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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

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 Platt Street Suite 1000 Tampa, FL	**33602**
(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

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically, 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 definition 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of voting and nonvoting common equity held by non-affiliates of the Registrant, as of June 28, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $6,943,000 based on the closing sales price as reported on the NASDAQ Capital Market as of such date.

The number of shares of the Registrant's common stock outstanding as of March 15, 2021 was 26,982,980.

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PART I

Item 1. Business.

LM Funding America, Inc. ("we", "our", "LMFA", or the "Company") is a specialty finance company that is engaged primarily in the business of providing funding to nonprofit community associations, with a focus on associations 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 addition to the foregoing business, we are exploring other specialty finance business opportunities that are complementary to or that can leverage our historical business.

Our Specialty Finance Products

We offer 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 have started purchasing Accounts on varying terms tailored to suit each Association's financial needs, including under our New Neighbor Guaranty™ program.

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. We intend to leverage our proprietary software platform, as well as our industry experience and knowledge gained from our original line of business, to expand the New Neighbor Guaranty program in certain situations and to potentially develop other new products in the future.

Because we acquire and collect on the delinquent receivables of Associations, the Account debtors are third parties 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.

Original Product

Our original product relies upon Florida statutory provisions that effectively protect the principal amount invested by us in each Account. In particular, Section 718.116(1), Florida Statutes, makes purchasers and sellers of a unit in an Association jointly and severally liable for all past due assessments, interest, late fees, legal fees, and costs payable to the Association. As discussed above, the Florida Statutes grants to Associations a so-called "super lien", which is a category of lien that is given a statutorily higher priority than all other types of liens other than property tax liens. The amount of the Association's priority over a first mortgage holder that takes title to a property through foreclosure (or deed in lieu), referred to as the Super Lien Amount, is limited to twelve months' past due assessments or, if less, one percent (1.0%) of the original mortgage amount.

Under our contracts with Associations for our original product, we pay Associations an amount up to the Super Lien Amount for the right to receive all collected interest and late fees on Accounts purchased from the Associations.

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

In other states in which we have offered our original product, which are currently only in Washington, Colorado and Illinois, we rely on statutes that we believe are similar to the above-described Florida statutes in relevant respects. A total of approximately 22 U.S. states, Puerto Rico and the District of Columbia have super lien statutes that give Association assessments super lien status under some circumstances, and of these states, we believe that all of these jurisdictions other than Alaska have a regulatory and business environment that would enable us to offer our original product to Associations in those states on materially the same basis.

New Neighbor Guaranty

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

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

Recent Developments

Entry into and Termination of Hanfor Share Exchange Agreement

On March 23, 2020, the Company entered into a Share Exchange Agreement, (the "Share Exchange Agreement") with Hanfor (Cayman) Limited, a Cayman Islands exempted company ("Hanfor"), and BZ Industrial Limited, a British Virgin Islands business company and the sole stockholder of Hanfor ("Hanfor Owner"). The Share Exchange Agreement contemplated a business combination transaction in which Hanfor Owner would transfer and assign to the Company all of the share capital of Hanfor in exchange for a number of shares of the Company's common stock that would result in Hanfor Owner owning 86.5% of the outstanding common stock of the Company.

Under the agreement, Hanfor Owner was required to deliver to the Company audited financial statements for Hanfor for the 2019 and 2018 fiscal years, and such audited financial statements were required to be delivered by May 31, 2020 (subject to extension to June 30, 2020 under specified circumstances). In connection with the execution of the Share Exchange Agreement, the Company and Hanfor Owner entered into a Stock Purchase Agreement, dated March 23, 2020, pursuant to which Hanfor Owner purchased from the Company an aggregate of 520,838 shares of the Company's common stock at a price of $2.40 per share.

On July 14, 2020, the Company notified Hanfor and Hanfor Owner that the Company had elected to terminate the Share Exchange Agreement due to Hanfor's inability to provide audited financial statements by June 30, 2020. Although the Company believes that it properly terminated the Share Exchange Agreement, on July 21, 2020, former counsel to Hanfor Owner informed the Company that Hanfor Owner believes that the Company's termination of the Share Exchange Agreement was not effected in accordance with the terms of the Share Exchange Agreement.

In addition, on October 23, 2020, an amended Schedule 13D was filed by Xueyuan Han, the principal owner of Hanfor, with respect to his beneficial ownership of shares of common stock of the Company. In the amended Schedule 13D, Mr. Han

alleged, among other things, that the Company misinterpreted the termination provisions of the Share Exchange Agreement, thatHanfor is still within a cure period under the Share Exchange Agreement, and that Hanfor was purporting to appoint a director to the Company's Board of Directors. Following the filing of the amended Schedule 13D, the Company continues to believe that its termination of the Share Exchange Agreement was proper because, among other reasons, the failure of Hanfor to provide audited financial statements by June 30, 2020, was an uncurable default under the Share Exchange Agreement. Furthermore, the Company was informed by Hanfor prior to such termination that Hanfor would be unable to provide audited financial statements forHanfor for the foreseeable future because of ongoing legal issues in China. As a result, the Company believes that the purported appointment of Mr. Han to the Company's Board of Directors was improper and therefore took no action in response to the Schedule 13D

On January 11, 2021, the Company received a letter from newly engaged outside counsel to Hanfor and Hanfor Owner alleging that the Company's termination of the Share Exchange Agreement constituted a breach of contract and/or was invalid and further alleging breach of fiduciary duty by the Company's Chief Executive Officer and Chief Financial Officer. Such letter demanded $1,250,000 (the amount of Hanfor Owner's investment in common stock of the Company) plus interest and threatened legal action against the Company and the Company's Chief Executive Officer and Chief Financial Officer. Following the receipt of that letter, on or around January 27, 2021, the Company assisted Hanfor Owner with the removal of the restrictive legend from the shares of Company common stock owned by Hanfor Owner in accordance with SEC Rule 144 to enable the sale thereof by Hanfor Owner, at which time Hanfor Owner's counsel indicated in writing that Hanfor Owner may have remaining damages. However, there have been no further communications from Hanfor, Hanfor Owner, or their counsel subsequent to the communications that occurred on or around January 27, 2021 and the Company.

Nasdaq Listing

On March 27, 2020, the Company received a notification letter from the Nasdaq Listing Qualifications department of The Nasdaq Stock Market LLC ("Nasdaq") stating that the Company has not regained compliance with Nasdaq Continued Listing Rule 5550(a)(2), which requires the Company's listed securities to maintain a minimum bid price of $1.00 per share (the "Minimum Bid Price Rule"). The notification stated that the Company's securities would be delisted from the Nasdaq Capital Market on April 7, 2020 unless the Company timely requested a hearing before a Nasdaq Hearing Panel. The Company timely requested a hearing. However, on April 16, 2020, Nasdaq suspended any enforcement actions relating to bid price issues through June 30, 2020. On July 1, 2020, the Company received a letter from Nasdaq stating that the Company had regained compliance with the Minimum Bid Price Rule because the closing price for the Company's common stock was $1.00 per share or greater for ten (10) consecutive business days.

Additionally, on January 3, 2020, the Company received a deficiency letter from Nasdaq, indicating that it was in violation of Listing Rules 5620(a) and 5810(c)(2)(G) by virtue of passing the applicable deadline for holding of its annual general meeting of shareholders for the financial year ended December 31, 2018. The Company resolved this issue by having its annual general meeting of shareholders on May 11, 2020.

On September 28, 2020, the Company received a notification letter from the Nasdaq Listing Qualifications department of Nasdaq stating that the Company was not in compliance with the Minimum Bid Price Rule. The notification stated that the Company's securities would be delisted from the Nasdaq Capital Market on March 29, 2021 unless the Company timely requested a hearing before a Nasdaq Hearing Panel. On February 5, 2021, the Company received a letter from Nasdaq stating that the Company had regained compliance with the Minimum Bid Price Rule because the closing price for the Company's common stock was $1.00 per share or greater for ten (10) consecutive business days.

Reverse Stock Split Approval

On May 11, 2020, our shareholders voted in favor of the approval of an amendment to our Certificate of Incorporation, in the event it is deemed advisable by our Board of Directors, to effect an additional reverse stock split of the Company's issued and outstanding common stock at a ratio within the range of one-for-two (1:2) and one-for-ten (1:10), as determined by the Board of Directors. However, a reverse stock split has not yet been effected pursuant to such approval.

Registered Public Offering

On August 18, 2020, in connection with an underwritten public offering, we raised approximately $8.2 million in net proceeds by issuing 8.5 million shares of common stock, the exercise of 1.7 million pre-funded warrants and 11.2 million warrants to purchase shares of common stock. Holders of the warrants subsequently exercised such warrants for 150,000 shares of common stock for $135 thousand during the twelve months ended December 31, 2020. Holders of the warrants subsequently exercised such warrants for 11,013,500 shares of common stock for $9.6 million during the two months ended February 28, 2021.

Sponsorship of LMF Acquisition Opportunities, Inc.

On January 28, 2021, LMF Acquisition Opportunities, Inc. ("LMF Acquisition"), a special purpose acquisition company organized by the Company, announced the closing of an initial public offering of units ("Units"). In the initial public offering, LMF Acquisition sold an aggregate of 10,350,000 Units at a price of $10.00 per unit, resulting in total gross proceeds of $103,500,000. Each Unit consisted of one share of Class A common stock and one redeemable warrant, with each warrant entitling the holder thereof to purchase one share of Class A common stock of LMF Acquisition at a price of $11.50 per share. LMFAO Sponsor, LLC ("Sponsor"), a subsidiary in which the Company owns approximately 70% of the equity and for which the Company is the sole manager, served as the sponsor for LMF Acquisition's initial public offering.

Sponsor was organized by, and its initial capital contribution was contributed by, the Company and the Company's executive officers. The Company's executive officers and LMF Acquisition's directors collectively own an approximately 30% nonvoting equity interest in Sponsor, and LMF Acquisition is managed by the Company's management team. In connection with the initial public offering of LMF Acquisition, the Company loaned $5.7 million to Sponsor in an intercompany loan, which Sponsor used to purchase an aggregate of approximately 5.7 warrants of LMF Acquisition. Prior to a business combination by LMF Acquisition, Sponsor holds 100% of the shares of Class B common stock outstanding of LMF Acquisition. The Class B shares equal approximately 20% of the outstanding common stock of LMF Acquisition. Upon the successful completion of a business combination by LMF Acquisition, the proforma ownership of the new company will vary depending on the business combination terms. If LMF Acquisition does not successfully complete a business combination in 18 months from its initial public offering (subject to potential extension of up to 21 months) or if the business combination is not successful, the Company can lose its entire investment in Sponsor.

Transactions with Borqs

On December 14, 2020, the Company entered into a Master Loan Receivables Purchase and Assignment Agreement (the "Purchase Agreement") under which the Company agreed to purchase up to $18 million of loan receivables of Borqs Technologies, Inc. (NASDAQ: BRQS), a British Virgin Islands company ("Borqs"), from Borqs' senior lenders, Partners for Growth IV, L.P. and Partners for Growth V. L.P. As a part of the transaction, the Company entered into a Settlement Agreement, dated December 14, 2020 (the "Settlement Agreement"), with Borqs pursuant to which Borqs was obligated to issue shares of Borqs common stock to the Company (the "Settlement Shares"), in one or more tranches, in settlement of the loan receivables acquired by the Company under the Purchase Agreement. This transaction was completed on February 11, 2021 and the Company realized $5.7 million from the transaction.

In a separate transaction that was funded after December 31, 2020 and as previously disclosed, on December 16, 2020, LMFA and Esousa Holdings, LLC, a private investor (the "Investor") entered into a Loan Agreement (the "Loan Agreement") pursuant to which the Investor agreed to provide consulting services and make one or more non-recourse loans to the Company in a principal amount of up to the purchase price of the Borqs loan receivables purchased by LMFA. The Loan Agreement does not provide a fixed rate of interest, and the Company and Investor agreed to split the net proceeds from the Company's sale of the Settlement Shares, with the Company receiving one-third of the net proceeds after a return of Investor's principal and the Investor receiving return of principal plus two-thirds of the net proceeds thereafter.

In an additional transaction on February 24, 2021, the Company entered into a specialty finance transaction with Borqs, under which the Company agreed to purchase Senior Secured Convertible Promissory Notes of Borqs (the "Borqs Notes") up to an aggregate principal amount of $5 million. The Borqs Notes are due in two years, have an annual interest rate of 8%, are convertible into ordinary shares of Borqs at a 10% discount from the market price, and have 90% warrant coverage (with the warrants exercisable at 110% of the conversion price. One-third of the Borqs Notes ($1,666,500) were funded by the Company at the execution of definitive agreements for the transaction, and two-thirds of the Borqs Notes ($3,333,500) to be purchased by the Company are required to be purchased and funded upon the satisfaction of certain conditions, including effectiveness of a registration statement to be filed by Borqs by April 15, 2021.

Employees

As of March 31, 2021, we had 8 employees all of which are full-time.

Corporate Information

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, in exchange for shares of the common stock ofthe Company. 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 the Company, thereby making LM Funding, LLC a wholly-owned subsidiary of the Company.

The Company organized two new subsidiaries in 2020: LMFA Financing LLC, a Florida limited liability company on November 21, 2020 and LMFAO Sponsor LLC on October 29, 2020. LMFAO Sponsor LLC, a Florida limited liability company organized a subsidiary LMF Acquisition Opportunities Inc., on October 29, 2020.

Where you can Find More Information

We are required to file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other information, including our proxy statement, with the Securities and Exchange Commission ("SEC"). The public can obtain copies of these materials by accessing the SEC's website at http://www.sec.gov. In addition, as soon as reasonably practicable after these materials are filed with or furnished to the SEC, we will make copies available to the public free of charge through our website, https://www.lmfunding.com. The information on our website is not incorporated into, and is not part of, this Annual Report on Form 10-K or our other filings with the SEC.

Item 1A. Risk Factors.

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to our securities. If any of the following risks actually occur, our business, financial condition, results of operations, or cash flow could be materially and adversely affected and you may lose all or part of your investment.

Risks Relating to Our Business

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

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

(i) the timing and amount of collections on our Account portfolio;
(ii) our inability to identify and acquire additional Accounts;
(iii) a decline in the value of our Account portfolio recoveries;
(iv) increases in operating expenses associated with the growth of our operations; and
(v) general, economic and real estate market conditions.

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

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

(i) the diversion of our management's attention from our everyday business activities;
(ii) the assimilation of the operations and personnel of the acquired business;
(iii) the contingent and latent risks associated with the past operations of, and other unanticipated problems arising in, the acquired business; and
(iv) the need to expand our management, administration and operational systems to accommodate such acquired business.

If we make such acquisitions we cannot predict whether:

(i) we will be able to successfully integrate the operations of any new businesses into our business;
(ii) we will realize any anticipated benefits of completed acquisitions; or
(iii) there will be substantial unanticipated costs associated with such acquisitions.

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

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

Our business, results of operations, and financial condition may be impacted by the recent coronavirus (COVID-19) outbreak.

The global spread of COVID-19 has created significant volatility and uncertainty. The COVID-19 pandemic has caused a global economic slowdown that may last for a potentially extended duration, and it is possible that it could cause a global recession. Deteriorating economic and political conditions caused by COVID-19, such as increased unemployment, decreases in capital spending, declines in customer confidence, or economic slowdowns or recessions, could cause a decrease in demand for our products and services.

While our employees currently have the ability and are encouraged to work remotely, such measures have had, and may continue to have, an impact on employee attendance or productivity, which, along with the possibility of employees' illness, may adversely affect our operations. Although COVID-19 is currently not material to our results of operations, there is uncertainty relating to the potential future impact on our business. The extent to which COVID-19 impacts our operations, or our ability to obtain financing should we require it, will depend on future developments which are uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken by governments and private businesses to contain COVID-19 to treat its impact, among others. If the disruptions posed by COVID-19 continue for an extended period of time, financial markets may not be available to the Company for raising capital in order to fund future growth. Should the Company not be able to obtain financing when required, in the amounts necessary or under terms which are economically feasible, we may be required to reduce planned future growth and/or the scope of our operations. In addition, actions we have taken or may take, or decisions we have made or may make, as a consequence of COVID-19, may result in legal claims or litigation against us.

We believe that the wide-spread unemployment crisis will impact the ability of community associations to pay vendors and provide basic services and amenities to their residents. Our funding products fill the void created when homeowners do not pay their dues. We are then able to work with delinquent homeowners to establish payment plans to save their homes from foreclosure. Homeowners' inability to pay their associations creates an opportunity to sell our products. However, homeowners' continued inability to pay their associations' assessments due to unemployment resulting from a pandemic could adversely affect our revenues and profitability until unemployment subsides.

A potential legal dispute between Hanfor Owner and the Company could have material adverse effects on our business, financial condition, and results of operations.

