLC and Bit5ive, LLC* (Fla. 11thCir. Ct., November 8, 2022). In that action, we alleged breach of contract and violation of the Florida Deceptive and Unfair Trade Practices Act and are seeking, among other things, damages of $3.15 million for non-delivery of the 18 POD5ive containers. The Defendants in this action filed a motion to compel confidential arbitration action. The court has now stayed the action in the Florida circuit court, and ordered the parties to confidential arbitration governed by the American Arbitration Association and the case is proceeding to arbitration. We recorded an impairment charge of $3.15 million on our mining machine deposit in the fourth quarter of 2022 and is reported on our Consolidated Statements of Operations as Impairment loss on prepaid mining machine deposits.

In October 2021, US Digital also entered into a hosting agreement with Uptime Hosting LLC (the "Hosting Agreement") to host the Company's 18 POD5ive containers at a secure location and provide power, maintenance and other services specified in the contract for 6 cents per kilowatt with a term of one year. Under the Hosting Agreement we paid a deposit of $0.8 million in 2021 and were required to pay an additional deposit for each container three months prior to delivery at the hosting site of $44 thousand and a final deposit for each container one month prior to arrival at the hosting site of $44 thousand. The deposits paid for hosting services under the Hosting Agreement are refundable. On June 29, 2022, the Company and Uptime Hosting LLC entered into a Release and Termination Agreement in which the Hosting Agreement was terminated and Uptime Hosting LLC agreed to pay the $0.8 million. We recorded an impairment charge of $0.8 million on our prepaid hosting deposit in the fourth quarter of 2022 as an impairment loss on prepaid hosting deposits within our Consolidated Statements of Operations.

On September 2, 2022, we filed in Florida circuit court a legal action against Uptime Hosting LLC in an action styled *US Digital Mining and Hosting Co, LLC v. Uptime Hosting, LLC* (Fla. 13$^{th}$ Cir. Ct. Sept. 2, 2022) for the return of the deposit and other damages, alleging breach of contract and violation of the Florida Deceptive and Unfair Trade Practices Act. On May 5, 2023 US Digital Mining and Hosting Co. amended our complaint adding parties Bit5ive, LLC, Block Consulting Services, LLC., 6301 Southwest Ranches, LLC., Robert D Collazo Jr. individually, Elyam Moral-Collazo individually, the Unknown Partners of Uptime Hosting LLC, Unknown Partners of Bit5ive, LLC, Unknown Partners of 6301 Southwest Ranches, LLC and adding counts for (i) breach of contract against Uptime and Bit5ive, (ii) violation of Florida's Uniform Fraudulent Transfer Act against Uptime; (iii) violation of Florida's Uniform Fraudulent Transfer Act against Bit5ive; (iv) violation of Florida's Uniform Fraudulent Transfer Act against Block Consulting and Robert Collazo (v) violation of Florida Fraudulent Asset Conversion against Block Consulting Services, 6301 Southwest Ranches, LLC, Robert D Collazo, Jr. and Elyam Moral-Collazo; (vi) violation of Florida Deceptive and Unfair Trade Practices Act ("FDUTPA") against all Defendants, (vii) equitable lien against Robert D Collazo, Jr., Elyam Moral-Collazo and 6301 Southwest Ranches, LLC., and (viii) equitable lien against Defendants Robert D Collazo, Jr., Elyam Moral-Collazo and 6301

Southwest Ranches, LLC.  The Court has entered an Order compelling arbitration with a final arbitration hearing set for February 27, 2024 to February 29, 2024

**Note 9. Stockholders' Equity**

**Stock Options**

The 2015 Omnibus Incentive Plan provided 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. This plan was terminated when the Company adopted the new 2021 Omnibus Incentive Plan (the "2021 Omnibus Plan"). The 2021 Omnibus Plan was intended to allow us to continue to use equity awards as part of our ongoing compensation strategy for our key employees. Awards under the Plan will support the creation of long-term value and returns for our stockholders.

The following is a summary of the stock option plan activity during the six months ended June 30, 2023 and 2022:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Options Outstanding at Beginning of the year | 1,121,262 | $ 3.26 | 3,956,827 | $ 6.22 |
| Granted | 2,486,500 | 0.75 | - | - |
| Cancelled | - | - | - | - |
| Forfeited | 10,184 | 12.03 | - | - |
| Options Outstanding at June 30, | 3,597,578 | $ 1.50 | 3,956,827 | $ 6.22 |
| Options Exercisable at June 30, | 1,845,444 | $ 1.89 | 37,794 | $ 34.60 |

On April 20, 2023 (the "Grant Date"), the board of directors of the Company approved the grant of options to purchase 2,486,500 shares of common stock of the Company ("Options") to management and employees. The Company used the Black-Scholes model to value these options using a 10 year life, annualized volatility of 118%, annual risk free interest rate of 3.54% and a strike price of $0.7513 per share which resulted a total fair value for these options of approximately $1.8 million.

The Options grant each recipient the right to purchase shares of Company common stock at a price of $0.7513 per share, the fair market value of the Company's common stock on the Grant Date. The Options vest as to 50% of the total amount of the award on the one-year anniversary of the Grant Date and 50% of the total amount of the award on the two-year anniversary of the Grant Date (subject to accelerated vesting upon a change of control of the Company), provided that the executive is in continuous employment or service to the Company through the applicable vesting date. The Options are subject to accelerated vesting as follows: (a) the portion of the Options that are scheduled to vest during the first year after the Grant Date will vest as of June 30, 2023, if the Company's Bitcoin mining operations achieve 500 petahash of computing power as of June 30, 2023, and (b) the portion of the Options that are scheduled to vest during the second year after the Grant Date will vest as of June 30, 2024, if the Company's Bitcoin mining operations achieve 1,000 petahash of computing power as of June 30, 2024. As of June 30, 2023 the Company's Bitcoin mining operations achieved 500 petahash of computing power therefore the 1,243,250 options scheduled to vest during the first year vested as of June 30, 2023. The stock based compensation expense attributable to the portion of options that were scheduled to vest during the first year was recognized during the three and six months ended June 30, 2023 as a result of the accelerated vesting of such options.

Stock compensation expense recognized for the three and six months ended June 30, 2023 related to stock options was approximately $1.1 million and $1.3 million, respectively, and approximately $3.3 million and $6.6 million, respectively, for the three and six months ended June 30, 2022. There was approximately $1.1 million of unrecognized compensation cost associated with unvested stock options as of June 30, 2023.