On March 23, 2020, the Company entered into the Share Exchange Agreement with Hanfor and Hanfor Owner. The Share Exchange Agreement contemplated a business combination transaction in which Hanfor Owner would transfer and assign to the Company all of the share capital of Hanfor in exchange for a number of shares of the Company's common stock that would result in Hanfor Owner owning 86.5% of the outstanding common stock of the Company. Under the agreement, Hanfor Owner was required to deliver to the Company audited financial statements for Hanfor for the 2019 and 2018 fiscal years, and such audited financial statements were required to be delivered by May 31, 2020 (subject to extension to June 30, 2020 under specified circumstances). On July 14, 2020, the Company notified Hanfor and Hanfor Owner that the Company had terminated the Share Exchange Agreement due to Hanfor's inability to provide audited financial statements by June 30, 2020. Although the Company believes that it properly terminated the Share Exchange Agreement, on July 21, 2020, counsel to Hanfor Owner informed the Company that Hanfor Owner believes that the Company's termination of the Share Exchange Agreement was not effected in accordance with the terms of the Share Exchange Agreement. On October 23, 2020, an amended Schedule 13D was filed by Xueyuan Han, the principal owner of Hanfor, with respect his beneficial ownership of shares of common stock of the Company. In the amended Schedule 13D, Mr. Han alleged, among other things, that the Company misinterpreted the termination provisions of the Share Exchange Agreement, that Hanfor is still within a cure period under the Share Exchange Agreement, and that Hanfor was purporting to appoint a director to the Company's Board of Directors.

On January 11, 2021, the Company received a letter from outside counsel to Hanfor and Hanfor Owner alleging that the Company's termination of the Share Exchange Agreement constituted a breach of contract and/or was invalid and further alleging breach of fiduciary duty by the Company's Chief Executive Officer and Chief Financial Officer. Such letter demanded $1,250,000 (the amount of Hanfor Owner's investment in common stock of the Company) plus interest and threatened legal action against the Company and the Company's Chief Executive Officer and Chief Financial Officer. Following the receipt of that letter, on or around January 27, 2021, the Company assisted Hanfor Owner with the removal of the restrictive legend from the shares of Company common stock owned by Hanfor Owner in accordance with SEC Rule 144 to enable the sale thereof by Hanfor Owner, at which time Hanfor Owner's counsel indicated in writing that Hanfor Owner may have remaining damages. However, there have been no further communications from Hanfor, Hanfor Owner, or their counsel subsequent to the communications that occurred on or around January 27, 2021. If Hanfor Owner pursues a legal

action against the Company, any resulting legal proceeding may have a material adverse effect on the Company's business, results of operations, and financial condition.

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

We previously made and subsequently disposed of, and may in the future acquire, interests in companies or may commence operations in businesses and industries that are not identical to those with which we have historically engaged. If these investments or arrangements are not successful, our earnings could be materially adversely affected by increased expenses and decreased revenues.

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

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

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

Sales of a substantial number of shares of our common stock in the public market could cause a decrease in the market price of our common stock. We had 26,982,980 shares of common stock issued and outstanding as of March 15, 2021. We may issue additional shares in connection with our business and may grant stock options to our employees, officers, directors and consultants under our stock option plans or warrants to third parties. If a significant portion of these shares were sold in the public market, the market value of our common stock could be adversely affected.

Risks Related to the Specialty Finance Business

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

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

(i) the status of the economy and real estate market in markets which we have operations may become so strong that delinquent Accounts do not occur in sufficient quantities to efficiently acquire them;
(ii) the perceived need of Associations to sell their Accounts to us as opposed to taking other measures to solve budget problems such as increasing assessments; and
(iii) competitive pressures from law firms, collections agencies, and others to produce more revenue for Associations than we can provide through the purchase of Accounts.

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

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

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

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

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

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

Although we utilize our proprietary software and in-house staff to track, monitor, and direct the collection of our Accounts, we depend upon third-party law firms to perform the collection work. As a result, we are dependent upon the efforts of our third-party law firms, particularly Business Law Group, P.A. ("BLG") to service and collect our Accounts. As of December 31, 2020, BLG was responsible for servicing over 98% of our Accounts. Our revenues and profitability could be materially affected if:

(i) our agreements with the third-party law firms we use are terminated and we are not able to secure replacement law firms or direct payments from Account debtors to our replacement law firms;
(ii) our relationships with our law firms adversely change;
(iii) our law firms fail to adequately perform their obligations; or
(iv) internal changes at such law firms occur, such as loss of staff who service us.

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

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

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

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

(i) we could be required to dedicate a portion of our cash flows from operations to pay debt service costs and, as a result, we would have less funds available for operations, future acquisitions of Accounts, and other purposes;
(ii) it may be more difficult and expensive to obtain additional funds through financings, if such funds are available at all;
(iii) we could be more vulnerable to economic downturns and fluctuations in interest rates, less able to withstand competitive pressures and less flexible in reacting to changes in our industry and general economic conditions; and
(iv) if we default under any of our existing credit facilities or if our creditors demand payment of a portion or all of our indebtedness, we may not have sufficient funds to make such payments.

We may encounter difficulties managing changes in our business including cyclical growth and declines, which could disrupt our operations, and there is no assurance that any such growth (if experienced) can be sustained.

From time to time since our inception, we have experienced periods of significant growth and declines. Although there is no assurance that we will again experience periods of significant growth or continued declines in the future, if we do, there can be no assurance that we will be able to manage our changing operations effectively or that we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our ability to generate revenues and control expenses. Future growth will depend upon a number of factors, including:

(i) the effective and timely initiation and development of relationships with law firms, management companies, accounting firms and other trusted advisors of Associations willing to sell Accounts;
(ii) our ability to continue to develop our proprietary software for use in other markets and with different products;
(iii) our ability to maintain the collection of Accounts efficiently;

(iv) the recruitment, motivation and retention of qualified personnel both in our principal office and in new markets;
(v) our ability to successfully implement our business strategy in states outside of the state of Florida; and
(vi) our successful implementation of enhancements to our operational and financial systems.

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

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

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

(i) the Fair Debt Collection Practices Act;
(ii) the Federal Trade Commission Act;
(iii) the Truth-In-Lending Act;
(iv) the Fair Credit Billing Act;
(v) the Dodd-Frank Act;
(vi) the Equal Credit Opportunity Act; and
(vii) the Fair Credit Reporting Act.

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

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

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

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

the CFPB or one or more state officials believe that we have committed a violation of the foregoing laws, they could exercise their enforcement powers in a manner that could have a material adverse effect on us.

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

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

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

Class action suits and other litigation could divert our management's attention from operating our business, increase our expenses, and otherwise harm our business.

Certain originators and servicers involved in consumer credit collection and related businesses have been subject to class actions and other litigation. Claims include failure to comply with applicable laws and regulations such as usury and improper or deceptive origination and collection practices. From time to time we are a party to such litigation, and as a result, our management's attention may be diverted from our everyday business activities and implementing our business strategy, and our results of operations and financial condition could be materially adversely affected by, among other things, legal expenses and challenges to our business model in connection with such litigation.

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

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

Risks Relating to the Accounts

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

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

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

Associations do not make any representations, warranties or covenants with respect to the validity, enforceability or collectability of Accounts in their assignments of Accounts to us. If an Account proves to be invalid, unenforceable or

otherwise generally uncollectible, we will not have any recourse against the respective Association. If a significant number of our Accounts are later held to be invalid, unenforceable or are otherwise uncollectible, our financial condition, results of operations and cash flows could be adversely affected.

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

Our primary business relates to revenues from Accounts purchased by us, which are all based in Florida, and our primary source of revenue consists of payments made by condominium and home owners to satisfy the liens against their condominiums and homes. As of December 31, 2020 and December 31, 2019, Florida represented 100% of our Accounts. An economic recession, adverse market conditions in Florida, and/or significant property damage caused by hurricanes, tornadoes or other inclement weather could adversely affect the ability of these condominium and home owners to satisfy the liens against their condominiums and homes, which could, in turn, have a material adverse effect on our financial condition and results of operations.

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

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

(i) changes in general or local economic conditions;
(ii) neighborhood values;
(iii) interest rates;
(iv) real estate tax rates and other operating expenses;
(v) the possibility of overbuilding of similar properties and of the inability to obtain or maintain full occupancy of the properties;
(vi) governmental rules and fiscal policies;
(vii) acts of God; and
(viii) other factors which are beyond our control.

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

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

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

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

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

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

We take assignments of the lien foreclosure rights of Associations against delinquent units owned by Account debtors who are responsible for payment of the Accounts. The payoff of the Accounts is dependent upon the ability and willingness of the condominium and home owners to pay such obligations. If an owner fails to pay off the Account relating to his, her or its unit or home, only net amounts recovered, if any, will be available with respect to that Account. Foreclosures by holders of first mortgages generally result in our receipt of reduced recoveries from Accounts. In addition, foreclosure actions by any holder

of a tax lien may result in us receiving no recovery from an Account to the extent excess proceeds from such tax lien foreclosure are insufficient to provide for payment to us. If, at any time, (i) we experience an increase in mortgage foreclosures or tax lien foreclosures or (ii) we experience a decrease in owner payments, our financial condition, results of operations and cash flows could be adversely affected.

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

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

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

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

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

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

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

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

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

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

It can take our third-party law firms anywhere from three months to ten years or longer to collect on an Account. Approximately 61% of our Accounts were purchased prior to 2016, with some being purchased as early as 2008. Due to various factors, including those discussed above, we cannot project the payoff date for any Account. This indeterminate holding period reduces our liquidity and ability to fund our operations. If our ability to collect on a material number of Accounts was significantly delayed, it could adversely affect our cash flows and ability to fund our operations.

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

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

Risk Related to our Investment in LMF Acquisition Opportunities, Inc.

We have made a significant investmen, through an intercompany loan, in a subsidiary that is the sponsor of a blank check company commonly referred to as a special purpose acquisition company ("SPAC"), and will suffer the loss of all of our investment if the SPAC does not complete an acquisition within 18 months (subject to an extension of up to 21 months).

In January 2021, we made an intercompany loan of $5.7 million to a majority owned subsidiary, LMFAO Sponsor, LLC ("Sponsor"), that served as the sponsor of LMF Acquisition Opportunities, Inc., a special purpose acquisition company ("LMF Acquisition"). The loan was made to fund Sponsor's purchase of private placement warrants of LMF Acquisition as a part of the sponsorship of LMF Acquisition. Prior to a business combination by LMF Acquisition, Sponsor holds 100% of the shares of Class B common stock outstanding of LMF Acquisition. The Class B shares equal approximately 20% of the outstanding common stock of LMF Acquisition. The Company owns approximately a 70% interest in the Sponsor. Upon the successful completion of a business combination by LMF Acquisition, the proforma ownership of the new company will vary depending on the business combination terms.

There is no assurance that LMF Acquisition will be successful in completing a business combination or that any business combination will be successful. The Company can lose its entire investment in Sponsor if a business combination is not completed within 18 months (subject to potential extension to up to 21 months) or if the business combination is not successful, which may materially adversely impact our stockholder value.

Risks Relating to our Securities

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

Over the past two years, the Company has received notification letters from Nasdaq stating that the Company was not in compliance with Nasdaq Continued Listing Rule 5550(a)(2), which requires the Company's listed securities to maintain a minimum bid price of $1.00 per share.

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.

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

Sales of a substantial number of shares of our common stock in the public market could cause a decrease in the market price of our common stock. We had authorized 30,000,000 shares of common stock and 5,000,000 share of preferred stock as of December 31, 2020 and December 31, 2019.

We had 15,418,801 and 3,134,261 shares of common stock issued and outstanding as of December 31, 2020 and December 31, 2019, respectively. In addition, pursuant to our 2015 Omnibus Incentive Plan, options to purchase 19,300 and 19,300 respectively, shares of our common stock were outstanding as of December 31, 2020 and December 31, 2019, of which 15,133 and 11,800, respectively were exercisable.

There were 13,590,059 and 3,959,287 warrants issued and outstanding as of December 31, 2020 and December 31, 2019, respectively that allowed for the issuance of 13,590,059 and 2,879,287 shares, respectively. On April 2, 2018 we issued warrants (initially to purchase 143,587 shares that were subsequently adjusted per the terms of the agreement for a reverse stock split and issuance of new common shares) to purchase 777,059 shares of our common stock in conjunction with a $500,000 senior secured indebtedness transaction. On October 31, 2018, the Company issued warrants as part of its secondary offering that allowed for the right to purchase 2,500,000 shares of common stock at an exercise price of $2.64 which was subsequently adjusted downward (per the terms of the agreement for a reverse stock split and issuance of new common shares) to $0.6721 per share. The remaining 1,638,000 warrants have an average remaining life of 2.8 years as of December 31, 2020. These warrants expire in the year 2023. On May 1, 2019, as a result of an underwriter agreement, we issued warrants to purchase 125,000 shares at an exercise price of $2.40 which was subsequently adjusted downward (per the terms of the agreement for a reverse stock split and issuance of new common shares) to $0.6721 pe share. The 125,000 warrants have an average remaining life of 4.6 years as of December 31, 2020. These warrants expire in the year 2025. On August 18, 2020, the Company issued warrants as part of its secondary offering that allowed for the right to purchase 11,200,000 shares of common stock at an exercise price of $0.90 per share. The remaining 11,050,000 warrants have an average remaining life of 4.6 years as of December 31, 2020. These warrants expire in the year 2025.

We may issue additional shares in connection with our business and may grant additional stock options or restricted shares to our employees, officers, directors and consultants under our present or future equity compensation plans or we may issue warrants to third parties outside of such plans. If a significant portion of these shares were sold in the public market, the market value of our common stock could be adversely affected.

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

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

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

We cannot assure you that securities analysts will ever cover our company. As of December 31, 2020, no securities analyst covers our company. If securities analysts do not cover our company, this lack of coverage may adversely affect the trading price of our securities. In the event that securities analysts begin to cover our company, the trading market for our securities will rely in part on the research and reports that such securities analysts publish about us and our business. If one or more of the analysts who cover our company downgrades our securities, the trading price of our securities may decline. If one or more of these analysts then ceases to cover our company, we could lose visibility in the market, which, in turn, could also cause the trading price of our securities to decline. Further, because of our small market capitalization, it may be difficult for us to attract securities analysts to cover our company, which could significantly and adversely affect the trading price of our securities.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our executive and administrative offices are located in Tampa, Florida, where we lease approximately 5,600 square feet of general office space for approximately $8,100 per month, plus utilities. The lease began July 15, 2019 and expires on July 31, 2022.

Item 3. Legal Proceedings.

We are not currently a party to material litigation proceedings, and we are not subject to any known material threatened legal proceedings other than described under Note 1 of our Consolidated Financial Statements included herein under the caption "*Entry into and Termination of Hanfor Share Exchange Agreement*." Notwithstanding the foregoing, we frequently become a 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.

Item 4. Mine Safety Disclosures.

None

PART II

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

Market Information

Our common stock quoted on the Nasdaq Capital Market under the symbols "LMFA". On December 31, 2020 there were 3 holders of record of our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

See "Equity Compensation Plan Information" in Part III, Item 12 of this Annual Report on Form 10-K.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer

None.

Item 6. Selected Financial Data

Not applicable

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

Forward-Looking Statements

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

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Important factors which could materially affect our results and our future performance include, without limitation, our ability to purchase defaulted consumer receivables at appropriate prices, competition to acquire such receivables, our dependence upon third party law firms to service our accounts, our ability to obtain funds to purchase receivables, 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, 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, and negative press regarding the debt collection industry which may have a negative impact on a debtor's willingness to pay the debt we acquire, as well as other factors set forth under "Risk Factors" in this report.

- our ability to retain the listing of our securities on the Nasdaq Capital market,
- 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 obtain funds to purchase receivables,
- 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 lawsuits 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,
- negative press regarding the debt collection industry which may have a negative impact on a debtor's willingness to pay the debt we acquire,
- the spread of the novel coronavirus (COVID-19), its impact on the economy generally and, more specifically, the specialty finance industry, and
- other factors set forth under "Risk Factors" in this report.

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

Overview

The Company is a specialty finance company that is engaged primarily in the business of providing funding to nonprofit community associations, with a focus on associations 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 addition to the foregoing business, we are exploring other specialty finance business opportunities that are complementary to or that can leverage our historical 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. We intend to leverage our proprietary software platform, as well as our industry experience and knowledge gained from our original line of business, to expand the New Neighbor Guaranty program in certain situations and to potentially develop other new products in the future.

Because we acquire and collect on the delinquent receivables of Associations, the Account debtors are third parties 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.

Original Product

Our original product relies upon Florida statutory provisions that effectively protect the principal amount invested by us in each Account. In particular, Section 718.116(1), Florida Statutes, makes purchasers and sellers of a unit in an Association jointly and severally liable for all past due assessments, interest, late fees, legal fees, and costs payable to the Association. As discussed above, the Florida Statutes grants to Associations a so-called "super lien", which is a category of lien that is given a statutorily higher priority than all other types of liens other than property tax liens. The amount of the Association's priority over a first mortgage holder that takes title to a property through foreclosure (or deed in lieu), referred to as the Super Lien

Amount, is limited to twelve months' past due assessments or, if less, one percent (1.0%) of the original mortgage amount. Under our contracts with Associations for our original product, we pay Associations an amount up to the Super Lien Amount for the right to receive all collected interest and late fees on Accounts purchased from the Associations.

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

In other states in which we have offered our original product, which are currently only in Washington, Colorado and Illinois, we rely on statutes that we believe are similar to the above-described Florida statutes in relevant respects. A total of approximately 22 U.S. states, Puerto Rico and the District of Columbia have super lien statutes that give Association assessments super lien status under some circumstances, and of these states, we believe that all of these jurisdictions other than Alaska have a regulatory and business environment that would enable us to offer our original product to Associations in those states on materially the same basis.

New Neighbor Guaranty

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

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

Recent Developments

Entry into and Termination of Hanfor Share Exchange Agreement

On March 23, 2020, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Hanfor (Cayman) Limited, a Cayman Islands exempted company ("Hanfor"), and BZ Industrial Limited, a British Virgin Islands business company and the sole stockholder of Hanfor ("Hanfor Owner"). The Share Exchange Agreement contemplated a business combination transaction in which Hanfor Owner would transfer and assign to the Company all of the share capital of Hanfor in exchange for a number of shares of the Company's common stock that would result in Hanfor Owner owning 86.5% of the outstanding common stock of the Company.