The aggregate intrinsic value of the outstanding common stock options as of June 30, 2023 and December 31, 2022 was approximately $0 and $0, respectively. The remaining weighted average life of the options as of June 30, 2023 was 9.6 years.

**Stock Issuance**

In the year ended December 31, 2021, the Company issued 73,940 shares to management as part of their employment contracts of which $229,500 was expensed. The shares were physically issued in February 2022.

The Company issued 200,000 shares on November 4, 2021 pursuant to an agreement that is for one year with two vendors who provide consulting in the blockchain and crypto currency field. The total fair value of the stock at the time of issuance was approximately $1,318,000 of which we expensed approximately nil for the three and six months ended June 30, 2023 and $329 thousand and $659 thousand for 2022, respectively.

On April 20, 2023 (the "Grant Date"), the board of directors of the Company approved the grant of 1,560,000 shares of restricted stock ("Restricted Shares") to management and employees.

The Restricted Shares vest in twelve substantially equal installments on each monthly anniversary of the Grant Date for twelve months following the Grant Date (subject to accelerated vesting upon a change of control of the Company), provided that the employee is in continuous employment or service to the Company through the applicable vesting date.

The total fair value of the stock at the time of issuance was approximately $1,172,000 which was based on the closing market price on the Grant Date of $.7513. The Company expensed approximately $565 thousand for the three and six months ended June 30, 2023. There was approximately $0.6 million of unrecognized compensation cost associated with unvested restricted stock as of June 30, 2023.

The following is a summary of the restricted share activity during the six months ended June 30, 2023 and 2022:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of Restricted Shares | Weighted Average Award Price | Number of Restricted Shares | Weighted Average Award Price |
| Restricted Shares Outstanding at Beginning of the year | - | $ 0.75 | - | $ - |
| Granted | 1,560,000 | 0.75 | - | - |
| Vested | 260,000 | - | - | - |
| Restricted Shares Outstanding at June 30, | 1,300,000 | $ 0.75 | - | $ - |

**Warrants**

The following is a summary of the warrant activity during the six months ended June 30, 2023 and 2022:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Warrants Outstanding at Beginning of the year | 7,677,441 | $ 5.00 | 7,702,441 | $ 5.00 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Forfeited | - | - | 25,000 | 4.50 |
| Warrants Outstanding and Exercisable at June 30, | 7,677,441 | $ 5.00 | 7,677,441 | $ 5.00 |

The aggregate intrinsic value of the outstanding common stock warrants as of June 30, 2023 and December 31, 2022 was approximately $0 and $0 respectively. The remaining weighted average life of the warrants as of June 30, 2023 was 3.2 years.

**At the Market Program**

On June 26, 2023, the Company entered into an Equity Distribution Agreement (the "Distribution Agreement") with Maxim Group LLC (the "Agent"), pursuant to which the Company may, from time to time, at the Company's discretion, offer and sell shares of the Company's common stock, having an aggregate offering price of up to $4,700,000 (the "Shares"), through the Agent, acting as sales agent. The Shares to be sold under the Distribution Agreement, if any, will be issued and sold pursuant to the Company's shelf registration statement which was filed with the Securities and Exchange Commission ("SEC") on July 30, 2021 (the "Registration Statement") and was declared effective on August 16, 2021. A prospectus supplement related to the Company's at the market offering ("ATM") program with the Agent under the Distribution Agreement was filed with the SEC on June 26, 2023. The ATM program is expected to remain in effect until June 26, 2024. As of June 30, 2023, an aggregate gross sales limit of $4,700,000 remains available for issuance under the ATM program. Approximately $107,000 of legal and professional fees incurred related to the establishment of the ATM program as of June 30, 2023 were deferred and recorded within "Prepaid expenses and other assets" on the Consolidated Balance Sheets and will be amortized ratably as stock is issued under the program.

**Note 10. Segment Information**

The Company applies ASC 280, Segment Reporting, in determining its reportable segments. The Company has two reportable segments: Specialty Finance and Mining Operations. The guidance requires that segment disclosures present the measure(s) used by the CODM to decide how to allocate resources and for purposes of assessing such segments' performance. The Company's CODM uses revenue, income from operations and income before taxes of our reporting segments to assess the performance of the business of our reportable operating segments.

No operating segments have been aggregated to form the reportable segments. The corporate oversight function, and other components that may earn revenues that are only incidental to the activities of the Company are aggregated and included in the "All Other" category.

The Specialty Finance segment generates revenue from providing funding to nonprofit community associations. The Mining Operations segment generates revenue from the Bitcoin the Company earns through its mining activities.

| | Three Months Ended June 30, 2023 | | | |
|---|---|---|---|---|
| | **Specialty Finance** | **Mining Operations** | **All Other** | **Total** |
| Revenue, net | $ 227,328 | $ 2,968,322 | $ - | $ 3,195,650 |
| Depreciation and Amortization | (441 ) | 1,168,242 | 1,319 | 1,169,120 |
| Operating loss | (196,900 ) | (429,493 ) | (2,529,941 ) | (3,156,334 ) |
| Unrealized loss on investment and equity securities | - | - | (3,716,681 ) | (3,716,681 ) |
| Unrealized gain on marketable securities | - | - | (1,412 ) | (1,412 ) |
| Symbiont credit reserve reversal | - | - | 1,052,543 | 1,052,543 |
| Coupon sales other income | - | 25,721 | - | 25,721 |
| Other financing income | - | - | 37,660 | 37,660 |
| Interest income | - | - | 116,147 | 116,147 |
| Loss before income taxes | (196,900 ) | (403,772 ) | (5,041,684 ) | (5,642,356 ) |
| Fixed Asset Additions | 1,228 | 1,662,218 | 5,741 | 1,669,187 |

| | Six Months Ended June 30, 2023 | | | |
|---|---|---|---|---|
| | **Specialty Finance** | **Mining Operations** | **All Other** | **Total** |
| Revenue, net | $ 449,995 | $ 5,059,173 | $ - | $ 5,509,168 |
| Depreciation and Amortization | 2,525 | 1,966,111 | 2,357 | 1,970,993 |
| Operating loss | (408,569 ) | (922,986 ) | (3,794,205 ) | (5,125,760 ) |
| Unrealized loss on investment and equity securities | - | - | (9,539,535 ) | (9,539,535 ) |
| Realized gain on sale of purchased digital assets | - | - | 1,917 | 1,917 |
| Unrealized gain on marketable securities | - | - | 4,378 | 4,378 |
| Impairment loss on prepaid hosting deposits | - | (36,691 ) | - | (36,691 ) |
| Symbiont credit reserve reversal | - | - | 1,052,543 | 1,052,543 |
| Coupon sales other income | - | 629,312 | - | 629,312 |
| Other financing income | - | - | 37,660 | 37,660 |
| Interest income | - | - | 171,224 | 171,224 |
| Loss before income taxes | (408,546 ) | (293,674 ) | (12,102,732 ) | (12,804,952 ) |
| Fixed Asset Additions | 1,228 | 1,731,373 | 12,008 | 1,744,608 |

| | Three Months Ended June 30, 2022 | | | |
|---|---|---|---|---|
| | **Specialty Finance** | **Mining Operations** | **All Other** | **Total** |
| Revenue, net | $ 234,533 | $ - | $ - | $ 234,533 |
| Depreciation and Amortization | 2,007 | - | - | 2,007 |
| Operating loss | (217,136 ) | (39,413 ) | (5,117,339 ) | (5,373,888 ) |
| Realized gain on securities | - | - | 45,261 | 45,261 |
| Unrealized gain on investment and equity securities | - | - | 12,215,401 | 12,215,401 |
| Realized gain on convertible debt security | - | - | 287,778 | 287,778 |
| Unrealized loss on convertible debt security | - | - | (288,320 ) | (288,320 ) |
| Unrealized loss on marketable securities | - | - | (24,030 ) | (24,030 ) |
| Impairment loss on purchased digital assets | - | - | (377,707 ) | (377,707 ) |
| Digital assets other income | - | - | 1,292 | 1,292 |
| Interest income | - | - | 80,975 | 80,975 |
| Dividend income | - | - | 1,375 | 1,375 |
| Income (loss) before income taxes | (217,136 ) | (39,413 ) | 6,824,686 | 6,568,137 |
| Fixed Asset Additions | - | 7,931 | 5,304 | 13,235 |

| | Six Months Ended June 30, 2022 | | | |
|---|---|---|---|---|
| | **Specialty Finance** | **Mining Operations** | **All Other** | **Total** |
| Revenue, net | $ 425,537 | $ - | $ - | $ 425,537 |
| Depreciation and Amortization | 3,555 | - | 1,546 | 5,101 |
| Operating loss | (635,215 ) | (39,413 ) | (9,729,492 ) | (10,404,120 ) |
| Realized loss on securities | - | - | (349,920 ) | (349,920 ) |
| Unrealized gain on investment and equity securities | - | - | 11,229,002 | 11,229,002 |
| Realized gain on convertible debt security | - | - | 287,778 | 287,778 |
| Unrealized loss on marketable securities | - | - | (23,900 ) | (23,900 ) |
| Impairment loss on purchased digital assets | - | - | (377,707 ) | (377,707 ) |
| Digital assets other income | 5,658 | - | - | 5,658 |
| Interest income | - | - | 179,345 | 179,345 |
| Dividend income | - | - | 2,750 | 2,750 |
| Income (loss) before income taxes | (635,215 ) | (39,413 ) | 1,223,514 | 548,886 |
| Fixed Asset Additions | - | 7,931 | 5,304 | 13,235 |

**Note 11. Intangible Assets**

On June 2, 2023, the United States Bankruptcy Court for the Southern District of New York entered an order (the "Symbiont Bankruptcy Order") approving the sale of substantially all of the assets of Symbiont.io, LLC, as debtor in possession ("Symbiont"), to LM Funding America, Inc. (the "Company") pursuant to a form of Asset Purchase Agreement attached to the Symbiont Bankruptcy Sale Order (the "Asset Purchase Agreement") free and clear of all liens, claims and encumbrances. The Company and Symbiont signed the Asset Purchase Agreement on June 5, 2023, and the purchase and sale of the Symbiont assets pursuant to the Asset Purchase Agreement closed on June 5, 2023.

Pursuant to the Asset Purchase Agreement, the Company purchased substantially all of the assets of Symbiont for a purchase price of $2,589 thousand, which was paid by means of a credit bid of the full amount of the note payable owed by Symbiont to the Company. The $2,589 thousand comprises of $2,000 thousand of principal, $425 thousand of accrued interest, and $164 thousand of legal fees. The Company did not assume any liabilities of Symbiont in the transaction. The Company incurred an additional $238 thousand of expenses acquiring these assets which was accounted for as an asset acquisition.

The Company has capitalized $2,805 thousand for the Symbiont assets which consist principally of intellectual property, customer contracts, customer base and software code relating to Symbiont's financial services blockchain enterprise platform.

| | **As of June 30, 2023** | **As of December 31, 2022** |
|---|---|---|
| Trade Name | 263,276 | - |
| Patent Portfolio | 2,541,626 | - |
| | 2,804,902 | - |

**Note 12. Subsequent Events**

The Company terminated its agreement on August 1, 2023 in which Longbow was hosting 500 machines. The Company impaired approximately $75 thousand of the deposit in August 2023. The Company entered into a supplemental agreement with Core on August 4, 2023 to host 500 machines that will be moved from Longbow Host Co LLC.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the three and six months ended June 30, 2023, and with the Annual Report on Form 10-K for the year ended December 31, 2022.*

### Forward-Looking Statements

*This Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q, 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 retain the listing of our securities on the Nasdaq Capital Market,*
- *the early stage of our planned cryptocurrency mining business and our lack of operating history in such business,*
- *volatility surrounding the value and regulatory landscape of Bitcoin and other cryptocurrencies,*
- *the uncertainty surrounding the cryptocurrency mining business,*
- *the availability of cost-efficient energy supplies available to mine cryptocurrency,*
- *bankruptcy or financial problems of our hosting vendors in our mining business,*
- *reliance to date on a single model of Bitcoin miner,*
- *the ability to scale our mining business,*
- *our ability to obtain funds to purchase receivables,*
- *our ability to purchase defaulted consumer receivables at appropriate prices,*
- *competition to acquire such receivables,*
- *our dependence upon third party law firms to service our accounts,*
- *our ability to manage growth or declines in the business,*
- *changes in government regulations that affect our ability to collect sufficient amounts on our defaulted consumer receivables,*
- *the impact of class action suits and other litigation on our business or operations,*
- *our ability to keep our software systems updated to operate our business,*
- *our ability to employ and retain qualified employees,*
- *our ability to establish and maintain internal accounting controls,*
- *changes in the credit or capital markets,*
- *changes in interest rates,*
- *deterioration in economic conditions,*
- *the spread of the novel coronavirus (COVID-19), its impact on the economy generally and, more specifically, the specialty finance industries,*
- *negative press regarding the debt collection industry which may have a negative impact on a debtor's willingness to pay the debt we acquire, and*

- *other factors set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and Item 1A of this Quarterly Report on Form 10-Q.*

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

**Overview**

LM Funding America, Inc. ("we", "our", "LMFA", or the "Company") currently has two lines of business: our recently commenced cryptocurrency mining business and our historical specialty finance business.