Under the agreement, Hanfor Owner was required to deliver to the Company audited financial statements for Hanfor for the 2019 and 2018 fiscal years, and such audited financial statements were required to be delivered by May 31, 2020 (subject to extension to June 30, 2020 under specified circumstances). In connection with the execution of the Share Exchange Agreement, the Company and Hanfor Owner entered into a Stock Purchase Agreement, dated March 23, 2020, pursuant to which Hanfor Owner purchased from the Company an aggregate of 520,838 shares of the Company's common stock at a price of $2.40 per share. Hanfor Owner paid $250,000 cash on March 23, 2020 and the Company received an additional $1,000,000 in April 2020 at which time the Company issued the 520,838 shares.

On July 14, 2020, the Company notified Hanfor and Hanfor Owner that the Company had elected to terminate the Share Exchange Agreement due to Hanfor's inability to provide audited financial statements by June 30, 2020. Although the Company believes that it properly terminated the Share Exchange Agreement, on July 21, 2020, former counsel to Hanfor Owner informed the Company that Hanfor Owner believes that the Company's termination of the Share Exchange Agreement was not effected in accordance with the terms of the Share Exchange Agreement

In addition, on October 23, 2020, an amended Schedule 13D was filed by Xueyuan Han, the principal owner of Hanfor, with respect to his beneficial ownership of shares of common stock of the Company. In the amended Schedule 13D, Mr. Han alleged, among other things, that the Company misinterpreted the termination provisions of the Share Exchange Agreement, that Hanfor is still within a cure period under the Share Exchange Agreement, and that Hanfor is purporting to appoint a director to the Company's Board of Directors. Following the filing of the amended Schedule 13D, the Company continued to believe that its termination of the Share Exchange Agreement was proper and therefore took no action in response to the Schedule 13D.

On January 11, 2021, the Company received a letter from newly engaged outside counsel to Hanfor and Hanfor Owner alleging that the Company's termination of the Share Exchange Agreement constituted a breach of contract and/or was invalid and further alleging breach of fiduciary duty by the Company's Chief Executive Officer and Chief Financial Officer. Such letter demanded $1,250,000 (the amount of Hanfor Owner's investment in common stock of the Company) plus interest and threatened legal action against the Company and the Company's Chief Executive Officer and Chief Financial Officer. Following the receipt of that letter, on or around January 27, 2021, the Company assisted Hanfor Owner with the removal of the restrictive legend from the shares of Company common stock owned by Hanfor Owner in accordance with SEC Rule 144 to enable the sale thereof by Hanfor Owner, at which time Hanfor Owner's counsel indicated in writing that Hanfor Owner may have remaining damages. However, there have been no further communications from Hanfor, Hanfor Owner, or their counsel subsequent to the communications that occurred on or around January 27, 2021.

Nasdaq Listing

On March 27, 2020, the Company received a notification letter from the Nasdaq Listing Qualifications department of The Nasdaq Stock Market LLC ("Nasdaq") stating that the Company has not regained compliance with Nasdaq Continued Listing Rule 5550(a)(2), which requires the Company's listed securities to maintain a minimum bid price of $1.00 per share (the "Minimum Bid Price Rule"). The notification stated that the Company's securities would be delisted from the Nasdaq Capital Market on April 7, 2020 unless the Company timely requested a hearing before a Nasdaq Hearing Panel. The Company has timely requested a hearing. However, on April 16, 2020, Nasdaq suspended any enforcement actions relating to bid price issues through June 30, 2020. On July 1, 2020, the Company received a letter from Nasdaq stating that the Company regained compliance with the Minimum Bid Price Rule because the closing price for the Company's common stock was $1.00 per share or greater for ten (10) consecutive business days.

Additionally, on January 3, 2020, the Company received a deficiency letter from Nasdaq, indicating that it was in violation of Listing Rules 5620(a) and 5810(c)(2)(G) by virtue of passing the applicable deadline for holding of its annual general meeting of shareholders for the financial year ended December 31, 2018. The Company resolved this issue by having its annual general meeting of shareholders on May 11, 2020.

On September 28, 2020, the Company received a notification letter from the Nasdaq Listing Qualifications department of Nasdaq stating that the Company was not in compliance with the Minimum Bid Price Rule. The notification stated that the Company's securities would be delisted from the Nasdaq Capital Market on March 29, 2021 unless the Company timely requests a hearing before a Nasdaq Hearing Panel. Nasdaq stating that the Company was not in compliance with the Minimum Bid Price Rule. The notification stated that the Company's securities would be delisted from the Nasdaq Capital Market on March 29, 2021 unless the Company timely requested a hearing before a Nasdaq Hearing Panel. On February 5, 2021, the Company received a letter from Nasdaq stating that the Company had regained compliance with the Minimum Bid Price Rule because the closing price for the Company's common stock was $1.00 per share or greater for ten (10) consecutive business days.

Reverse Stock Split Approval

On May 11, 2020, our shareholders voted in favor of the approval of an amendment to our Certificate of Incorporation, in the event it is deemed advisable by our Board of Directors, to effect an additional reverse stock split of the Company's issued and outstanding common stock at a ratio within the range of one-for-two (1:2) and one-for-ten (1:10), as determined by the Board of Directors. However, a reverse stock split has not yet been effected pursuant to such approval.

Public Share Offering

In connection with an underwritten public offering on August 18, 2020, the Company issued (i) 8,300,000 units (the "Units") with each Unit consisting of one share of common stock, par value $0.001 per share (the "Common Stock") and one warrant to purchase one share of common stock (the "Common Warrants"), and (ii) 1,700,000 pre-funded units (the "Pre-Funded Units"), with each pre-funded unit being comprised of one pre-funded warrant to purchase one share of common stock at an exercise price of $.01 per share (the "Pre-Funded Warrants") and one warrant to purchase one share of common stock. Each

Unit was sold for a price of $0.90 per Unit, and each Pre-Funded Unit was sold for a price of $0.89 per Pre-Funded Unit. Pursuant to an over-allotment option in the underwriting agreement, the Company sold an additional 200,000 shares of Common Stock. The gross proceeds of the offering were approximately $8,198,000. During the twelve months ended December 31, 2020, Common Warrants to purchase 150,000 shares were exercised for $135,000.

Sponsorship of LMF Acquisition Opportunities, Inc.

On January 28, 2021, LMF Acquisition Opportunities, Inc. ("LMF Acquisition"), a special purpose acquisition company organized by the Company, announced the closing of an initial public offering of units ("Units"). In the initial public offering, LMF Acquisition sold an aggregate of 10,350,000 Units at a price of $10.00 per unit, resulting in total gross proceeds of $103,500,000. Each Unit consisted of one share of Class A common stock and one redeemable warrant, with each warrant entitling the holder thereof to purchase one share of Class A common stock of LMF Acquisition at a price of $11.50 per share. LMFAO Sponsor, LLC ("Sponsor"), a subsidiary in which the Company owns approximately 70% of the equity and for which the Company is the sole manager, served as the sponsor for LMF Acquisition's initial public offering.

Sponsor was organized by, and its initial capital contribution was contributed by, the Company and the Company's executive officers. The Company's executive officers and LMF Acquisition's directors collectively own an approximately 30% nonvoting equity interest in Sponsor, and LMF Acquisition is managed by the Company's management team. In connection with the initial public offering of LMF Acquisition, the Company loaned $5.7 million to Sponsor in an intercompany loan, which Sponsor used to purchase an aggregate of approximately 5.7 warrants of LMF Acquisition. Prior to a business combination by LMF Acquisition, Sponsor holds 100% of the shares of Class B common stock outstanding of LMF Acquisition. The Class B shares equal approximately 20% of the outstanding common stock of LMF Acquisition. Upon the successful completion of a business combination by LMF Acquisition, the proforma ownership of the new company will vary depending on the business combination terms. If LMF Acquisition does not successfully complete a business combination in 18 months from its initial public offering (subject to potential extension of up to 21 months) or if the business combination is not successful, the Company can lose its entire investment in Sponsor.

Transactions with Borqs

On December 14, 2020, the Company entered into a Master Loan Receivables Purchase and Assignment Agreement (the "Purchase Agreement") under which the Company agreed to purchase up to $18 million of loan receivables of Borqs Technologies, Inc. (NASDAQ: BRQS), a British Virgin Islands company ("Borqs"), from Borqs' senior lenders, Partners for Growth IV, L.P. and Partners for Growth V. L.P. As a part of the transaction, the Company entered into a Settlement Agreement, dated December 14, 2020 (the "Settlement Agreement"), with Borqs pursuant to which Borqs was obligated to issue shares of Borqs common stock to the Company (the "Settlement Shares"), in one or more tranches, in settlement of the loan receivables acquired by the Company under the Purchase Agreement. This transaction was completed on February 11, 2021 and the Company realized $5.7 million from the transaction.

In a separate transaction that was funded after December 31, 2020 and as previously disclosed, on December 16, 2020, LMFA and Esousa Holdings, LLC, a private investor (the "Investor") entered into a Loan Agreement (the "Loan Agreement") pursuant to which the Investor agreed to provide consulting services and make one or more non-recourse loans to the Company in a principal amount of up to the purchase price of the Borqs loan receivables purchased by LMFA. The Loan Agreement does not provide a fixed rate of interest, and the Company and Investor agreed to split the net proceeds from the Company's sale of the Settlement Shares, with the Company receiving one-third of the net proceeds after a return of Investor's principal and the Investor receiving return of principal plus two-thirds of the net proceeds thereafter.

In an additional transaction on February 24, 2021, the Company entered into a specialty finance transaction with Borqs, under which the Company agreed to purchase Senior Secured Convertible Promissory Notes of Borqs (the "Borqs Notes") up to an aggregate principal amount of $5 million. The Borqs Notes are due in two years, have an annual interest rate of 8%, are convertible into ordinary shares of Borqs at a 10% discount from the market price, and have 90% warrant coverage (with the warrants exercisable at 110% of the conversion price. One-third of the Borqs Notes ($1,666,500) were funded by the Company at the execution of definitive agreements for the transaction, and two-thirds of the Borqs Notes ($3,333,500) to be purchased by the Company are required to be purchased and funded upon the satisfaction of certain conditions, including effectiveness of a registration statement to be filed by Borqs by April 15, 2021.

COVID-19 Update

Although COVID-19 is currently not material to our results of operations, there is uncertainty relating to the potential future impact on our business. While our employees currently have the ability and are encouraged to work remotely, such measures

have and may continue to have an impact on employee attendance or productivity, which, along with the possibility of employees' illness, may adversely affect our operations. In addition to encouraging employees to work remotely, the Company has increased sanitation of its offices, provided hand gel and masks to its employees and has closed the offices during identified periods of high contagion.

The extent to which COVID-19 impacts our operations, or our ability to obtain financing should we require it, will depend on future developments which are uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken by governments and private businesses to contain COVID-19 to treat its impact, among others. If the disruptions posed by COVID-19 continue for an extended period of time, financial markets may not be available to the Company for raising capital in order to fund future growth. Should the Company not be able to obtain financing when required, in the amounts necessary or under terms which are economically feasible, we may be required to reduce planned future growth and/or the scope of our operations.

Paycheck Protection Program Loan

On April 30, 2020, the Company obtained a $185,785 Paycheck Protection Program loan ("PPP Loan"). These business loans were established by the 2020 US Federal government Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to help certain businesses, self-employed workers, sole proprietors, certain nonprofit organizations, and tribal businesses continue paying their workers.

The Paycheck Protection Program allows entities to apply for low interest private loans to pay for their payroll and certain other costs. The loan proceeds will be used to cover payroll costs, rent, interest, and utilities. The loan may be partially or fully forgiven if the Company keeps its employee counts and employee wages stable. The program was implemented by the U.S. Small Business Administration. The interest rate is 1.0% and has a maturity date of 2 years. We applied for loan and interest forgiveness in the fourth quarter of 2020.

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.

Results of Operations

The Year Ended December 31, 2020 compared with the Year Ended December 31, 2019

Revenues

During the year ended December 31, 2020, total revenues decreased by $1.1 million, or 47%, to $1.3 million from $2.4 million in the year ended December 31, 2019. The decrease is due in part to a decrease in interest, administrative and late fees collected during the year along with a reduction in rental revenues resulting from a reduced number of rental properties offset in part by a $0.1 million increase in recoveries in excess of cost revenue.

The decrease in interest, administrative and late fees was the result of a decrease in the average revenue collected per unit. The average revenue per unit was down to $3,011 for the year ended December 31, 2020 compared with $5,195 for the year ended December 31, 2019. There was also a 30% decrease in payoffs as the Company recorded approximately 351 payoff occurrences for the year ended December 31, 2020 compared with 502 payoff occurrences for the year ended December 31, 2019. "Payoffs" consist of recovery of the entire legally collectible portion, or a settlement thereof, of our principal investment, accrued interest, and late fees owed to us from the proceeds of the Accounts collected by the Associations in accordance with our contracts with Associations.

Rental revenue (which includes sales of units) for the year ended December 31, 2020 was $0.2 million as compared to $0.4 million for the year ended December 31, 2019. There were 9 rental units in the portfolio as December 31, 2020 compared with 13 rental units as of December 31, 2019.

Operating Expenses

During the year ended December 31, 2020, operating expenses decreased by only $0.1 million, or 1.0%, to $5.3 million from $5.4 million for the year ended December 31, 2019. The net decrease increase in operating expenses can be attributed to various factors including a $1.65 million goodwill impairment that occurred in 2019, a $250 thousand reduction in real estate expenses and a $500 thousand recoupment of related party bad debt written off in 2017 offset in part by a $2.1 million increase in staff costs & payroll resulting from severance of $450 thousand, bonus of $630 thousand and a contract buyout of $819 thousand. There was also an increase in general and administrative expenses of $148 thousand as the result of the addition of increased D&O insurance and higher professional fees of $134 thousand. The charges for certain shared personnel totaled $240 thousand in 2020 versus $185 thousand in 2019.

During the year ended December 31, 2019, the Company assessed the goodwill attached to the purchase of IIU, Inc. in light of the subsequent sale of that entity to Craven House Capital North America for approximately $3.6 million in January 2020. As such, we determined that goodwill was negatively impacted and reduced goodwill by $1.65 million during the fourth quarter of 2019.

Legal fees (*excluding fees paid pursuant to our service agreement with BLG*), for the years ended December 31, 2020 and 2019 were approximately $0.8 million. In the ordinary course of our business, we are involved in numerous legal proceedings. We regularly initiate collection lawsuits, using our network of third-party law firms, against debtors. In addition, debtors occasionally initiate litigation against us. Legal fees for BLG for the year ended December 31, 2020 were $1.0 million compared to $1.1 million for the year ended December 31, 2019. See Note 11. Related Party Transactions for further discussion regarding the service agreements with BLG.

Interest Expense

During the year ended December 31, 2020, interest expense was $7 thousand compared to $103 thousand for the year ended December 31, 2019. The decrease related to the payment of the $3.4 million Craven Convertible Note in early 2020.

Income Tax Provision (Benefit)

The Company did not record an income tax benefit or expense for the year ended December 31, 2020 or 2019 due to continuing losses.

Under ASC 740-10-30-5, *Income Taxes*, deferred tax assets should be reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not (i.e., a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. The Company considers all positive and negative evidence available in determining the potential realization of deferred tax assets including, primarily, the recent history of taxable earnings or losses. Based on operating losses reported by the Company during 2020, 2019 and 2018, the Company concluded there was not sufficient positive evidence to overcome this recent operating history. As a result, the Company believes that a valuation allowance continues to be necessary based on the more-likely-than-not threshold noted above. The Company recorded a valuation allowance of approximately $4.6 million and $3.6 million for the year ended December 31, 2020 and 2019, respectively.

Net Loss from Continuing Operations

During the year ended December 31, 2020, the Company generated a net loss from continuing operations of $4.1 million as compared to a net loss of $3.0 million for the year ended December 31, 2019 for the reasons mentioned above.

Income from Discontinued Operations

During the year ended December 31, 2020, the income from discontinued operations was $0 as compared to net income of $75 thousand for the year ended December 31, 2019.

Net Loss

During the year ended December 31, 2020, the Company generated a net loss of $4.0 million as compared to a net loss of $3.0 million for the year ended December 31, 2019 for the reasons mentioned above.

Liquidity and Capital Resources

General

As of December 31, 2020, we had cash and cash equivalents of $11.6 million compared with $1.1 million at December 31, 2019. The increase in cash is due primarily to $3.1 million of proceeds from the exercise of warrants and $9.5 million of proceeds from our August 2020 public offering.

Recent Capital Raising Transactions

On March 23, 2020, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement"), with Hanfor (Cayman) Limited, a Cayman Islands exempted company ("Hanfor"), and BZ Industrial Limited, a British Virgin Islands business company and the sole stockholder of Hanfor ("Hanfor Owner"). In connection with the execution of the Share Exchange Agreement, the Company and Hanfor Owner entered into a Stock Purchase Agreement, dated March 23, 2020, pursuant to which Hanfor Owner purchased from Company an aggregate of 520,838 shares of the Company's common stock at a price of $2.40 per share. Hanfor Owner paid $250,000 cash on March 23, 2020 and the Company received the remaining $1.0 million in April 2020 at which time the Company issued the 520,838 shares.

Holders of our warrants exercised such warrants for 1,277,700 shares for total consideration of $2,946,480 in June 2020.

On August 18, 2020, we raised approximately $8.2 million in net proceeds in a registered public offering by issuing 10.2 million shares of common stock and 11.2 million warrants to purchase shares of common stock. Holders of the warrants subsequently exercised such warrants for 150,000 shares of common stock for $135 thousand.

Cash from Operations

Net cash used in operations was $3.5 million during the year ended December 31, 2020 compared with $1.2 million during the year ended December 31, 2019. This change was primarily driven by a $1.0 million increase in net loss offset in part by $583 thousand improvement in the advances to related parties and stock compensation of $0.1 million. In 2019, the Company incurred a $1.65 million non-cash goodwill impairment described above.

Cash from Investing Activities

Net cash used in investing activities was $1.5 million during the year ended December 31, 2020 as compared to net cash used in investing activities of $1.1 million during the year ended December 31, 2019. The increase in cash from investing activities was due to the receipt of a $1.5 million note receivable from related party offset in part by a decrease from the disposal of IIU, Inc. in January 2020 and the reduced sale of real estate. Net collections from our finance receivables in 2020 was $0.2 million compared to $0.3 million for 2019.

Cash from Financing Activities

Net cash provided by financing activities was $12.6 million during the year ended December 31, 2020 as compared to net cash used by financing activities of $0.2 million for the year ended December 31, 2019. During 2020 the Company received $1.3 million from a stock subscription agreement, $8.2 million from a public offering of common stock (or common stock equivalents) and warrants, and $3.1 million from the exercise of warrants. During 2019, the Company repaid $0.2 million in principal repayments. For 2020 the Company repaid $166 thousand of principal repayments compared to $194 thousand principal repayments for 2019.

Outstanding Debt

Debt of the Company consisted of the following:

	Year ended December 31, 2020	2019
Promissory note issued by a financial institution, bearing interest at 1.0%, interest and no principal payments. The note matures April 30, 2022. Annualized interest is 1.0%. This is a U.S. Small Business Administration's Paycheck Protection Program (the "PPP Loan")	$ 185,785	$ -
Financing agreement with FlatIron capital that is unsecured. Down payment of $19,170 was required upfront and equal installment payments of $11,590 to be made over a 11 month period. The note matured on June 1, 2020. Annualized interest is 6.8%	-	69,540
Financing agreement with FlatIron capital that is unsecured. Down payment of $20,746 was required upfront and equal installment payments of $19,251 to be made over a 10 month period. The note matures on May 1, 2021. Annualized interest is 5.95%	96,257	-
Senior secured convertible note to Craven House Capital North America LLC (Related Party), bearing interest at 3.0%. Note was issued on January 16, 2019 and either matured on January 14, 2020 or became convertible into 1,436,424 shares of the Company's common stock. The value of the beneficial conversion feature as of January 16, 2019 was zero.*	-	3,461,782
Promissory note issued by a financial institution, bearing interest at 9.09%, interest and principal payments due monthly of $323. Note is secured by an automobile and was issued on July 26, 2019 with original borrowings of $12,892. The note matures on August 26, 2023.	-	11,802
Promissory note issued by a financial institution, bearing interest at 5.85%, interest and principal payments due monthly of $10,932. Note was issued on May 31, 2018 with original borrowings of $608,000 and subsequent borrowings of $141,000 and repayments of $51,000. The note matures on May 30, 2025 and can be prepaid at any time without penalty. This note is secured by the Company's inventory, chattel paper, accounts, equipment and general intangible intangibles and deposit accounts.	-	606,454
	$ 282,042	$ 4,149,578

* The $3.5 million due to Craven was forgiven in connection with Craven's repurchase of IIU on January 8, 2020 pursuant to the terms of the Craven SPA.

Minimum required principal payments on the Company's debt as of December 31, 2020 are as follows :

Years Ending December 31	
2021	$96,257
2022	185,785
2023	-
2024	-
After 2024	-
	$282,042

On April 30, 2020, the company obtained a $185,785 Paycheck Protection Program loan. These business loans were established by the 2020 US Federal government Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to help certain businesses, self-employed workers, sole proprietors, certain nonprofit organizations, and tribal businesses continue paying their workers.

The Paycheck Protection Program allows entities to apply for low interest private loans to pay for their payroll and certain other costs. The loan proceeds will be used to cover payroll costs, rent, interest, and utilities. The loan may be partially or fully forgiven if the Company keeps its employee counts and employee wages stable. The program was implemented by the U.S. Small Business Administration. The interest rate is 1.0% and has a maturity date of 2 years. We applied for loan and interest forgiveness in December 2020.

Liquidity Outlook

The Company's financial statements are prepared in accordance with GAAP applicable to a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business within one year after the date the consolidated financial statements are issued.

In accordance with Financial Accounting Standards Board, or the FASB, Accounting Standards Update No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40), our management evaluates whether there are conditions or events, considered in aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company has experienced significant operating losses over the past 4 years (2016 through December 30, 2020) with cumulative losses of approximately $18,538,000 and negative cashflows from operations. These losses resulted in the usage of all cash proceeds from the Company's initial public offering in 2015. For the year ended December 31, 2019, the Company disclosed the substantial doubt about the Company's ability to continue as a going concern

The Company received a total of approximately $14.0 million during the twelve months ended December 31, 2020 due to a number of factors including:

- Holders of our warrants exercised such warrants for 1.2 million shares in June 2020 which resulted in the Company receiving approximately $2.9 million.
- The Company was repaid approximately $1.5 million on a related party receivable.
- The Company received $1.25 million for the issuance of 520,838 common shares.
- The Company received $8.3 million for the issuance of 10,200,000 common shares.
- Holders of our warrants exercised such warrants for 150 thousand in August 2020 which resulted in the Company receiving approximately $0.1 million.

As such, we have $11.6 million of cash as of December 31, 2020 which we believe will be enough to satisfy our estimated liquidity needs for the 12 months from the issuance of our financial statements for the year ended December 31, 2020.

However, there is no assurance that management's plan will be successful due to the current economic climate in the United States and globally. At the time of issuance of our consolidated financial statements, management believes that the previously reported going concern has been alleviated based on the reasons above, and management does not have substantial doubt of the Company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that the Company cannot continue as a going concern.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable

Item 8. Financial Statements and Supplementary Data.

The Financial Statements of the Company, the Notes thereto and the Report of Independent Registered Public Accounting Firm thereon required by this Item 8 begin on page F-1 of this Annual Report on Form 10-K located immediately following the signature page.

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

None

Item 9A. Controls and Procedures.

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 (the "Exchange Act"), as of the end of the period covered by this Annual Report. 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.

Based on management's evaluation (in accordance with Exchange Act Rule 13a-15(b)), our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2020, due to the weakness in internal control over financial reporting described below, our disclosure controls and procedures are not designed at a reasonable assurance level or effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As discussed below, we plan on increasing the size of our accounting staff at the appropriate time for our business and its size to ameliorate our auditor's concern that the Company does not effectively segregate certain accounting duties, which we believe would resolve the material weakness in internal control over financial reporting and similarly improve disclosure controls and procedures, but there can be no assurances as to the timing of any such action or that the Company will be able to do so.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. Based on that assessment, our management determined that, as of December 31, 2020, the Company's internal control over financial reporting was not effective for the purposes for which it is intended. Specifically, management's determination was based on the following material weaknesses which existed as of December 31, 2020.

The Company did not effectively segregate certain accounting duties 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 our internal control over financial reporting was not effective, as of December 31, 2020, and that there was a material weakness as identified in this Annual Report, we believe that our consolidated financial statements contained in this Annual Report fairly present our financial position, results of operations and cash flows for the years covered hereby in all material respects.

This Annual Report does not include an attestation report by MaloneBailey LLP, our independent registered public accounting firm, regarding internal control over financial reporting. As a smaller reporting company, our management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

Changes in Internal Control Over Financial Reporting.

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes. There were no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Although we plan to increase the size of our accounting staff at the appropriate time for our business and its size to ameliorate our auditor's concern that the Company

does not effectively segregate certain accounting duties, there can be no assurances as to the timing of any such action or that the Company will be able to do so.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be included in and is hereby incorporated by reference from our definitive proxy statement relating to our 2021 annual meeting of stockholders, which we intend to file within 120 days after the end of our fiscal year ended December 31, 2020.

Item 11. Executive Compensation.

Summary Compensation Table

The information required by this Item will be included in and is hereby incorporated by reference from our definitive proxy statement relating to our 2021 annual meeting of stockholders, which we intend to file within 120 days after the end of our fiscal year ended December 31, 2020.

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

The information required by this Item will be included in and is hereby incorporated by reference from our definitive proxy statement relating to our 2021 annual meeting of stockholders, which we intend to file within 120 days after the end of our fiscal year ended December 31, 2020.

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

The information required by this Item will be included in and is hereby incorporated by reference from our definitive proxy statement relating to our 2021 annual meeting of stockholders, which we intend to file within 120 days after the end of our fiscal year ended December 31, 2020.

Item 14. Principal Accounting Fees and Services.

The information required by this Item will be included in and is hereby incorporated by reference from our definitive proxy statement relating to our 2021 annual meeting of stockholders, which we intend to file within 120 days after the end of our fiscal year ended December 31, 2020.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

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

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

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

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

Item 16. Form 10-K Summary.

None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors of
LM Funding America, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LM Funding America, Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2020 and December 31, 2019, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and December 31, 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ MaloneBailey, LLP
www.malonebailey.com
We have served as the Company's auditor since 2018.
Houston, Texas
March 31, 2021

LM FUNDING AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
Assets		
Cash	$ 11,552,943	$ 822,909
Finance receivables:		
Original product (Note 2)	116,017	273,711
Special product - New Neighbor Guaranty program, net of allowance for credit losses of (Note 3)	52,757	129,272
Due from related party (Note 11)	-	125,045
Prepaid expenses and other assets	399,124	145,267
Discontinued operations - current assets	-	276,953
Current assets	12,120,841	1,773,157
Fixed assets, net	6,171	8,288
Real estate assets owned (Note 5)	18,767	21,084
Operating lease - right of use assets (Note 8)	160,667	260,260
Other assets	10,984	11,021
Other investments - related party receivable	-	1,500,000
Goodwill (Note 6)	-	4,039,586
Discontinued operations - long-term assets	-	27,245
Long-term assets	196,589	5,867,484
Total assets	$ 12,317,430	$ 7,640,641
Liabilities and stockholders' equity		
Note payable (Note 7)	-	69,540
Related party convertible note payable (Note 7)	-	3,461,782
Accounts payable and accrued expenses	237,033	210,870
Due to related party payable (Note 11)	158,399	-
Current portion of lease liability - short-term (Note 8)	96,257	94,235
Discontinued operations - current liabilities	-	280,057
Current liabilities	491,689	4,116,484
Notes payable - long-term (Note 7)	185,785	-
Lease liability - long-term (Note 8)	171,648	171,648
Discontinued operations - long-term liabilities	-	517,584
Long-term liabilities	357,433	689,232
Total liabilities	849,122	4,805,716
Stockholders' equity (Note 10)		
Preferred stock, par value $.001; 5,000,000 shares authorized; no shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	-	-
Common stock, par value $.001; 30,000,000 shares authorized; 15,418,801 and 3,134,261 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	15,419	3,134
Additional paid-in capital	29,983,922	17,326,553
Accumulated deficit	(18,536,224)	(14,494,762)
Total LMF Acquisition Opportunities stockholders' equity	11,463,117	2,834,925
Minority interest in subsidiary	5,191	-
Total stockholders' equity	11,468,308	2,834,925
Total liabilities and stockholders’ equity	$ 12,317,430	$ 7,640,641

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

LM FUNDING AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,	
	2020	**2019**
Revenues		
Interest on delinquent association fees	$ 623,790	$ 1,510,237
Administrative and late fees	101,993	145,295
Recoveries in excess of cost - special product	214,558	97,361
Underwriting fees and other revenues	116,430	215,068
Net commission revenue	-	-
Rental revenue	206,831	417,612
Total revenues	1,263,602	2,385,573
Operating expenses		
Staff costs & payroll	3,366,034	1,241,695
Professional fees	1,799,595	1,665,371
Settlement costs with associations	31,885	68,188
Selling, general and administrative	351,234	203,158
Real estate management and disposal	211,288	460,978
Depreciation and amortization	16,930	57,273
Collection costs	(29,932)	(17,893)
Recovery of cost from related party receivable	(500,000)	(190,000)
Provision for credit losses	50,800	266
Impairment of goodwill	-	1,650,000
Other operating	17,778	229,873
Total operating expenses	5,315,612	5,368,909
Operating loss from continuing operations	(4,052,010)	(2,983,336)
Gain on disposal of assets	-	(6,421)
Interest expense	7,189	102,842
Total other expenses	7,189	96,421
Loss from continuing operations before income taxes	(4,059,199)	(3,079,757)
Income tax benefit	-	-
Net loss from continuing operations	(4,059,199)	(3,079,757)
Gain from operations of discontinued operations	-	74,879
Gain on disposal of discontinued operations	16,428	-
Net loss	(4,042,771)	(3,004,878)
Losses attributable to non-controlling interest	(1,309)	-
Net loss attributable to LM Funding America Inc.	$ (4,041,462)	$ (3,004,878)
Basic loss per common share continuing operations	$ (0.50)	$ (0.98)
Basic earnings per common share discontinuing operations	0.00	0.02
Basic loss per common share	$ (0.50)	$ (0.96)
Diluted loss per common share continuing operations	$ (0.50)	$ (0.98)
Diluted earnings per common share discontinuing operations	0.00	0.02
Diluted loss per common share	$ (0.50)	$ (0.96)
Weighted average number of common shares outstanding		
Basic	8,114,554	3,133,689
Diluted	8,114,554	3,133,689

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

LM FUNDING AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECMEBER 31, 2020 AND 2019

	Common Stock		Additional paid-in capital	Accumulated Deficit	Non-Controlling Interest	Total Equity
	Shares	Amount				
Balance - December 31, 2018	3,124,961	$ 3,125	$ 17,295,408	$ (11,489,884)	$ -	$ 5,808,649
Stock issued for warrants exercised	9,300	9	22,311			22,320
Stock option expense	-	-	8,834	-	-	8,834
Net loss	-	-	-	(3,004,878)	-	(3,004,878)
Balance - December 31, 2019	3,134,261	3,134	17,326,553	(14,494,762)	-	2,834,925
Stock issued for services	186,000	186	125,264	-	-	125,450
Stock option expense	-	-	14,939	-	-	14,939
Stock issued for warrants exercised	1,377,702	1,378	3,080,352	-	-	3,081,730
Stock issued for cash in public offering, net	10,200,000	10,200	8,187,335	-	-	8,197,535
Stock issued for cash in Non-Controlling Interest				-	6,500	6,500
Stock issued for cash	520,838	521	1,249,479	-		1,250,000
Net loss	-	-	-	(4,041,462)	(1,309)	(4,042,771)
Balance - December 31, 2020	15,418,801	$ 15,419	$ 29,983,922	$ (18,536,224)	$ 5,191	$ 11,468,308

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

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

	Years ended December 31,	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to LM Funding America Inc.	(4,041,462)	(3,004,878)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	$ 11,143	$ 63,760
Right to use asset expense	99,593	51,809
Stock compensation	125,450	—
Stock option expense	14,939	8,834
Goodwill impairment	—	1,650,000
Recovery of reserve from related party receivable	(300,000)	(190,000)
Reserve for units	30,000	—
Gain on termination of operating lease	—	(1,421)
Gain on sale of fixed assets	(16,428)	(5,000)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(61,303)	176,093
Advances (repayments) to related party	583,444	62,724
Accounts payable and accrued expenses	126,950	85,045
Other liabilities and obligations	—	1,463
Lease liability payments	(94,235)	(44,765)
Deferred taxes	—	(14,200)
Net cash used in operating activities	(3,521,909)	(1,160,536)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net collections of finance receivables - original product	127,694	151,301
Net collections of finance receivables - special product	76,515	107,771
Cash paid to purchase fixed assets	(1,286)	(14,049)
Net cash received from business acquisition	(246,914)	51,327
Cash received from (invested in) investment in note receivable - related party	1,500,000	(1,500,000)
Cash received from sale of fixed assets	—	5,000
(Payments)/proceeds for real estate assets owned	(5,423)	80,076
Net cash used in investing activities	1,450,586	(1,118,574)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	185,785	—
Principal repayments	(165,798)	(194,140)
Exercise of warrants	3,081,730	22,320
Proceeds from subscription	9,447,535	—
Investment in subsidiary	6,500	
Net cash (used in) provided by financing activities	12,555,752	(171,820)
NET (DECREASE) INCREASE IN CASH	10,484,429	(2,450,930)
CASH - BEGINNING OF YEAR	1,069,823	3,520,753
CASH - END OF YEAR	**$ 11,554,252**	**$ 1,069,823**
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION		
Cash paid for interest	$ 7,189	$ 41,374
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Debt discount on issuance of warrants	-	-
Insurance financing	192,514	127,490
Financing loan for purchase of fixed asset	-	12,892
ROU asset obligation recognized	-	331,477

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

Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

LM Funding, LLC a Florida limited liability company organized in January 2008 under the terms of an Operating Agreement dated effective January 8, 2008 as amended, had two members: BRR Holding, LLC and CGR 63, LLC. The members contributed their equity interest to LMFA prior to the closing of its initial public offering.