On September 15, 2021, we announced our plan to operate in the Bitcoin mining ecosystem, and subsequently commenced Bitcoin mining operations in late September 2022. This business operation deploys our computing power to mine Bitcoin and validate transactions on the Bitcoin network. We believe that developments in Bitcoin mining have created an opportunity for us to deploy capital and conduct large-scale mining operations in the United States. We conduct this business through a wholly owned subsidiary, US Digital, which we formed in 2021 to develop and operate our cryptocurrency mining business.

With respect to our specialty finance business, the Company has historically engaged in the business of providing funding to nonprofit community associations primarily located in the State of Florida. 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. In addition to our original product offering, we also purchase Accounts on varying terms tailored to suit each Association's financial needs, including under our New Neighbor Guaranty™ program corporate history.

**Corporate History and Reorganization**

The Company was originally organized in January 2008 as a Florida limited liability company under the name LM Funding, LLC. Prior to our initial public offering in 2015, all of our business was conducted through LM Funding, LLC and its subsidiaries. Immediately prior to our initial public offering in October 2015, the members of the LM Funding, LLC contributed all of their membership interests to LM Funding America, Inc., a Delaware corporation incorporated on April 20, 2015 ("LMFA"), in exchange for shares of the common stock of LMFA. Immediately after such contribution and exchange, the former members of LM Funding, LLC became the holders of 100% of the issued and outstanding common stock of LMFA, thereby making LM Funding, LLC a wholly-owned subsidiary of LMFA.

The Company organized two new subsidiaries in 2020: LMFA Financing LLC, a Florida limited liability company, on November 21, 2020, and LMFAO Sponsor LLC, a Florida limited liability company, on October 29, 2020. LMFAO Sponsor LLC organized a subsidiary, LMF Acquisition Opportunities Inc., on October 29, 2020. LM Funding America Inc. organized a subsidiary, US Digital (and 100% subsidiaries), on September 10, 2021. US Digital has formed 100% owned subsidiaries to engage in business in various states. The Company also from time to time organizes other subsidiaries to serve a specific purpose or hold a specific asset. LMF Acquisition Opportunities Inc. was merged with Seastar Medical Holding Corporation on October 28, 2022.

**Summarized Consolidated Statements of Operations**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| Revenue | $ 5,509,168 | $ 425,537 |
| Operating costs and expenses | 10,634,928 | 10,829,657 |
| Operating loss | (5,125,760 ) | (10,404,120 ) |
| Other income (loss) | (7,679,192 ) | 10,953,006 |
| Income (loss) before income taxes | (12,804,952 ) | 548,886 |
| Income tax expense | - | - |
| Net (loss) income | (12,804,952 ) | 548,886 |
| Less: loss (income) attributable to non-controlling interest | 2,869,441 | (3,432,597 ) |
| Net income (loss) attributable to LM Funding America Inc. | $ (9,935,511 ) | $ (2,883,711 ) |

## Results of Operations

***The Three Months Ended June 30, 2023 compared with the Three Months Ended June 30, 2022***

**Revenues**

During the three months ended June 30, 2023, total revenues increased by $2,961 thousand, to $3,196 thousand from $235 thousand for the three months ended June 30, 2022.

Digital mining revenue increased in the three months ended June 30, 2023 by $2,968 thousand to $2,968 thousand from nil for the three months ended June 30, 2022 due to the mining of 106.6 Bitcoin during the three months ended June 30, 2023 compared to nil for the three months ended June 30, 2022 since Bitcoin mining operations had not yet begun.

Total specialty finance revenue for the three months ended June 30, 2023 decreased slightly to $190 thousand from $194 thousand for the three months ended June 30, 2022 as the number of payoffs decreased over the prior year even as the average payoff increased slightly over the prior year.

**Operating Expenses**

During the three months ended June 30, 2023, operating expenses increased approximately $744 thousand to $6,352 thousand from $5,608 thousand for the three months ended June 30, 2022. The increase in operating expenses is attributed to various factors including: (i) an increase of $2,362 thousand for digital mining costs of revenues arising from an increased number of Bitcoin mining machines earning Bitcoins; (ii) a $1,167 thousand increase in depreciation and amortization arising from an increased number of Bitcoin mining machines placed in service; (iii), a $249 thousand increase in other expenses including selling, general and administrative costs arising from increased general business insurance and investor relations services; (iv), a $240 thousand increase in the impairment of mined Bitcoin and (v) a $102 thousand increase in compensation costs arising from merit and inflationary pay increases. These increases were partially offset by a $1,936 thousand decrease in stock compensation and option expense and a $794 thousand decrease in professional fees, The Company also recognized a realized gain on the sale of mined digital assets of $646 thousand for the three months ended June 30, 2023 compared to nil for the three months ended June 30, 2022.

**Other Income (Expense)**

The Company recognized an unrealized gain of nil and $288 thousand for the three months ended June 30, 2023 and 2022, respectively, from the conversion of the Borqs convertible debt securities.

The Company recognized an unrealized loss on securities of $3,717 thousand for the three months ended June 30, 2023 as compared to an unrealized gain of $12,215 thousand for the three months ended June 30, 2022 from the revaluation of Seastar's (formerly LMAO's) common stock and private placement warrants.

The Company recognized $26 thousand on the sale of Bitmain coupons received from the purchase of Bitcoin mining equipment for the three months ended June 30, 2023 compared to nil for the three months ended June 30, 2022.

The Company recognized an impairment of nil and $378 thousand for the three months ended June 30, 2023 and 2022, respectively, from the impairment of purchased digital assets. See Footnote 2.