The Company acquired IIU, Inc. on January 16, 2019 ("IIU"), which provided global medical insurance products for international travelers, specializing in policies covering high-risk destinations, emerging markets and foreign travelers coming to the United States. All policies were fully underwritten with no claim risk remaining with IIU. IIU was disposed of on January 8, 2020.

The Company created two subsidiaries, LMFA Financing LLC on November 21, 2020 and LMFAO Sponsor LLC on October 29, 2020. LMFAO Sponsor LLC created a majority owned subsidiary LMF Acquisition Opportunities Inc. on October 29, 2020.

On January 8, 2020, the Company entered into a Stock Purchase Agreement (the "Craven**SPA**") with Craven House Capital North America LLC("Craven") pursuant to which the Company sold to Craven all of the issued and outstanding shares of IIU for $3,562,569. The purchase price was paid by Craven through the cancellation of the $3,461,782 Convertible Promissory Note issued by LMFA to Craven on January 16, 2019 in connection with the purchase of IIU (the "Craven Convertible Note"), plus forgiveness of $100,787 of accrued interest under the Craven Convertible Note. LMFA originally paid Craven $4,969,200 for the purchase of IIU in January 2019, which included a negative $720,386 net fair value of assets and $5,689,586 of goodwill. As a result, goodwill was impaired by $1.65 million in December 2019.

During 2019, we were a diversified business with two focuses:

- specialty finance company that provides 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. We have started purchasing Accounts on varying terms tailored to suit each Association's financial needs, including under our New Neighbor Guaranty™ program.
- Travel insurance brokerage company provides global medical insurance products for international travelers through IIU, specializing in policies covering high-risk destinations, emerging markets and foreign travelers coming to the United States. These operations were discontinued on January 16, 2020.

During 2020, we begin exploring other specialty finance business opportunities that are complementary to or that can leverage our historical business.

Specialty Finance

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

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

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

Recent Developments

IIU Acquisition and Disposal

On November 2, 2018, the Company invested cash by purchasing a Senior Convertible Promissory Note in the original principal amount of $1,500,000 (the "IIU Note") from IIU, a synergistic Virginia based travel insurance brokerage company controlled by Craven House North America, LLC ("Craven") N.A., (whose ownership excluding unexercised warrants was approximately 20% of the Company's outstanding stock at the time of the acquisition). The maturity date of the IIU Note was 360 dates after the date of issuance (subject to acceleration upon an event of default). The IIU Note carried a 3.0% interest rate, with accrued but unpaid interest being payable on the IIU Note's maturity date.

On January 16, 2019, the Company entered into a Stock Purchase Agreement with Craven (the "IIU SPA") to purchase all of the outstanding capital stock of IIU as a possible synergistic effort to diversify revenue sources that were believed to be accretive to earnings. IIU provided global medical insurance products for international travelers, specializing in policies covering high-risk destinations, emerging markets and foreign travelers coming to the United States. All policies were fully underwritten with no claim risk remaining with IIU.

On January 8, 2020, the Company entered into a Stock Purchase Agreement ("**SPA**") with Craven pursuant to which the Company sold back to Craven all of the issued and outstanding shares of IIU for $3,562,569. The purchase price was paid by Craven through the cancellation of the $3,461,782 Craven Convertible Note plus forgiveness of $100,787 of accrued interest. The Company originally paid $4,969,200 for the purchase of IIU in January 2019, which included a negative $720,386 net fair value of assets and $5,689,586

of goodwill. As a result, goodwill was impaired by $1.65 million. The sale of IIU resulted in a gain of $16,428

Specialty Health Insurance

Our former subsidiary IIU through its wholly owned company Wallach and Company ("Wallach") offers health insurance, travel insurance and other travel services to:

- United States citizens and residents traveling abroad
- Non United States citizens or residents who travel to the United States

These services are typically sold through a policy offered by Wallach and fully underwritten by a third party insurance company. The policies offered include:

- HealthCare Abroad - Short term medical insurance, medical evacuation and international assistance for Americans traveling overseas. There is an age limit of 84 years old.
- HealthCare Global – up to 6 months coverage for Americans traveling abroad and foreign nationals traveling outside their home countries to destinations other than the United States. There is an age limit of 70 years old.
- HealthCare America – up to 90 days coverage for foreign nationals visiting the United States. There is an age limit of 70 years old.
- HealthCare International – International medical insurance & assistance for persons living outside their home country. There is an age limit of 70 years old.
- HealthCare War – up to 6 months coverage for Americans traveling abroad and foreign nationals traveling outside their home countries to identified war risk areas. There is an age limit of 70 years old.

As such, IIU is considered a discontinued operation. We did not report any activity from operations from IIU for the twelve months ended December 31, 2020.

Entry into and Termination of Hanfor Share Exchange Agreement

On March 23, 2020, the Company entered into a Share Exchange Agreement, dated March 23, 2020 (the "Share Exchange Agreement"), with Hanfor (Cayman) Limited, a Cayman Islands exempted company ("Hanfor"), and BZ Industrial Limited, a British Virgin Islands business company and the sole stockholder of Hanfor ("Hanfor Owner"). The Share Exchange Agreement contemplated a business combination transaction in which Hanfor Owner would transfer and assign to the Company all of the share capital of Hanfor in exchange for a number of shares of the Company's common stock that would result in Hanfor Owner owning 86.5% of the outstanding common stock of the Company.

Under the agreement, Hanfor Owner was required to deliver to the Company audited financial statements for Hanfor for the 2019 and 2018 fiscal years, and such audited financial statements were required to be delivered by May 31, 2020 (subject to extension to June 30, 2020 under specified circumstances). In connection with the execution of the Share Exchange Agreement, the Company and Hanfor Owner entered into a Stock Purchase Agreement, dated March 23, 2020, pursuant to which Hanfor Owner purchased from the Company an aggregate of 520,838 shares of the Company's common stock at a price of $2.40 per share. Hanfor Owner paid $250,000 cash on March 23, 2020 and the Company received an additional $1,000,000 in April 2020 at which time the Company issued the 520,838 shares.

On July 14, 2020, the Company notified Hanfor and Hanfor Owner that the Company had elected to terminate the Share Exchange Agreement due to Hanfor's inability to provide audited financial statements by June 30, 2020. Although the Company believes that it properly terminated the Share Exchange Agreement, on July 21, 2020, former counsel to Hanfor Owner informed the Company that Hanfor Owner believes that the Company's termination of the Share Exchange Agreement was not effected in accordance with the terms of the Share Exchange Agreement.

In addition, on October 23, 2020, an amended Schedule 13D was filed by Xueyuan Han, the principal owner of Hanfor, with respect to his beneficial ownership of shares of common stock of the Company. In the amended Schedule 13D, Mr. Han alleged, among other things, that the Company misinterpreted the termination provisions of the Share Exchange Agreement, that Hanfor is still within a cure period under the Share Exchange Agreement, and that Hanfor was purporting to appoint a director to the Company's Board of Directors. Following the filing of the amended Schedule 13D, the Company continues to believe that its termination of the Share Exchange Agreement was proper because, among other reasons, the failure of Hanfor to provide audited financial statements by June 30, 2020, was an uncurable default under the Share Exchange Agreement. Furthermore, the Company was informed by Hanfor prior to such termination that Hanfor would be unable to provide audited financial statements for Hanfor for the foreseeable future because of ongoing legal issues in China. As a result, the Company believes that the purported appointment of Mr. Han to the Company's Board of Directors was improper and therefore took no action in response to the Schedule 13D.

On January 11, 2021, the Company received a letter from newly engaged outside counsel to Hanfor and Hanfor Owner alleging that the Company's termination of the Share Exchange Agreement constituted a breach of contract and/or was invalid and further alleging breach of fiduciary duty by the Company's Chief Executive Officer and Chief Financial Officer. Such letter demanded $1,250,000 (the amount of Hanfor Owner's investment in common stock of the Company) plus interest and threatened legal action against the Company and the Company's Chief Executive Officer and Chief Financial Officer. Following the receipt of that letter, on or around January 27, 2021, the Company assisted Hanfor Owner with the removal of the restrictive legend from the shares of Company common stock owned by Hanfor Owner in accordance with SEC Rule 144 to enable the sale thereof by Hanfor Owner, at which time Hanfor Owner's counsel indicated in writing that Hanfor Owner may have remaining damages. However, there have been no further communications from Hanfor, Hanfor Owner, or their counsel subsequent to the communications that occurred on or around January 27, 2021.

Nasdaq Listing

On March 27, 2020, the Company received a notification letter from the Nasdaq Listing Qualifications department of The Nasdaq Stock Market LLC ("Nasdaq") stating that the Company has not regained compliance with Nasdaq Continued Listing Rule 5550(a)(2), which requires the Company's listed securities to maintain a minimum bid price of $1.00 per share (the "Minimum Bid Price Rule"). The notification stated that the Company's securities would be delisted from the Nasdaq Capital Market on April 7, 2020 unless the Company timely requested a hearing before a Nasdaq Hearing Panel. The Company has timely requested a hearing. However, on April 16, 2020, Nasdaq suspended any enforcement actions relating to bid price issues through June 30, 2020. On July 1, 2020, the Company received a letter from Nasdaq stating that the Company regained compliance with the Minimum Bid Price Rule because the closing price for the Company's common stock was $1.00 per share or greater for ten (10) consecutive business days. Additionally, on January 3, 2020, the Company received a deficiency letter from Nasdaq, indicating that it was in violation of Listing

Rules 5620(a) and 5810(c)(2)(G) by virtue of passing the applicable deadline for holding of its annual general meeting of shareholders for the financial year ended December 31, 2018. The Company resolved this issue by having its annual general meeting of shareholders on May 11, 2020.

On September 28, 2020, the Company received a notification letter from the Nasdaq Listing Qualifications department of Nasdaq stating that the Company was not in compliance with the Minimum Bid Price Rule. The notification stated that the Company's securities would be delisted from the Nasdaq Capital Market on March 29, 2021 unless the Company timely requested a hearing before a Nasdaq Hearing Panel. On February 5, 2021, the Company received a letter from Nasdaq stating that the Company had regained compliance with the Minimum Bid Price Rule because the closing price for the Company's common stock was $1.00 per share or greater for ten (10) consecutive business days.

Reverse Stock Split Approval

On May 11, 2020, our shareholders voted in favor of the approval of an amendment to our Certificate of Incorporation, in the event it is deemed advisable by our Board of Directors, to effect an additional reverse stock split of the Company's issued and outstanding common stock at a ratio within the range of one-for-two (1:2) and one-for-ten (1:10), as determined by the Board of Directors. However, a reverse stock split has not yet been effected pursuant to such approval.

Registered Public Offering

On August 18, 2020, in connection with an underwritten public offering, we raised approximately $8.2 million in net proceeds by issuing 10.2 million shares of common stock, the exercise of 1.7 million pre-funded warrants and 11.2 million warrants to purchase shares of common stock. Holders of the warrants subsequently exercised such warrants for 150,000 shares of common stock for $135 thousand.

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; LMFAO Sponsor LLC (including the 70% owned subsidiary LMF Acquisition Opportunities Inc,), 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; 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 IIU Inc. and its wholly-owned subsidiary; Wallach & Company. All significant intercompany balances have been eliminated in consolidation

Basis of Presentation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the evaluation of any probable losses on amounts funded under the Company's *New Neighbor Guaranty* program as disclosed below, the evaluation of probable losses on balances due from a related party, the realization of deferred tax assets, the evaluation of contingent losses related to litigation, fair value estimates of real estate assets owned and impairment of goodwill and reserves on notes receivables.

We are not presently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to update our estimates or judgments or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained, and any such changes will be recognized in the condensed consolidated financial statements.

Revenue Recognition

Accounting Standards Codification ("ASC") 606 of the Financial Accounting Standards Board ("FASB") states an entity needs to conclude at the inception of the contract that collectability of the consideration to which it will be entitled in exchange for the goods

and services that will be transferred to the customer is probable. That is, in some circumstances, an entity may not need to assess its ability to collect all of the consideration in the contract. The Company provides funding to Associations by purchasing their rights under delinquent accounts from unpaid assessments due from property owners. Collections on the Accounts may vary greatly in both the timing and amount ultimately recovered compared with the total revenues earned on the Accounts because of a variety of economic and social factors affecting the real estate environment in general

The Company's contracts with its customers have very specific performance obligations. The Company has determined that the known amount of cash to be realized or realizable on its revenue generating activities cannot be reasonably estimate and as such, classifies its finance receivables as nonaccrual and recognizes revenues in the accompanying statements of income on the cash basis or cost recovery method in accordance with ASC 310-10, *Receivables*. The Company's operations also consist of rental revenue earned from tenants under leasing arrangements which provide for rent income. The leases have been accounted for as operating leases. For operating leases, revenue is recorded based on cash rental payments was collected during the period. The Company analyzed its remaining revenue streams and concluded there were no changes in revenue recognition with the adoption of the new standard.

Under ASC 606, the Company applies the cash basis method to its original product and the cost recovery method to its special product as follows:

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

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

Net Commission Revenue: The Company acts as an agent in providing health travel insurance policies. As a result, the Company revenue is recorded at net. The Company has determined that the known amount of cash to be realized or realizable on its revenue generating activities can be reasonably estimated and as such, classifies its receivables as accrual and recognizes revenues in the accompanying statements of income on the accrual basis. If a policy is not effective as of the end of a period, then the associated revenue and underwriting costs are deferred until the effective date. The majority of the commission revenue is underwritten by two policy underwriters who pays the Company commissions.

Cash

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

Finance Receivables

Finance receivables are recorded at the amount funded or cost (by unit). The Company evaluates its finance receivables at each period end for losses that are considered probable and can be reasonably estimated in accordance with ASC 450-20. As discussed above, recoverability of funded amounts under the Company's original product is generally assured because of the protection of the Super Lien Amount. However, the Company did have an accrual at December 31, 2020 and 2019, respectively for an allowance for credit losses for this program of $141,616 and $112,027.

Under the *New Neighbor Guaranty* program (special product), the Company funds amounts in excess of the Super Lien Amount. When evaluating the carrying value of its finance receivables, the Company looks at the likelihood of future cash flows based on

historical payoffs, the fair value of the underlying real estate, the general condition of theAssociation in which the unit exists, and the general economic real estate environment in the local area. The Company estimated an allowance for credit losses for this program of $6,564 and $20,016 as of December 31, 2020 and December 31, 2019, respectively under ASC 450-20 related to its New Neighbor Guaranty program.

The Company will charge any receivable against the allowance for credit losses when management believes the uncollectibility of the receivable is confirmed. The Company considers writing off a receivable when (i) a first mortgage holder who names the association in a foreclosure suit takes title and satisfies an estoppel letter for amounts owed which are less than amounts the Company funded to the association; (ii) a tax deed is issued with insufficient excess proceeds to pay amounts the Company funded to the Association; (iii) an association settles an account for less than amounts the Company funded to the Association or (iv) the Association terminates its relationship with the Company's designated legal counsel. Upon the occurrence of any of these events, the Company evaluates the potential recovery via a deficiency judgment against the prior owner and the ability to collect upon the deficiency judgment within the statute of limitations period or whether the deficiency judgment can be sold. If the Company determines that collection through a deficiency judgment or sale of a deficiency judgment is not feasible, the Company writes off the unrecoverable receivable amount. Any losses greater than the recorded allowance will be recognized as expenses. Under the Company's revenue recognition policies, all finance receivables (original product and special product) are classified as nonaccrual.

Real Estate Assets Owned

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

Properties quitclaimed to the Company are in most cases acquired subject to a first mortgage or other liens, and are recognized in the accompanying consolidated balance sheets solely at costs incurred by the Company in excess of original funding. At times, the Company will acquire properties through foreclosure actions free and clear of any mortgages or liens. In these cases, the Company records the estimated fair value of the properties in accordance with ASC 820-10, *Fair Value Measurements.* Any real estate held for sale is adjusted to fair value less the cost to dispose in the event the carrying value of a unit or property exceeds its estimated net realizable value.

The Company capitalizes costs incurred to acquire real estate owned properties and any costs incurred to get the units in a condition to be rented. These costs include, but are not limited to, renovation/rehabilitation costs, legal costs, and delinquent taxes. These costs are depreciated over the estimated minimum time period the Company expects to maintain possession of the units. Costs incurred for unencumbered units are depreciated over 20 years and costs for units subject to a first mortgage are depreciated over 3 years. As of December 31, 2020 and 2019, capitalized real estate costs, net of accumulated depreciation, were $18,767 and $21,084, respectively. During the years ended December 31, 2020 and 2019, depreciation expense was $7,740 and $21,444, respectively.

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

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

Fixed Assets

The Company capitalizes all acquisitions of fixed assets in excess of $500. Fixed assets are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Fixed assets are comprised of furniture, computer and office equipment with an assigned useful life of 3 to 5 years. Fixed assets also includes capitalized software costs. Capitalized software costs include costs to develop software to be used solely to meet the Company's internal needs, consist of employee salaries and benefits and fees paid to outside consultants during the application development stage, and are amortized over their estimated useful life of 5 years. As of December 31, 2020 and 2019, capitalized software costs, net of accumulated amortization, was $nil and $nil, respectively.

Amortization expense for capitalized software costs for the periods endedDecember 31, 2020 and December 31, 2019 was $nil and $21,951, respectively.

Right to Use Assets

The Company capitalizes all leased assets pursuant to ASU 2016-02, "Leases (Topic 842)," which requires lessees to recognize right-of-use assets and lease liability, initially measured at present value of the lease payments, on its balance sheet for leases with terms longer than 12 months and classified as either financing or operating leases. As of December 31, 2020, right to use assets, net of accumulated amortization, was $160,667. Amortization expense for right to use assets for the twelve months ended December 31, 2020 was $99,593 while the payments totaled $94,235 for the twelve months ended December 31, 2020.

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized, but instead is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

During 2019, the Company recorded goodwill of approximately $5.7 million which represented amounts for the purchase of IIU. For purposes of the 2019 annual test, we will elected to perform a goodwill impairment analysis to assess whether it was more likely than not that the fair value of these reporting units exceeded their respective carrying values. In performing these assessments, management relied on a number of factors including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant reporting unit events, the impact of which are all significant judgments and estimates. This assessment was performed as of December 31, 2019 and showed a $1.65 million impairment due to the sale of IIU on January 8, 2020. The balance of goodwill as of December 31, 2020 and 2019 was approximately $0 and $4.1 million, respectively. The goodwill was removed upon the sale of IIU.

Debt Issue Costs

The Company capitalizes all debt issue costs and amortizes them on a method that approximates the effective interest method over the remaining term of the note payable.The Company did not have any unamortized debt issue costs at December 31, 2020 or 2019. The Company incurred $291,760 debt issuance costs in 2018. Any costs will be presented in the accompanying condensed consolidated balance sheets as other assets until the loan proceeds are received which at that time will be reclassified as a direct deduction from the carrying amount of that debt liability in accordance with Accounting Standards Update (“ASU”) 2015-03.

Debt Discount

On April 2, 2018, the Company entered into a Securities Purchase Agreement (the “SPA”) with a New York-based family office (“Investor”), which was subsequently amended, pursuant to which the Company issued to Investor a Senior Convertible Promissory Note (the “Note”) in the original principal amount of $500,000 in exchange for a purchase price of $500,000. The maturity date of the Note was six months after the date of issuance (subject to acceleration upon an event of default). The Note carried a 10.5% interest rate, with accrued but unpaid interest being payable on the Note’s maturity date. Investor was also issued pursuant to the SPA five- year warrants exercisable at the closing per share bid price on April 2, 2018 to purchase 40,000 shares of the Company’s common stock (the “Warrants”) (see Note 7. Long Term Debt).

The 40,000 warrants were valued on the grant date at approximately $3.87 per warrant or a total relative fair value of $154,676 using a Black-Scholes option pricing model with the following assumptions: stock price of $7.40 per share (based on the quoted trading price on the date of grant), volatility of 100.6%, expected term of 5 years, and a risk-free interest rate of 2.55%. The relative fair value of the warrants ($154,676) was treated as a debt discount that was amortized over 6 months in 2018. Due to the subsequent issuance of stock and warrants on October 31, 2018 and also on August 2020, these warrants now represent the right to purchase 777,059 shares of common stock at an exercise price of $0.34 per share. These warrants expire in the year 2023.

Settlement Costs with Associations

Associations working with the Company will at times incur costs in connection with litigation initiated by the Company against property owners and or mortgage holders. These costs include settlement agreements whereby the Association agrees to pay some monetary compensation to the opposing party or judgments against the Associations for fees of opposing legal counsel or other damages awarded by the courts. The Company indemnifies the Association for these costs pursuant to the provisions of the agreement between the Company and the Association. Costs incurred by the Company for these indemnification obligations for the year ended December 31, 2020 and 2019 were $31,885 and $68,188, respectively. The Company does not limit its indemnification based on amounts ultimately collected from property owners.

Income Taxes

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

Under ASC 740-10-30-5, *Income Taxes*, deferred tax assets should be reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not (i.e., a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. The Company considers all positive and negative evidence available in determining the potential realization of deferred tax assets including, primarily, the recent history of taxable earnings or losses. Based on operating losses reported by the Company during 2019 and 2018, the Company concluded there was not sufficient positive evidence to overcome this recent operating history. As a result, the Company believes that a valuation allowance is necessary based on the more-likely-than-not threshold noted above. During the year ended December 31, 2019, the Company increased the valuation allowance to $3,634,857 to reflect a change in deferred tax assets. During the year ended December 31, 2020, the Company increased the valuation allowance to $4,658,226 to reflect continuing losses.

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

Loss Per Share

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

The Company issued 11,200,000 of common stock at various times during the month of August 2020 and has weighted average these new shares in calculating loss per share for the relevant period.

Diluted loss per share for the period equals basic loss per share as the effect of any stock based compensation awards or stock warrants would be anti-dilutive. The anti-dilutive stock based compensation awards consisted of:

	For the years ended December 31	
	2020	2019
Stock Options	19,300	19,300
Stock Warrants – number of shares to purchase	13,590,059	2,879,287

Stock-Based Compensation

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

Contingencies

The Company accrues for contingent obligations, including estimated legal costs, when the obligation is probable and the amount is reasonably estimable. As facts concerning contingencies become known, the Company reassesses its position and makes appropriate

adjustments to the consolidated financial statements. Estimates that are particularly sensitive to future changes include those related to tax, legal and other regulatory matters.

Fair Value of Financial Instruments

FASB ASC 825-10, Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. The Company engages a third party valuation firm to assist in estimating the fair value of its finance receivables. See Note 13.

Related Party

ASC 850 - Related Party Disclosures requires disclosure of related party transactions and certain common control relationships. The Company disclosures related party transactions and such transactions are approved by the Company's Board of Directors. See Note 11.

Risks and Uncertainties

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

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

Non-cash Financing and Investing Activities

During the year ended December 31, 2020 and 2019, the Company acquired unencumbered title to certain properties as a result of foreclosure proceedings. Properties were recorded at fair value less cost to dispose of approximately $0 and $0, respectively. The fair value of these properties was first applied to recover the Company's initial investment with any remaining proceeds applied to interest, late fees, and other amounts owed by the property owner.

During the year ended December 31, 2019, the Company acquired fixed assets of $12,892 through a financing loan.

ROU Assets and Lease Obligation – for the year ended December 31, 2020 and 2019 the Company acquired $0 and $331,477, respectively of ROU lease asset and liability.

Financing of Insurance Premium – the Company financed the purchase of various insurance policies during the year ended December 31, 2020 and 2019 using a $193,000 and $127,000, respectively, using a finance agreement.
During the year ended December 31, 2020, the Company disposed of IIU which included assets and liabilities listed in Note

13.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13,*Financial Instruments - Credit Losses* which establishes a new approach for credit impairment based on an expected loss model rather than an incurred loss model. The standard requires the consideration of all available relevant information when estimating expected credit losses, including past events, current conditions and forecasts and their implications for expected credit losses. The guidance is effective January 1, 2020. We have determined that this did not impact our consolidated financial statements.

Recent Accounting Pronouncements

Recent accounting guidance not discussed above is not applicable, did not have, or is not expected to have a material impact to the Company.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Note 2. Finance Receivables – Original Product

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

	2020	2019
Funded during the current year	$ 25,000	$ 40,000
1-2 years outstanding	12,000	15,000
2-3 years outstanding	9,000	20,000
3-4 years outstanding	12,000	11,000
Greater than 4 years outstanding	200,000	300,000
	258,000	386,000
Reserve for credit losses	(142,000)	(112,000)
Total	$ 116,000	$ 274,000

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

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

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

As of December 31, 2020, maximum future contingent payments under these arrangements was approximately $3,000.

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

	2020	2019
Finance receivables, net	$ 53,000	$ 129,000
Delinquent assessments	148,000	374,000
Accrued interest and late fees	57,000	235,000
Number of active units with delinquent assessments	20	31

Note 4. New Neighbor Guaranty Allowance for Credit Losses

Allowance for credit losses are recorded for losses that are considered "probable" and can be "reasonably estimated" in accordance with ASC 450-20. Recoverability of the Company's original product is generally assured because of the protection of the Super Lien amount under Florida statute and as such no allowance is recorded.

Credit losses on the New Neighbor Guaranty product were estimated by the Company and had a remaining balance of approximately $6,500 and $20,000 as of December 31, 2020 and 2019, respectively.

Note 5. Real Estate Assets Owned

Real estate assets owned as reported in the accompanying consolidated balance sheets consist of the fair market value less cost to dispose for those foreclosed units acquired free and clear of any mortgage or other liens plus costs incurred by the Company in excess of original funding on units. Real estate assets owned (free and clear of any mortgage) at December 31, 2020, and 2019, were approximately $18,800 and $21,100 respectively, consisting of one and one unit, at these dates. The Company acquired none and none new unencumbered units, net of disposals during 2020 and 2019 that were capitalized at fair value less cost to dispose of approximately $0 and $0, respectively. The fair market value of each unit was first applied to recover the Company's investment with any remaining proceeds applied next to interest, late fees, legal fees, collection costs, and payable to the association. Any excess proceeds still remaining were recognized as a gain.

Most units are quitclaimed to the Company without the Company incurring additional cost and are subject to mortgage.Total units within the real estate portfolio at December 31, 2020 and 2019 as a result of foreclosure action were, including those discussed above, 8 and 20, respectively. During 2020 and 2019, the Company sold twelve and twenty-three units, respectively, and realized proceeds of approximately $73,000 and $190,000, respectively. Any proceeds collected are first applied to recover the Company's investment with any remaining proceeds applied next to interest, late fees, legal fees, collection costs and any amounts due to the community association. Any excess proceeds still remaining are recognized as gain on sale of real estate assets. If the future proceeds collected are lower than the Company's carrying value, then a loss is recognized on the sale. There was no significant gain or loss on the disposal of real estate assets during 2020 or 2019. Rental revenues collected in 2020 and 2019 were approximately $133,000 (net of cost recovery of $0) and $227,000, respectively (net of cost recovery of $0).

As mentioned above, upon a unit being quitclaim deeded to the Company, the Company becomes responsible for current association assessments. The monthly contingent obligation for assessments due on these units to associations as of December 31, 2020 and 2019 approximates $3,000 and $7,000, respectively.

Note 6. Goodwill and Acquisition

On November 2, 2018, the Company invested cash by purchasing a Securities Purchase Agreement (the "IIU SPA") from IIU Inc. ("IIU"), a synergistic Virginia based travel insurance brokerage company controlled by Craven House N.A. (whose ownership excluding unexercised warrants is approximately 20% of the Company's outstanding stock as of the date of acquisition), pursuant to which IIU issued to the Company a Senior Convertible Promissory Note ("IIU Note") in the original principal amount of $1,500,000 in exchange for a purchase price of $1,500,000. The maturity date of the Note is 360 dates after the date of issuance (subject to acceleration upon an event of default). The Note carries a 3.0% interest rate, with accrued but unpaid interest being payable on the Note's maturity date.

The IIU Note allows the Company the right on or after the maturity date to convert any unpaid principal and accrued and unpaid interest of the IIU Note into shares of IIU based on a conversion amount which is the fair value of the common shares of IIU at the time. The conversion price will be reset if IIU issues or sells common shares, convertibles securities or options at a price per share that is less than the conversion price in effect immediately prior to such issue or sale or deemed issuance or sale of such dilutive issuance.

On January 16, 2019, the Company entered into a Stock Purchase Agreement with Craven House North America, LLC ("Craven") to purchase all of the shares ofIIU as a possible synergistic effort to diversify revenue sources that are believed to be accretive to earnings. IIU provides global medical insurance products for international travelers, specializing in policies covering high-risk destinations, emerging markets and foreign travelers coming to the United States. All policies are fully underwritten with no claim risk remaining with IIU.

The Board of Directors of LMFA approved the purchase of IIU. LMFA purchased 100% of the outstanding stock of IIU for $5,089,357. LMFA paid the Purchase Price at closing as follows:

- Cancellation by LMFA of all principal and accrued interest of IIU's Promissory Note dated November 3, 2018 and issued to LMFA for principal indebtedness and accrued interest of $1,507,375.
- LMFA issued to Craven a $3,581,982 Convertible Promissory Note ("Craven note") for the balance of the Purchase Price. At the option of Craven, the Convertible Note may be paid in restricted common shares of LMFA or cash. The Convertible Note shall bear simple interest at 3% per annum. The Convertible Note shall be due and payable 360 days from the Closing Date. If repaid by LMFA in restricted common stock, the outstanding principal and interest of the Convertible Note shall be paid by LMFA by issuing to Seller a number of restricted common shares equal to the adjusted principal and accrued interest owing on the Convertible Note divided by $2.41. The note principal was subsequently reduced by $120,200 arising from lower than expected Closing Cash and Net Working Capital. Craven had verbally agreed to extend repayment of this Convertible Promissory Note 12 months from April 15, 2019.

- Net cash received in the business acquisition was $51,327.

As such, the $1.5 million note receivable was cancelled as of January 16, 2019.

The following table summarizes the approximate consideration paid and the amounts of the identified assets acquired and liabilities assumed at the acquisition date:

	January 16, 2019
Total adjusted purchase price	$ 4,969,200
Recognized preliminary amounts of identifiable assets acquired and (liabilities assumed), at fair value:	
Cash	51,300
Prepaid and other current assets	5,200
Profit on purchased policies	14,600
Property, plant and equipment	17,100
Accounts payable	(5,100)
Accrued expenses and other liabilities	(62,686)
Income taxes	(28,500)
Deferred revenue	(9,300)
Debt	(703,000)
Preliminary estimate of the fair value of assets and liabilities assumed	(720,386)
Goodwill	$ 5,689,586

We performed an assessment effective as of December 31, 2020 in light of the Company's sale of IIU on January 8, 2020 which resulted in a $1.65 million goodwill impairment. On January 8, 2020, the Company entered into a SPA with Craven pursuant to which the Company sold to Craven all of the issued and outstanding shares of IIU for $3,562,569. The purchase price was paid by Craven through the cancellation of the $3,461,782 Convertible Promissory Note issued by LMFA to Craven dated January 16, 2019 plus forgiveness of $100,787 of accrued interest. See Note 10 Discontinued Operations.

Note 7. Long-Term Debt and Other Financing Arrangements

	Year ended December 31, 2020	2019
Promissory note issued by a financial institution, bearing interest at 1.0%, interest and no principal payments. The note matures April 30, 2022. Annualized interest is 1.0%. This is a U.S. Small Business Administration's Paycheck Protection Program (the "PPP Loan")	$ 185,785	$ -
Financing agreement with FlatIron capital that is unsecured. Down payment of $19,170 was required upfront and equal installment payments of $11,590 to be made over a 11 month period. The note matured on June 1, 2020. Annualized interest is 6.8%	-	69,540
Financing agreement with FlatIron capital that is unsecured. Down payment of $20,746 was required upfront and equal installment payments of $19,251 to be made over a 10 month period. The note matures on May 1, 2021. Annualized interest is 5.95%	96,257	-
Senior secured convertible note to Craven House Capital North America LLC (Related Party), bearing interest at 3.0%. Note was issued on January 16, 2019 and either matured on January 14, 2020 or became convertible into 1,436,424 shares of the Company's common stock. The value of the beneficial conversion feature as of January 16, 2019 was zero.*	-	3,461,782
Promissory note issued by a financial institution, bearing interest at 9.09%, interest and principal payments due monthly of $323. Note is secured by an automobile and was issued on July 26, 2019 with original borrowings of $12,892. The note matures on August 26, 2023.	-	11,802
Promissory note issued by a financial institution, bearing interest at 5.85%, interest and principal payments due monthly of $10,932. Note was issued on May 31, 2018 with original borrowings of $608,000 and subsequent borrowings of $141,000 and repayments of $51,000. The note matures on May 30, 2025 and can be prepaid at any time without penalty. This note is secured by the Company's inventory, chattel paper, accounts, equipment and general intangible intangibles and deposit accounts.	-	606,454
	$ 282,042	$ 4,149,578

*The $3.5 million convertible note was forgiven in connection with Craven's repurchase of IIU on January 8, 2020 pursuant to the terms of the Craven SPA.

On April 30, 2020, the company obtained a $185,785 Paycheck Protection Program loan. These business loans were established by the 2020 US Federal government Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to help certain businesses, self-employed workers, sole proprietors, certain nonprofit organizations, and tribal businesses continue paying their workers.

The Paycheck Protection Program allows entities to apply for low interest private loans to pay for their payroll and certain other costs. The loan proceeds will be used to cover payroll costs, rent, interest, and utilities. The loan may be partially or fully forgiven if the Company keeps its employee counts and employee wages stable. The program was implemented by the U.S. Small Business Administration. The interest rate is 1.0% and has a maturity date of 2 years. We applied for loan and interest forgiveness in

the fourth quarter of 2020.

Minimum required principal payments on the Company's debt as of December 31, 2020 are as follows :

Years Ending December 31,	
2020	$ 96,257
2021	185,785
2022	-
2023	-
2024	-
	$ 282,042

Note 8. Commitments and Contingencies

Leases

The Company leases certain office space, construction and office equipment, vehicles and temporary housing generally 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 December 31, 2020, the Company's operating leases have remaining lease terms ranging from less than one year to 3 years, some of which 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 determines if an arrangement is a lease at inception. Operating lease ROU assets and current and long-term operating lease liabilities are separately stated on the Consolidated Balance Sheet as of December 31, 2020. 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 rate was determined as a fair value of the lease over a 37 month period using a 6.5% interest rate for the present value calculation. 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). The Company does not have any material financing leases.

The Company leased its office under an operating lease beginning March 1, 2014 and ending July 31, 2019. The Company's new office lease began July 15, 2019 and ends July 31, 2022. A related party has a sub-lease for approximately $4,900 per month plus operating expenses.