The Company recognized a reversal of a valuation allowance of $1,053 thousand and nil for the three months ended June 30, 2023 and 2022, respectively, from the revaluation of the Symbiont note receivable and subsequent acquisition of the Symbiont assets.

**Income Tax Expense**

During the three months ended June 30, 2023, the Company generated a $5.6 million net loss before income taxes and the Company increased its income tax valuation allowance by $1.3 million, which offset the Company's incurred net income tax expense of $1.3 million which resulted in no income tax expense being recognized during this period. This net activity resulted in no recognized income tax expense for the three months ended June 30, 2023. The Company recognized nil of income tax expense for the three months ended June 30, 2022.

**Net Loss**

During the three months ended June 30, 2023, the net loss was $5.6 million as compared to net income of $6.6 million for the three months ended June 30, 2022.

**Net Loss Attributable to Non-Controlling Interest**

The Company owns 69.5% of Sponsor. As such, there is $1.1 million net loss for the three months ended June 30, 2023 attributable to the Non-Controlling Interest as compared to a $3.7 million net income for the three months ended June 30, 2022.

**Net Loss Attributable to LM Funding America, Inc.**

During the three months ended June 30, 2023, the net loss was $4.5 million as compared to net income of $2.8 million for the three months ended June 30, 2022.

***The Six Months Ended June 30, 2023 compared with the Six Months Ended June 30, 2022***

**Revenues**

During the six months ended June 30, 2023, total revenues increased by $5,083 thousand, to $5,509 thousand from $426 thousand for the six months ended June 30, 2022.

Digital mining revenue increased in the six Months ended June 30, 2023 by $5,059 thousand to $5,059 thousand from nil for the six months ended June 30, 2022 due to the mining of 198.3 Bitcoin during the six Months ended June 30, 2023 as compared to nil for the six months ended June 30, 2022.

Total specialty finance revenue for the six months ended June 30, 2023 increased to $373 thousand from $346 thousand for the six months ended June 30, 2022 as the average payoff increased slightly even as the number of payoffs decreased slightly over the prior year.

**Operating Expenses**

During the six months ended June 30, 2023, operating expenses decreased approximately $195 thousand to $10,635 thousand from $10,830 thousand for the six months ended June 30, 2022. The decrease in operating expenses is attributed to various factors including: (i) an increase of $4,029 thousand for digital mining costs of revenues arising from an increased number of Bitcoin mining machines earning Bitcoins; (ii), a $1,966 thousand increase in depreciation and amortization arising from an increased number of Bitcoin mining machines placed in service; (iii), a $631 thousand increase in other operating costs and selling, general and administrative expenses arising from increased general business insurance and investor relations services; (iv), a $439 thousand increase in the impairment of mined Bitcoin and (v) a $197 thousand increase in compensation costs arising from merit and inflationary pay increases. These increases were offset by a $5,389 thousand decrease in stock compensation and option expense and a $997 thousand decrease in professional fees, The Company also recognized a realized gain on the sale of mined digital assets of $1,071 thousand for the six months ended June 30, 2023 compared to nil for the six months ended June 30, 2022.

**Other Income (Expense)**

The Company recognized no realized gain or loss on marketable securities for the six months ended June 30, 2023 as compared to a $350 thousand loss for the six months ended June 30, 2022.

The Company recognized a realized gain of nil and $288 thousand for the six months ended June 30, 2023 and 2022, respectively, from the conversion of the Borqs convertible debt securities.

The Company recognized an unrealized loss on securities of $9,540 thousand for the six months ended June 30, 2023 as compared to an unrealized gain of $11,229 thousand for the six months ended June 30, 2022 from the revaluation of Seastar's (formerly LMAO’s) common stock and private placement warrants.

The Company recognized $629 thousand on the sale of Bitmain coupons received from the purchase of Bitcoin mining equipment for the six months ended June 30, 2023 compared to nil for the six months ended June 30, 2022.

The Company recognized an impairment of nil and $378 thousand for the six months ended June 30, 2023 and 2022, respectively, from the impairment of purchased digital assets. See Footnote 2.

The Company recognized a reversal of a valuation allowance of $1,053 thousand and nil for the six months ended June 30, 2023 and 2022, respectively, from the revaluation of the Symbiont note receivable and subsequent acquisition of the Symbiont assets.

**Income Tax Expense**

During the six months ended June 30, 2023, the Company generated a $12.8 million net loss before income taxes and the Company increased its income tax valuation allowance by $3.4 million, which offset the Company’s incurred net income tax expense of $3.4 million which resulted in no income tax expense being recognized during this period. This net activity resulted in no recognized income tax expense for the six months ended June 30, 2023. The Company recognized nil of income tax expense for the six months ended June 30, 2022.

**Net Loss**

During the six months ended June 30, 2023, the net loss was $12.8 million as compared to a net income of $0.5 million for the six months ended June 30, 2022.

**Net Loss Attributable to Non-Controlling Interest**

The Company owns 69.5% of Sponsor. As such, there is $2.9 million net loss for the six months ended June 30, 2023 attributable to the Non-Controlling Interest as compared to a $3.4 million net income for the six months ended June 30, 2022.

**Net Loss Attributable to LM Funding America, Inc.**

During the six months ended June 30, 2023, the net loss was $9.9 million as compared to a net loss of $2.9 million for the six months ended June 30, 2022.

**Liquidity and Capital Resources**

**General**

As of June 30, 2023 and December 31, 2022, our liquidity was comprised of:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 1,847,239 | $ 4,238,006 |
| Bitcoin | 1,992,557 | 888,026 |
| Marketable securities | 8,668 | 4,290 |
| End of Period | $ 3,848,464 | $ 5,130,322 |

The Company's Bitcoin activity during the six months ended June 30, 2023 and 2022 was:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Bitcoin Balance | 79.1 | 54.9 | 21.5 |

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Beginning of Year | 54.9 | - |
| Production of Bitcoin | 198.3 | - |
| Purchase of Bitcoin | 2.0 | 21.5 |
| Sale of Bitcoin | (175.9 ) | - |
| Fees | (0.2 ) | - |
| End of Period | 79.1 | 21.5 |

The Company's cash flow summary for the six months ended June 30, 2023 and 2022 are as follows.