The Company shares this space and the related costs associated with this operating lease with a related party (see Note 11) that also performs legal services associated with the collection of delinquent assessments. The Company entered into a sub-lease with an unrelated party but we stopped receiving such sub-lease rental income in September 2018. Net rent expense recognized for the twelve months ended December 31, 2020 and 2019 were approximated $94,000 and $186,600, respectively.

The following table presents supplemental balance sheet information related to operating leases as ofDecember 31, 2020:

	Balance Sheet Line Item	2020	2019
Assets			
ROU assets	Right of use asset, net	$ 160,667	$ 260,260
Total lease assets		$ 160,667	$ 260,260
Liabilities			
Current lease liabilities	Lease liability	$ 103,646	$ 94,235
Long-term lease liabilities	Lease liability	68,002	171,648
Total lease liabilities		$ 171,648	$ 265,883
Weighted-average remaining lease term (in years)		1.6	2.6
Weighted-average discount rate		6.55%	6.55 %

The following table presents supplemental cash flow information and non-cash activity related to operating leases for the twelve months ended December 31, 2020 and 2019:

	2020	2019
Operating cash flow information		
Cash paid for amounts included in the measurement of lease liabilities	$ 94,235	$ 44,765
Non-cash activity:		
ROU assets obtained in exchange for lease liabilities (lease cancelled)	-	26,685
ROU assets obtained in exchange for lease liabilities	-	304,792
Total ROU assets obtained in exchange for lease liabilities		331,477

The following table presents maturities of operating lease liabilities on an undiscounted basis as of December 31, 2020:

	Operating Leases
2021	103,646
2022	68,002
	171,648

Legal Proceedings

Other than the lawsuits described below, we are not currently a party to material litigation proceedings. However, we frequently become party to litigation 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.

Funding Commitment

On December 14, 2020, the Company entered into a Master Loan Receivables Purchase and Assignment Agreement (the "Purchase Agreement") under which the Company agreed to purchase up to $18 million of loan receivables of Borqs Technologies, Inc. (NASDAQ: BRQS), a British Virgin Islands company ("Borqs"), from Borqs' senior lenders, Partners for Growth IV, L.P. and Partners for Growth V. L.P. As a part of the transaction, LMFA entered into a Settlement Agreement, dated December 14, 2020 (the "Settlement Agreement"), with Borqs pursuant to which Borqs was obligated to issue shares of Borqs common stock to LMFA (the "Settlement Shares"), in one or more tranches, in settlement of the loan receivables acquired by LMFA under the Purchase Agreement. This transaction was not funded until 2021. See Note 15 – Subsequent Events In a separate transaction and also as previously disclosed, on December 16, 2020, LMFA and Esousa Holdings, LLC, a private investor (the "Investor") entered into a Loan Agreement (the "Loan Agreement") pursuant to which the Investor agreed to provide consulting services and make one or more non-recourse loans to LMFA in a principal amount of up to the purchase price of the Borqs loan receivables purchased by LMFA. The Loan Agreement does not provide a fixed rate of interest, and LMFA and Investor agreed to split the net proceeds from LMFA's sales of the Settlement Shares, with LMFA receiving one-third of the net proceeds after a return of Investor's principal and the Investor receiving return of principal plus two-thirds of the net proceeds thereafter.

Note 9. Income Taxes

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

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

Under ASC 740-10-30-5, *Income Taxes*, deferred tax assets should be reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not (i.e., a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. The Company considers all positive and negative evidence available in determining the potential realization of deferred tax assets including, primarily, the recent history of taxable earnings or losses. Based on operating losses reported by the Company during 2020 and 2019, the Company concluded there was not sufficient positive evidence to overcome this recent operating history. As a result, the Company believes that a valuation allowance is necessary based on the more-likely-than-not threshold noted above. The Company recorded a valuation allowance of approximately of $3,635,000 during the year ended December 31, 2019 equal to its deferred tax asset as of December 31, 2019 and increased the valuation allowance to $4,658,000 during the year ended December 31, 2020.
Significant components of the tax expense (benefit) recognized in the accompanying consolidated statements of operations for the years ended December 31, 2020 and December 31, 2019) are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current tax benefit		
Federal	$ (955,977)	$ (426,931)
State	(197,796)	(88,334)
Total current tax benefit	(1,153,773)	(515,265)
Deferred tax expense	130,403	84,015
Valuation allowance (expense)	1,023,370	431,250
Income tax (reduction) benefit	$ -	$ -

The reconciliation of the income tax computed at the combined federal and state statutory rate of 25.3% for the year ended December 31, 2020 and 25.3% for the year ended December 31, 2019 to the income tax benefit is as follows:

	Year Ended December 31,		Year Ended December 31,	
	2020	2020	2019	2019
Benefit on net loss	$ (1,024,640)	25.3%	$ (849,700)	28.3%
Nondeductible expenses	1,271	0.0%	418,450	(13.90)%
Valuation allowance (expense)	1,023,369	(25.3)%	431,250	(14.30)%
Other items	-	0.0%	-	0.0%
Tax benefit/effective rate	$ -	0.0%	$ -	0.1%

The significant components of the Company's deferred tax liabilities and assets as of December 31, 2020 and December 31, 2019 are as follows:

	As of December 31,	
	2020	2019
Deferred tax liabilities:		
Tax expense for internally developed software	$ (1,814)	$ 4,081
Tax depreciation in excess of book	(2,917)	1,029
Total deferred tax liabilities	(4,731)	5,110
Deferred tax assets:		
Loss carryforwards	3,913,579	2,759,806
Step up in basis at contribution to C-Corp	511,052	682,231
Stock option expense	124,876	89,295
Step up in basis - purchase of non-controlling interest	49,950	54,597
Allowance for credit losses	33,466	33,466
Accrued liabilities	20,573	20,572
Total deferred tax asset	4,653,496	3,639,967
Valuation allowance	(4,658,226)	(3,634,857)
Net deferred tax asset	$ -	$ (0)

As discussed above, the Predecessor effected a transaction resulting in the contribution of member interests to the Company (a newly formed C-Corporation). This transaction was recorded at the carryover basis of the Predecessor for both tax and financial reporting purposes. In accordance with ASC 740-10-45-19, *Income Taxes*, the Company accounted for the tax effect of the difference in tax basis and book basis assets and liabilities at contribution date as a direct consequence of a change in tax status. As such, the Company recognized a net deferred tax asset for the tax effect of those basis differences equal to $91,068 with a corresponding increase in tax benefit. As a result of various equity transactions prior to the incorporation, the former members of the Predecessor recognized taxable gains associated with redemption consideration and/or deficit capital accounts totaling approximately $5.25 million. In accordance with ASC 740-20-45-11, the Company accounted for the tax effect of the step up in income tax basis related to these transactions with or among shareholders and recognized a deferred tax asset and corresponding increase in equity of approximately $1.97 million. Federal net operating loss carryforwards of approximately $512,000 related to 2015, $3,850,000 related to 2016, $2,977,000 related to 2017, $1,408,000 related to 2018, $2,033,000 related to 2019, and $1,950,000 related to 2020 will expire in 2035, 2036 ,2037 , 2038, respectively and net operating loss generated after January 1, 2018 will not expire. The Company's federal and state tax returns for the 2016 through 2020 tax years generally remain subject to examination by U.S. and various state authorities.

Note 10. Stockholders' Equity

Stock Issuance

Fiscal Year 2020

On March 23, 2020, the Company entered into a Share Exchange Agreement, dated March 23, 2020 (the "Share Exchange

Agreement"), with Hanfor (Cayman) Limited, a Cayman Islands exempted company ("Hanfor"), and BZ Industrial Limited, a British Virgin Islands business company and the sole stockholder of Hanfor ("Hanfor Owner"). In connection with the execution of the Share Exchange Agreement, the Company and Hanfor Owner entered into a Stock Purchase Agreement, dated March 23, 2020, pursuant to which Hanfor Owner purchased from Company an aggregate of 520,833 shares of the Company's common stock at a price of $2.40 per share. Hanfor Owner paid $250,000 cash on March 23, 2020 and the Company received the remaining $1.0 million in April 2020 at which time the Company issued the 520,838 shares.

In connection with an underwritten public offering on August 18, 2020, the Company issued (i) 8,300,000 units (the "Units"), with each Unit consisting of one share of common stock, par value $0.001 per share (the "Common Stock") and one warrant to purchase one share of common stock (the "Common Warrants"), and (ii) 1,700,000 pre-funded units (the "Pre-Funded Units"), with each pre-funded unit being comprised of one pre-funded warrant to purchase one share of common stock at an exercise price of $.01 per share (the "Pre-Funded Warrants") and one warrant to purchase one share of common stock. Each Unit was sold for a price of $0.90 per Unit, and each Pre-Funded Unit was sold for a price of $0.89 per Pre-Funded Unit. Pursuant to an over-allotment option in the underwriting agreement, the Company sold an additional 200,000 shares of Common Stock. The net proceeds of the offering were approximately $8,198,000.

During the twelve months ended December 31, 2020, warrants for 1,377,702 shares were exercised for $3,081,730.

Fiscal Year 2019

During the twelve months ended December 31, 2019, warrants for 9,300 shares were exercised for $22,320.

Stock Warrants

The following is a summary of the stock warrant plan activity during the years ended December 31, 2020 and 2019:

	2020		2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants Outstanding at Beginning of the year	3,959,287	$5.45	3,843,587	$5.53
Granted	11,200,000	0.90	125,000	2.64
Exercised	1,377,700	2.24	9,300	2.40
Adjustment	1,008,472	0.46	-	-
Forfeited	1,200,000	12.50	-	-
Warrants Outstanding and Exercisable at End of Year	13,590,059	$0.84	3,959,287	$5.45

The aggregate intrinsic value of the outstanding common stock warrants as of December 31, 2020 and 2019 was $256,429 and $0 respectively.

As part of its initial public offering, on October 23, 2015 the Company issued 1,200,000 warrants that allowed for the right to purchase 1,200,000 shares of common stock at an average exercise price of $12.50 per share. Due to the Reverse Stock Split on October 16, 2018, each warrant may only purchase one-tenth of one share of common stock at $12.50. These warrants have weighted average price of $12.50 per share and expired on October 31, 2020 but had a weighted average life of 0.94 years as of December 31, 2019, respectively. These warrants expired in the year 2020.

On October 31, 2018, the Company issued warrants as part of its secondary offering that allowed for the right to purchase 2,500,000 shares of common stock at an exercise price of $2.40 per share which were subsequently adjusted due to an issuance of shares in August 2020 to $0.67 per share. These warrants have an average remaining life of 2.8 years as of December 31, 2020. These warrants expire in the year 2023. During the twelve months ended December 31, 2020 and 2019, warrants for 1,227,700 shares were exercised for $2,945,252, warrants for 9,300 shares were exercised for $22,320,respectively.

On August 18, 2020, the Company issued warrants as part of its secondary offering that allowed for the right to purchasel 1,200,000 shares of common stock at an exercise price of $0.90 per share. These warrants have an average remaining life of 4.63 years as of December 31, 2020. These warrants expire in the year2025. During the twelve months ended December 31, 2020, warrants for 150,000 shares were exercised for $135,000.

On April 2, 2018, the Company issued warrants that allowed for the right to purchase 40,000 shares of common stock at an exercise price of $6.605 per share. If at any time these warrants are outstanding, the Company combines its outstanding shares of common stock into a smaller number of shares or enters into a corporate action or transaction to change the number of outstanding shares of common stock, then the exercise price will be adjusted along with the number of shares that can be purchased under this agreement. Due to the subsequent issuance of stock and warrants on October 31, 2018, these warrants now represent the right to purchase 777,059 shares of common stock at an exercise price of $0.34 per share. These warrants have an average remaining life of 2.25 years as of December 31, 2020. These warrants expire in the year 2023.

As part of its underwriting agreement dated,October 31, 2018, the Company issued additional warrants, effective May 1, 2019, to its underwriter as part of its secondary offering that allowed for the right to purchase 125,000 shares of common stock at an exercise price of $2.64 per share on or after May 1, 2019. These warrants expire on May 2, 2022.

Stock Options

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

On May 29, 2018 the Company granted a total of 10,000 stock options to an employee at an exercise price of $10.00 per share. These awards will vest evenly over a three year period. The maximum term of an option is 10 years from the date of grant. The grant date fair value of the options was $4.68. Total expense to be recognized after adjusting for forfeitures for the employee options is approximately $35,000.

The Black-Scholes pricing model was used to determine the fair value of the stock options granted by the Company. The Company recognizes this value as an expense over the period in which the stock options vest. There were no awards in fiscal year 2019. The weighted average grant date fair value of the options granted was $4.68 for awards granted in the years ended December 31, 2019. Compensation expense recognized from the vesting of stock options was approximately $15,000 of which $9,000 was for options issued prior to 2019 and $25,000 of which $18,800 was for options issued prior to 2018, respectively for the years ended December 31, 2020 and 2019. The remaining unrecognized compensation cost associated with unvested stock options as of December 31, 2020 and 2019 is approximately $15,000 and $18,000, respectively. At December 31, 2020 and 2019, the stock options had a remaining life of approximately 6 and 7 years, respectively.

The aggregate intrinsic value of the outstanding common stock options as of December 31, 2020 and 2019 was $0 and $0 respectively.

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

	2018
Risk-free rate	2.65 %
Expected life	6 years
Expected volatility	108.00 %
Expected dividend	—

The following is a summary of the stock option plan activity during the years ended December 31, 2020 and 2019:

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options Outstanding at Beginning of the year	19,300	$ 60.51	19,300	$ 60.51
Granted	-	-	-	-
Exercised	-	-	-	-
Adjustment	-	-	-	-
Forfeited	-	-	-	-
Options Outstanding at End of Year	19,300	$ 60.51	19,300	$ 60.51
Options Exercisable at End of Year	15,134	$ 68.08	11,800	$ 84.49

Note 11. Related Party Transactions

Legal services for the Company associated with the collection of delinquent assessments from property owners are performed by a law firm (Business Law Group "BLG") which was owned solely by Bruce M. Rodgers, the Chief Executive Officer of the Company until and through the date of its initial public offering. 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, and BLG is now under control of those lawyers. The law firm has 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 the agreement, the Company pays BLG a fixed monthly fee of $82,000 per month for services rendered. The Company will continue to pay BLG a minimum per unit fee of $700 in any case where there is a collection event and BLG receives no payment from the property owner. This provision has been 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.

Amounts collected from property owners and paid to BLG for 2020 and 2019 were approximately $1,002,200 and $1,052,000, respectively. As of December 31, 2020 and 2019, receivables from property owners for charges ultimately payable to BLG were approximately $1,332,000 and $1,883,000, respectively.

Under the related party agreement with BLG in effect during 2020 and 2019, 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 are accounted for as a reduction in expense incurred. The Company incurred expenses related to these types of costs of $127,000 and $203,000, during 2020 and 2019, respectively. Recoveries during 2020 and 2019 related to those costs were approximately $157,000 and $221,000, respectively.

The Company also shares office space, personnel and related common expenses with BLG. All shared expenses, including rent, are charged to BLG based on an estimate of actual usage. Any expenses of BLG paid by the Company that have not been reimbursed or settled against other amounts are reflected as due from related parties in the accompanying consolidated balance sheet. The charges for certain shared personnel totaled approximately $240,000 in 2020 and $185,000 in 2019.

The Company assessed the collectability of the amount due from BLG and concluded that even though BLG had repaid $252,771 during 2017, it did not have the ability to repay the remaining balance at the end of 2017 and as such took a reserve of approximately $1.4 million for the balance due as of December 31, 2017. In 2020 and 2019, the Company subsequently recouped $500,000 and $190,000, respecively of this write-off. Amounts payable to BLG as of December 31, 2020 was approximately $158,400 and a receivable from BLG as of December 31, 2019 was $152,800.

LMF has 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 LMF and the Associations. Ms. Gould works as the General Manager of BLG which pays her compensation of $150,000 per year.

Consulting Services

One of our directors, Martin A. Traber, is Chairman at Skyway Capital Markets which billed us in total $125,000 for a fairness opinion of $110,000 in 2019 and $25,000 in 2019 for a future fairness opinion, the total of which represents less than 1% of Skyway Capital Markets annual revenue. We believe that such services were performed on term at least as favorable to us as those that would have been realized in transactions with unaffiliated entities or individuals.

The Company advanced Craven $27,738 and it was settled in 2020.

Note 12. Investment in Note Receivable – Related Party

On November 2, 2018, the Company entered into a Securities Purchase Agreement with IIU, pursuant to which IIU issued to the Company a Senior Convertible Promissory Note (the "IIU Note") in the original principal amount of $1,500,000 in exchange for a purchase price of $1,500,000. The maturity date of the IIU Note was 360 days after the date of issuance (subject to acceleration upon an event of default). The IIU Note carried a 3.0% interest rate, with accrued but unpaid interest being payable on the IIU Note's maturity date.

The IIU Note allowed the Company the right on or after the maturity date to convert any unpaid principal and accrued and unpaid interest of the IIU Note into shares of IIU based on a conversion amount which is the fair value of the common shares of IIU at the time.

The Company subsequently purchased 100% of the issued and outstanding capital stock of IIU on January 16, 2019 for $5,089,357.
On December 20, 2019, the Company loaned $1.5 million to Craven in the form of a secured promissory note (the "Craven Secured Promissory Note") which had an initial maturity date of April 15, 2020 and carried an interest rate of 0.5% that is to be paid monthly.
The Company subsequently extended the due date of the Craven Secured Promissory Note and the monthly interest payments to August 1, 2021. The Craven Secured Promissory Note is secured by, among other things, stock pledge of Craven's 640,000 common stock of the Company and the assignment of the assets of Craven in favor of the Company.