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Cash Flows used in Operating Activities | $ (1,463,224 ) | $ (154,344 ) |
| Cash Flows used in Investing Activities | (464,571 ) | (15,243,558 ) |
| Cash Flows used in Financing Activities | (462,972 ) | (114,688 ) |
| Net Decrease in Cash | (2,390,767 ) | (15,512,590 ) |
| Cash - Beginning of Year | 4,238,006 | 32,559,185 |
| **Cash - End of Period** | **$ 1,847,239** | **$ 17,046,595** |

**Cash from Operations**

Net cash used by operations was $1.5 million during the six months ended June 30, 2023 compared with net cash used in operations of $0.2 million during the six months ended June 30, 2022. This change in cash used in operating activities was primarily driven by the difference between Bitcoin mining revenue received in noncash consideration (i.e. Bitcoin) as compared to the amount of mined Bitcoin liquidated to support operations during the six months ended June 30, 2023.

**Cash from Investing Activities**

For the six months ended June 30, 2023 net cash used in investing activities was $0.5 million as compared to net cash used in investing activities of $15.2 million for the six months ended June 30, 2022. For the six months ended June 30, 2023, the Company received $1.7 million from SeaStar Medical (formerly LMAO) related to the payment of outstanding notes receivable while investing $1.7 million for capital expenditures including Bitcoin mining equipment. For the six months ended June 30, 2022 the Company invested $14.3 million in capital expenditure including Bitcoin mining equipment and digital assets and loaned $0.9 million to SeaStar Medical (formerly LMAO).

**Cash from Financing Activities**

Net cash used in financing activities was $0.5 million for the six months ended June 30, 2023 compared to $0.1 million used in financing activities for the six months ended June 30, 2022. During the six months ended June 30, 2023 and 2022, the Company repaid debt of $0.4 million and $0.1 million, respectively.

**Stockholders' Equity**

The Company had no cash infusion from equity financing transactions during the six months ended June 30, 2023 or 2022.

**Debt**

Debt of the Company consisted of the following at June 30, 2023 and December 31, 2022:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Financing agreement with Imperial PFS that is unsecured. Down payment of $78,000 was required upfront and equal installment payments of $45,672 to be made over a 10 month period. The note matures on August 1, 2023. Annualized interest is 7.35%. | $ 91,345 | $ 365,379 |
| Financing agreement with Imperial PFS that is unsecured. Down payment of $15,000 was required upfront and equal installment payments of $13,799 to be made over an 8 month period. The note matures on August 1, 2023. Annualized interest is 7.35%. | 28,008 | 110,396 |
| | $ 119,353 | $ 475,775 |

The following table presents maturities of debt on an undiscounted basis as of June 30, 2023:

| Maturity | Amount |
|---|---|
| 2023 (excluding the six months ended June 30, 2023) | $ 119,353 |
| | $ 119,353 |

The notes were fully paid off on the August 1, 2023 due date.

**Non-GAAP Financial Measures**

Our reported results are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). We also disclose Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") and Core Earnings before Interest, Tax, Depreciation and Amortization ("Core EBITDA") which adjusts for unrealized loss on investment and equity securities, unrealized gain on convertible debt securities and stock compensation expense and option expense, all of which are non-GAAP financial measures. We believe these non-GAAP financial measures are useful to investors because they are widely accepted industry measures used by analysts and investors to compare the operating performance of Bitcoin miners.

The following tables reconcile net loss, which we believe is the most comparable GAAP measure, to EBITDA and Core EBITDA:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) | $ (5,642,356 ) | $ 6,568,137 | $ (12,804,952 ) | $ 548,886 |
| Income tax expense | - | - | - | - |
| Interest expense | - | - | - | - |
| Depreciation and amortization | 1,169,120 | 2,007 | 1,970,993 | 5,101 |
| Income (loss) before interest, taxes & depreciation | $ (4,473,236 ) | $ 6,570,144 | $ (10,833,959 ) | $ 553,987 |
| Unrealized loss (gain) on investment and equity securities | 3,716,681 | (12,215,401 ) | 9,539,535 | (11,229,002 ) |
| Unrealized loss on convertible debt securities | - | 288,320 | - | - |
| Realized gain on convertible debt securities | - | (287,778 ) | - | (287,778 ) |
| Stock compensation and option expense | 1,712,669 | 3,648,236 | 1,907,025 | 7,296,478 |
| Core income (loss) before interest, taxes & depreciation | $ 956,114 | $ (1,996,479 ) | $ 612,601 | $ (3,666,315 ) |

**Critical Accounting Estimates**

Our financial statements are prepared in accordance with GAAP. The preparation of the consolidated financial statements in conformity with GAAP requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure or inclusion of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to allowance for doubtful accounts, the evaluation of the impairment of fixed assets and income tax provisions. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. We consider our critical accounting policies to be those related to long-lived assets. We do not consider any of our estimates to be critical. Refer to Note 1 - Significant Accounting Policies included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for a complete discussion of the significant accounting policies and methods used in the preparation of our financial statements.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a smaller reporting company, we are not required to make disclosures under this item.

**Item 4. Controls and Procedures**

*(a) Evaluation of disclosure controls and procedures.*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2023. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of June 30, 2023 due to the following material weakness in internal control over financial reporting that existed as of December 31, 2022 and that continued to exist through June 30, 2023:

The Company did not effectively segregate certain accounting duties nor have a proper multi-level review process due to the small size of its accounting staff.

A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Notwithstanding the determination that there was a material weakness as identified in this Quarterly Report, we believe that our consolidated financial statements contained in this Quarterly Report fairly present our financial position, results of operations and cash flows for the years covered hereby in all material respects.

We expect to be dependent upon our Chief Financial Officer, who is knowledgeable and experienced in the application of U.S. Generally Accepted Accounting Principles, to maintain our disclosure controls and procedures and the preparation of our financial statements for the foreseeable future. We plan on increasing the size of our accounting staff at the appropriate time for our business and its size to ameliorate our concern that we do not effectively segregate certain accounting duties, which we believe would resolve the material weakness in disclosure controls and procedures, but there can be no assurances as to the timing of any such action or that we will be able to do so.

*(b) Changes in internal control over financial reporting.*

The Company implemented new controls that utilized additional accounting and finance staff to allow for effective segregation of certain accounting duties and provide for a proper multi-level review process.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Legal Proceedings are set forth under Note 5 "Commitments and Contingencies" included in Part I, Item 1 of this Quarterly Report on Form 10-Q and are incorporated herein by reference.

### Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, we supplement the risk factors in our Annual Report on Form 10-K that was filed with the SEC on June 30, 2023 with the following risk factors. Any of these factors disclosed in our Annual Report on Form 10-K or herein could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

**Risks Relating to Our Securities**

*Our common shares could be delisted from the Nasdaq Capital Market.*

Nasdaq’s listing standards provide that a company may be delisted if the bid price of its stock drops below $1.00 for a period of 30 consecutive business days. On April 13, 2023, we received a Notification Letter from The Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that it was not in compliance with the minimum bid price requirements set forth in NASDAQ Listing Rule 5550(a)(2) for continued listing on the Nasdaq Capital Market, due to the bid price of the Company’s common stock closing below the minimum $1 per share for the thirty (30) consecutive business days prior to the date of the Notification Letter. In accordance with listing rules, the Company is automatically afforded 180 days, or until October 11, 2023, to regain compliance. If during this 180-day compliance period the closing bid price of the Company’s common stock is at least $1.00 per share for a minimum of ten consecutive business days, then Nasdaq will provide the Company with written confirmation of compliance and the matter will be closed. If compliance cannot be demonstrated by October 11, 2023, the Company may be eligible for additional time.

The Company intends to monitor the closing bid price of the Company’s common stock and consider its available options to resolve the non-compliance with the minimum bid price requirement. The Company’s receipt of the notice does not affect the Company’s business, operations or reporting requirements with the Securities and Exchange Commission. However, there can be no assurance that the Company will be able to regain compliance with the minimum bid price requirement or will otherwise be in compliance with other Nasdaq listing criteria.

If a suspension or delisting were to occur, there would be significantly less liquidity in the suspended or delisted securities. In addition, our ability to raise additional necessary capital through equity or debt financing would be greatly impaired. Furthermore, with respect to any suspended or delisted common shares, we would expect decreases in investor demand, market making activity and information available concerning trading prices and volume. Additionally, fewer broker-dealers would be willing to execute trades with respect to such common shares. A suspension or delisting would likely decrease the attractiveness of our common shares to investors and cause the trading volume of our common shares to decline, which could result in a further decline in the market price of our common shares.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

**(a)** ***Sales of Unregistered Securities.***

None.

**(b)** ***Use of Proceeds.***

None.

**(c)** ***Repurchase of Securities.***

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

## Item 5. Other Information

None

**Item 6. Exhibits**

The following documents are filed as a part of this report or are incorporated herein by reference.

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 3.1 | Certificate of Incorporation of LM Funding America, Inc., as amended (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 filed on January 24, 2022 (Registration No. 333-262316)) |
| 3.2 | Restated By-Laws of LM Funding America, Inc. (incorporated by reference to Exhibit 3.2 to the Form 10-Q filed on November 17, 2022) |
| 4.1 | 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)) |
| 4.2 | Form of Common Warrant. (incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 5, 2018) |
| 4.3 | Form of Underwriter's Warrant. (incorporated by reference to Exhibit 4.2 to Form 8-K filed on November 5, 2018) |
| 4.4 | Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to Form 8-K filed on August 18, 2020) |
| 4.5 | Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.8 of the Form 10-K filed on April 14, 2020) |
| 4.6 | Form of Representative's Warrant (incorporated by reference to Exhibit 4.1 to the Form 8-K filed on October 20, 2021) |
| 4.7 | Form of Common Warrant (incorporated by reference to Exhibit 4.2 to the Form 8-K filed on October 20, 2021) |
| 10.1 | Equity Distribution Agreement, dated June 26, 2023, by and between LM Funding America, Inc. and Maxim Group LLC (incorporated by reference to Exhibit 1.1 to the Form 8-K filed on June 27, 2023) |
| 10.2 | Asset Purchase Agreement, dated June 5, 2023, by and between LM Funding America, Inc. and Symbiont.io, LLC, as Chapter 11 Debtor in Possession and Seller (incorporated by reference to Exhibit 2.1 to the Form 8-K filed on June 6, 2023) |
| 10.3* | Form of Restricted Stock Award Agreement under LM Funding, Inc. 2021 Omnibus Incentive Plan |
| 31.1* | Rule 13a – 14(a) Certification of the Principal Executive Officer |
| 31.2* | Rule 13a – 14(a) Certification of the Principal Financial Officer |
| 32.1* | Written Statement of the Principal Executive Officer, Pursuant to 18 U.S.C. § 1350 |
| 32.2* | Written Statement of the Principal Financial Officer, Pursuant to 18 U.S.C. § 1350 |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

**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: August 14, 2023 | By: | /s/ Bruce M. Rodgers<br>Bruce M. Rodgers<br>Chief Executive Officer and Chairman of the Board<br>(Principal Executive Officer) |
| Date: August 14, 2023 | By: | /s/ Richard Russell<br>Richard Russell<br>Chief Financial Officer<br>(Principal Accounting Officer) |

**LM FUNDING AMERICA, INC.**
**2021 OMNIBUS INCENTIVE PLAN**
**RESTRICTED STOCK AWARD**

Dear [______________]:

You have been granted an award of shares of the common stock ("Common Stock") of LM Funding America, Inc. (the "Company") constituting Restricted Stock (this "Award") under the LM Funding America, Inc. 2021 Omnibus Incentive Plan (the "Plan") with terms and conditions described below. This Award is granted under and governed by the terms and conditions of the Plan. Additional provisions regarding this Award and definitions of capitalized terms used and not defined in this Award can be found in the Plan.

| | |
|---|---|
| Grant Date: | [____________] |
| Number of Shares of Restricted Stock ("Restricted Shares"): | [____________] |
| Vesting Schedule: | The Restricted Shares will vest in accordance with the following schedule provided that, on each such vesting date, you have been continuously employed by or in the service of the Company or an Affiliate through and including such date:<br><br>(i)[_____] shares on [_____];<br>(ii)[_____] shares on [_____]; and<br>(iii)[_____]_shares on [_____].<br><br>Notwithstanding the foregoing, the Restricted Shares will vest in full upon a Change of Control, if you are continuously employed with, or in the service of, the Company or an Affiliate thereof through the day preceding the date of the Change of Control. |
| Termination of Employment or Service: | Upon your termination of employment with, or cessation of services to, the Company or an Affiliate thereof prior to the date the Restricted Shares are vested, you will forfeit the unvested Restricted Shares. |
| Release of Shares: | The Restricted Shares will be held in an account at the Company's transfer agent pending vesting. As soon as practicable after any Restricted Shares vest, the applicable restrictions on the Restricted Shares will be removed and such Shares will be issued according to your instructions. |
| Transferability of Restricted Shares: | You may not sell, transfer or otherwise alienate or hypothecate any of your Restricted Shares until they are vested. In addition, by accepting this Award, you agree not to sell any Shares acquired under this Award other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale. |

| | |
|---|---|
| Voting and Dividends: | While the Restricted Shares are subject to forfeiture, you may exercise full voting rights and will be entitled all dividends and other distributions paid with respect to the Restricted Shares, in each case so long as the applicable record date occurs before you forfeit the Restricted Shares; provided that any dividends and distributions other than cash dividends will be held in the custody of the Company and will be subject to the same risk of forfeiture, restrictions on transferability and other terms of this Award that apply to the Restricted Shares with respect to which such distributions were made. All such non-cash dividends or other distributions will be paid to you within 45 days following the full vesting of the Restricted Shares with respect to which such distributions were made. |
| Transferability of Award: | You may not transfer or assign this Award for any reason, other than as set forth in the Plan. Any attempted transfer or assignment will be null and void. |
| Market Stand-Off: | In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, you agree that you will not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Award without the prior written consent of the Company and the Company's underwriters. Such restriction will be in effect for such period of time following the date of the final prospectus for the offering as may be determined by the Company. In no event, however, will such period exceed one hundred eighty (180) days. You agree to execute any lock-up agreement or similar agreement requested by the Company or the Company's underwriters to evidence the foregoing obligations plus such other obligations that are generally applied to Company stockholders in connection with the underwritten public offering. |
| Tax Matters: | You understand that you (and not the Company or any Affiliate) will be responsible for your own federal, state, local or foreign tax liability and any other tax consequences that may arise as a result of the transactions contemplated by this Award. You will rely solely on the determinations of your tax advisors or your own determinations, and not on any statements or representations by the Company or any of its agents, with regard to all such tax matters. You understand that you may alter the tax treatment of the Shares subject to this Award by filing an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"). Such election must be filed within thirty (30) days after the date of this Award to be effective. **You should consult with your tax advisor to determine the tax consequences of acquiring the Shares and the advantages and disadvantages of filing the Code Section 83(b) election. You acknowledge that it is your sole responsibility, and not the Company's, to file a timely election under** |

**Code Section 83(b), even if you request the Company or its representatives to make this filing on your behalf.**

The following two paragraphs are applicable only to employees of the Company:

To the extent that the receipt or the vesting of the Restricted Shares, or the payment of dividends on the Restricted Shares, results in income to you for federal, state or local income tax purposes, except as otherwise provided in the following paragraph, you will deliver to the Company at the time the Company is obligated to withhold taxes in connection with such receipt, vesting or payment, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations. If you fail to do so, the Company has the right and authority to deduct or withhold from other compensation payable to you (including Restricted Shares as described in the following paragraph) an amount sufficient to satisfy its withholding obligations or to delay delivery of the shares.

If you do not make an election under Code Section 83(b) in connection with this Award and only if permitted by the Company, you may satisfy the withholding requirement in connection with the vesting of the Restricted Shares, in whole or in part, by electing to have the Company withhold for its own account the number of Restricted Shares that would otherwise be released to you on the date the tax is to be determined having an aggregate Fair Market Value (on the date the tax is to be determined) equal to the tax that the Company must withhold in connection with the vesting of such Restricted Shares. The Fair Market Value of any fractional Share not used to satisfy the withholding obligation (as determined on the date the tax is determined) will be paid to you in cash.

Miscellaneous:

•This Award may be amended only by written consent signed by both you and the Company, unless the amendment is not to your detriment. Notwithstanding the foregoing, this Award may be amended or terminated by the Board or the Committee without your consent in accordance with the provisions of the Plan.

•The failure of the Company to enforce any provision of this Award at any time will in no way constitute a waiver of such provision or of any other provision hereof.

•In the event any provision of this Award is held illegal or invalid for any reason, such illegality or invalidity will not affect the legality or validity of the remaining provisions of this Award, and this Award will be construed and enforced as if the illegal or invalid provision had not been included in this Award.

•As a condition to the grant of this Award, you agree (with such agreement being binding upon your legal representatives, guardians, legatees or beneficiaries) that this Award will be interpreted by the Committee and that any interpretation by the

Committee of the terms of this Award or the Plan, and any determination made by the Committee pursuant to this Award or the Plan, will be final, binding and conclusive.

•This Award may be executed in counterparts.

BY SIGNING BELOW AND ACCEPTING THIS RESTRICTED STOCK AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED HEREIN AND IN THE PLAN. YOU ALSO ACKNOWLEDGE RECEIPT OF THE PLAN.

LM FUNDING AMERICA, INC.

By: _____________________________ _____________________________
[Name of Recipient]

Date: _______________________

Exhibit 31.1

**Certification of Chief Financial Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Bruce Rodgers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LM Funding America, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

August 14, 2023

/s/ Bruce Rodgers
Bruce Rodgers
*Chief Executive Officer*
*(Principal Executive Officer)*

A signed original of this document has been provided to LM Funding America, Inc. and will be retained by LM Funding America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.1

**Certification of Chief Financial Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard Russell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LM Funding America, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

August 14, 2023

/s/ Richard Russell
Richard Russell
*Chief Financial Officer*
*(Principal Financial and Accounting Officer)*

A signed original of this document has been provided to LM Funding America, Inc. and will be retained by LM Funding America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Written Statement of the Chief Financial Officer**

**Pursuant to 18 U.S.C. Section 1350**

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chief Executive Officer of LM Funding America, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on August 14, 2023 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bruce Rodgers

Bruce Rodgers
*Chief Executive Officer*
*(Principal Executive Officer)*
*August 14, 2023*

A signed original of this document has been provided to LM Funding America, Inc. and will be retained by LM Funding America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**Written Statement of the Chief Financial Officer**

**Pursuant to 18 U.S.C. Section 1350**

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chief Financial Officer of LM Funding America, Inc. (the “Company”), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on August 14, 2023 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard Russell

Richard Russell
*Chief Financial Officer*
*(Principal Financial and Accounting Officer)*
*August 14, 2023*

A signed original of this document has been provided to LM Funding America, Inc. and will be retained by LM Funding America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.