The IIU Note was fully repaid in 2020.

Note 13. Discontinued Operations

On January 8, 2020, the Company entered into a Stock Purchase Agreement ("**SPA**") with Craven pursuant to which the Company sold to Craven all of the issued and outstanding shares of IIU for $3,562,569. The purchase price was paid by Craven through the cancellation of the $3,461,782 Craven Convertible Note plus forgiveness of $100,787 of accrued interest. The Company originally paid $4,969,586 of goodwill. As a result, goodwill was impaired by $1.65 million. The sale of IIU resulted in a gain of $16,428.

The impact of this transaction is reflected as a discontinued operation in the consolidated financial statements. Pursuant to ASU 2014-08, the major classes of assets and liabilities of IIU were as follows:

	As of December 31, 2019
Major classes of assets	
Cash	$ 246,914
Related party receivable	27,738
Prepaid expenses	2,301
Total major classes of current assets – discontinued assets	276,953
Fixed assets, net	27,245
Total major classes of assets – discontinued assets	$ 304,198
Accounts payable and accrued expenses	$ 144,006
Note payable – short term	100,672
Other liabilities	21,153
Income taxes payable	14,226
Total major classes of current liabilities – discontinued liabilities	280,057
Debt	517,584
Total major classes of liabilities - discontinued liabilities	$ 797,641

The operating results for IIU, Inc. have been presented in the accompanying consolidated financial statements of operations for the year ended December 31, 2020 and 2019 as discontinued operations are summarized below:

	2020	2019
Revenue	$ -	$ 639,815
Total operating costs and expenses	-	525,616
Gain (Loss) from discontinued operations	-	114,199
Other expense, net	-	39,320
Gain on disposal of discontinued operations	16,428	-
Net gain (loss) from discontinued operations	$ 16,428	$ 74,879
Net cash provided by operating activities	$ -	290,805
Net cash (used in) provided by investing activities	(246,914)	40,879
Net cash used in financing activities		(84,771)

Note 14 Going Concern

The Company's financial statements are prepared in accordance with GAAP applicable to a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business within one year after the date the consolidated financial statements are issued.

In accordance with Financial Accounting Standards Board, or the FASB, Accounting Standards Update No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40), our management evaluates whether there are conditions or events, considered in aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company has experienced significant operating losses over the past 4 years (2016 through December 31, 2020) with cumulative losses of approximately $18,538,000 and negative cashflows from operations. These losses resulted in the usage of all cash proceeds from the Company's initial public offering in 2015. For the year ended December 31, 2019, the Company disclosed substantial doubt about the Company's ability to continue as a going concern

The Company received a total of approximately $14.0 million during the year ended December 31, 2020 due to a number of factors including:

- Holders of our warrants exercised such warrants for 1.2 million shares in June 2020 which resulted in the Company receiving approximately $2.9 million.

- The Company was repaid approximately $1.5 million on a related party receivable.
- The Company received $1.25 million for the issuance of 520,838 common shares.
- The Company received $8.3 million for the issuance of 10,200,000 common shares.
- Holders of our warrants exercised such warrants for 150 thousand in August 2020 which resulted in the Company receiving approximately $0.1 million.

As such, we have $11.6 million of cash as of December 31, 2020 which the Company believes will be enough to satisfy our estimated liquidity needs for the 12 months from the issuance of these financial statements.

However, there is no assurance that management's plan will be successful due to the current economic climate in the United States and globally. At the time of issuance of these consolidated financial statements, the Company believes the previously reported going concern has been alleviated based on the reasons above, and management does not have substantial doubt of the Company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that the Company cannot continue as a going concern

Note 15. Subsequent Events

From January 10, 2021 to March 1, 2021, warrant holders exercised their option to acquire 11,003,500 shares for $9,562,440.

On January 28, 2021, the Company loaned funds to LMFAO Sponsor LLC which in turn purchased 5,738,000 private placement warrants in LMF Acquisition Opportunities Inc ("LMAO") with an exercise price of $11.50 for $5,738,000. LMAO consummated an IPO for 10,350,000 units which generated gross proceeds of $103,500,000.

On January 14, 2021, the holder of the warrant that allowed for the purchase of 777,059 common share elected a cashless option and received 649,179 shares.

On February 16, 2021, the Company announced that, as of February 11, 2021, it had completed its obligations under the Purchase Agreement by purchasing approximately $18.2 million of aggregate debt (including principal, accrued interest and fees) from Partners for Growth IV, L.P. and Partners for Growth V, L.P. during the period from January 7, 2021 to February 10, 2021, at a discount for approximately $15.5 million. Under the Settlement Agreement, LFMA received approximately 22.7 million shares from Borqs. The Company sold those shares for approximately $32.6 million, of which approximately $5.7 million was received by LMFA after fulfilling its obligations to the Investor under the Loan Agreement.

In an additional transaction on February 24, 2021, the Company entered into a specialty finance transaction with Borqs, under which the Company agreed to purchase Senior Secured Convertible Promissory Notes of Borqs (the "Borqs Notes") up to an aggregate principal amount of $5 million. The Borqs Notes are due in two years, have an annual interest rate of 8%, are convertible into ordinary shares of Borqs at a 10% discount from the market price, and have 90% warrant coverage (with the warrants exercisable at 110% of the conversion price. One-third of the Borqs Notes ($1,666,500) were funded by the Company at the execution of definitive agreements for the transaction, and two-thirds of the Borqs Notes ($3,333,500) to be purchased by the Company are required to be purchased and funded upon the satisfaction of certain conditions, including effectiveness of a registration statement to be filed by Borqs by April 15, 2021.

On January 11, 2021, the Company received a letter from outside counsel to Hanfor and Hanfor Owner alleging that the Company's termination of the Share Exchange Agreement constituted a breach of contract and/or was invalid and further alleging breach of fiduciary duty by the Company's Chief Executive Officer and Chief Financial Officer. Such letter demanded $1,250,000 (the amount of Hanfor Owner's investment in common stock of the Company) plus interest and threatened legal action against the Company and the Company's Chief Executive Officer and Chief Financial Officer. Following the receipt of that letter, on or around January 27, 2021, the Company assisted Hanfor Owner with the removal of the restrictive legend from the shares of Company common stock owned by Hanfor Owner in accordance with SEC Rule 144 to enable the sale thereof by Hanfor Owner, at which time Hanfor Owner's counsel indicated in writing that Hanfor Owner may have remaining damages. However, there have been no further communications from Hanfor, Hanfor Owner, or their counsel subsequent to the communications that occurred on or around January 27, 2021.

Exhibit Index

Exhibit Number	Description
2.1	Contribution Agreement, dated October 21, 2015, by and between CGR63, LLC, BRR Holding, LLC and LM Funding America, Inc. (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on October 23, 2015)
2.2	Stock Purchase Agreement, dated January 16, 2019, by and between LM Funding America, Inc. and IIU, Inc (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on January 16, 2019)
2.3	Stock Purchase Agreement, dated January 8, 2020, by and between LM Funding America, Inc. and Craven House North America LLC (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on January 10, 2020)
2.4	Share Exchange Agreement, dated March 23, 2020, by and among LM Funding America, Inc., Hanfor (Cayman) Limited, and BZ Industrial Limited (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on March 27, 2020)
3.1	Certificate of Incorporation of LM Funding America, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Form 8-K/A filed on October 16, 2018
3.2	By-Laws of LM Funding America, Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
4.1	Form of Warrant Agreement. (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (Amendment No. 1) filed on August 7, 2015 (Registration No. 333-205232))
4.2	Form of Common Stock Certificate. (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (Amendment No. 2) filed on August 27, 2015 (Registration No. 333-205232))
4.3	Warrant to Purchase Common Shares, dated April 2, 2018, between the Company and Esousa Holdings LLC. (incorporated by reference to Exhibit 4.1 to the Form 8-K filed on July 23, 2018)
4.4	Form of Common Warrant. (incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 5, 2018)
4.5	Form of Underwriter's Warrant. (incorporated by reference to Exhibit 4.2 to Form 8-K filed on November 5, 2018)
4.6	Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to Form 8-K filed on August 18, 2020
4.7	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)
10.1#	LM Funding America, Inc. 2015 Omnibus Incentive Plan. (incorporated by reference to Exhibit 10.4 to the Form 8-K filed on October 23, 2015
10.2#	Form of LM Funding America, Inc. 2015 Omnibus Incentive Plan Stock Option Award Agreement. (incorporated by reference to Exhibit 10.5 to the Form 8-K filed on October 23, 2015)
10.3#	Form of LM Funding America, Inc. 2015 Omnibus Incentive Plan Restricted Stock Award Agreement. (incorporated by reference to Exhibit 10.6 to the Form 8-K filed on October 23, 2015)
10.4	Services Agreement, dated April 15, 2015, between LM Funding, LLC and Business Law Group, P.A. (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.5	Software License Agreement, dated April 15, 2015, between LM Funding, LLC and Business Law Group, P.A. (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232))
10.6#	Form of Indemnification Agreement entered into between LM Funding America, Inc. and its directors and officers. (incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-1 filed on June 25, 2015 (Registration No. 333-205232)
10.7#	Amended and Restated Empoyment Agreement of Bruce M. Rodgers, dated September 30, 202, by and between the Company and Bruce M. Rodgers (incorporated by reerence to Exhibit 10.1 to the Form 8-K filed on October 2, 2020)
10.8#	Amended and Restated Empoyment Agreement of Richard Russell, dated September 30, 202, by and between the Company and Richard Russell (incorporated by reerence to Exhibit 10.1 to the Form 8-K filed on October 2, 2020)
10.9#	Warrant Agreement dated January 25, 2021 between the Company and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on January 25, 2021)

Exhibit Number	Description
10.10#	Letter Agreement, dated January 25, 2021, among LMF Acquisition Opportunities, Inc., its officers, its directors and LMFAO Sponsor, LLC (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on January 25, 2021)
10.11#	Registration Rights Agreement, dated January 25, 2021, among LMF Acquisition Opportunities, Inc., LMFAO Sponsor, LLC, and Maxim Partners LLC. (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on January 25, 2021)
10.12#	Private Placement Warrants Purchase Agreement, dated January 25, 2021, between LMF Acquisition Opportunities, Inc. and LMFAO Sponsor, LLC.. (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on January 25, 2021)
10.13*	Loan Agreement, dated December 14, 2020, between LMFA Financing LLC and Esousa Holdings LLC.
10.14*	Settlement Agreement and Stipulation, dated December 14, 2020, between LMFA Financing LLC and Borqs Technologies Inc.
10.15*	Master Loan Receivables Purchase and Assignment Agreement dated December 10, 2020, between LMFA Financing LLC and Partners for Group V, L.P. and Partners for Growth IV, L.P.
10.16*	Borqs Convertible Note dated February 24, 2021, between LMFA Financing LLC and Borqs Technoliges Inc.
21.1*	Subsidiaries of the registrant.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

# Indicates a management contract or compensatory arrangement.
* Filed herewith.

Signatures

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

LM FUNDING AMERICA, INC.

Date: March 31, 2021

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

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Bruce M. Rodgers and Stephen Weclew and each of them, jointly and severally, his attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

Name	Title	Date
/s/ Bruce M. Rodgers **Bruce M. Rodgers**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 31, 2021
/s/ Richard Russell **Richard Russell**	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2021
/s/ Carollinn Gould **Carollinn Gould**	Member of the Board of Directors	March 31, 2021
/s/ Andrew Graham **Andrew Graham**	Member of the Board of Directors	March 31, 2021
/s/ Frank Silcox **Frank Silcox**	Member of the Board of Directors	March 31, 2021
/s/ Joel Rodgers **Joel Rodgers**	Member of the Board of Directors	March 31, 2021
/s/ Douglas McCree **Douglas McCree**	Member of the Board of Directors	March 31, 2021
/s/ Frederick Mills **Frederick Mills**	Member of the Board of Directors	March 31, 2021

Exhibit 10.13

LOAN AGREEMENT

dated effective as of

December 14, 2020

between

LMFA Financing, LLC,
as Borrower

and

Esousa Holdings LLC,
as Lender

This LOAN AGREEMENT (this "Agreement") dated to be effective as of December 14, 2020 (the "Effective Date"), is made between LMFA Financing, LLC, a Florida limited liability company (the "Borrower"), and Esousa Holdings LLC, a New York limited liability company (the "Lender").

The parties hereto agree as follows:

Article I. Definitions

Section 1.01 Defined Terms.

As used in this Agreement, the following terms have the meanings specified below:

"Agreement" has the meaning set forth in the introductory paragraph hereto.

"Applicable Proceeds" means any and all cash, securities or other property received by Borrower pursuant to the Settlement Agreement, including any proceeds from the sale of any securities that were received by Borrower pursuant to the terms of the Settlement Agreement.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the date of termination of this Agreement.

"Bankruptcy Code" has the meaning assigned to such term in Article VI.

"Borrower" has the meaning set forth in the introductory paragraph hereto.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, New York are authorized or required by law to remain closed.

"Commitment" means the commitment of the Lender to make disbursements of principal in amounts as set forth on Schedule I attached hereto, subject to any reduction pursuant to Section 7.02; provided, however, that Lender shall not be required to disburse a second time any Principal Amount that has been repaid.

"Default" has the meaning assigned to such term in Article VI.

"Disbursement Date" has the meaning assigned to such term in Section 2.02.

"Dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" has the meaning set forth in the introductory paragraph hereto.

"Event of Default" has the meaning assigned to such term in Article VI.

"Lender" has the meaning set forth in the introductory paragraph hereto.

"Lender Proceeds" means, as of each Maturity Date, 66.666% of all Applicable Proceeds in excess of the aggregate Principal Amount that Lender has disbursed to Borrower prior to such Maturity Date.

"Maturity Date" means the earlier of (a) two (2) Business Days after the Borrower receives any Applicable Proceeds; provided, however, that if the Applicable Proceeds are in the form of securities, then, with regard to all securities that are received by Borrower on the same day, the date that is two (2) Business Days after the Borrower has sold all securities received on that day, and (b) thirty (30) days after the Disbursement Date.

"Permitted Use" has the meaning assigned to such term in Section 5.01.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"Principal Amount" has the meaning assigned to such term in Section 2.01.

"Purchase Agreement" means that certain Master Loan Receivables Purchase and Assignment, dated as of the date hereof, by and among Borrower and the Sellers (as defined therein).

"Settlement Agreement" means that certain Settlement Agreement and Stipulation, dated as of the date hereof, by and between the Borrower and Borqs Technologies, Inc., a company incorporated in the British Virgin Islands.

Section 1.02 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (d) all references herein to Articles and Sections shall be construed to refer to Articles and Sections of this Agreement.

Article II. The Credit

Section 2.01 Commitment. Subject to the terms and conditions set forth herein, the Lender agrees to disburse funds to the Borrower from time to time during the Availability Period up to an aggregate amount equal to the Commitment. "Principal Amount" means all funds disbursed from Lender to Borrower hereunder.

Section 2.02 Disbursement Schedule. Subject to the terms of this Agreement (including the conditions set forth in Article III hereof), Lender shall make disbursements in the amounts and on the dates (each, a "Disbursement Date") as set forth on Schedule I attached hereto; provided, however, that any Disbursement Date may be accelerated upon mutual agreement by the Borrower and Lender. If any Disbursement Day is not a Business Day, the date of such disbursement shall be extended to the next succeeding Business Day.

Section 2.03 Funding. Lender shall make disbursements hereunder by wire transfer of immediately available funds to the bank account instructions specified in Schedule II or to such alternative account designated by the Borrower, provided that such alternative account instructions are communicated by Borrower to Lender in writing at least two (2) Business Days prior to the applicable Disbursement Date.

Section 2.04 Repayment of Principal Amount.

(a) Subject to the terms of this Section 2.04, the Borrower hereby unconditionally promises to pay to the Lender on each Maturity Date the then outstanding and unpaid Principal Amount.

(b) Except where payment of the outstanding and unpaid Principal Amount has been accelerated pursuant to the terms of this Agreement, the Borrower shall only be required to repay the outstanding and unpaid Principal Amount pursuant to Section 2.04(a) to the extent that the Borrower has received Applicable Proceeds equal to such amount.

(c) To the extent any portion of the Principal Amount shall remain outstanding and unpaid after a Maturity Date as a result of the limitation set forth in Section 2.04(b), such portion of the Principal Amount that remains outstanding and unpaid shall be due and payable, and the Borrower shall pay to the Lender such amount, on the next Maturity Date.

Section 2.05 Prepayment of Principal Amount. The Borrower shall have the right at any time and from time to time to prepay any Principal Amount in whole or in part without prepayment or termination fee or penalty of any kind; provided, however, that such prepayment of Principal Amount shall not reduce in any way the Lender Proceeds owed to Lender hereunder.

Section 2.06 Interest. Subject to the terms of this Section 2.06, any Principal Amount then outstanding and unpaid shall not bear interest. Notwithstanding the foregoing, if any Principal Amount, interest or any other amount payable to Lender by the Borrower hereunder is not paid when due, whether on the applicable Maturity Date, upon acceleration or otherwise, such overdue amount shall bear interest after the applicable due date at a rate per annum equal to 2%.

Section 2.07 Payment of Lender Proceeds. In addition to and after the repayment of the Principal Amount made pursuant to Section 2.04, the Borrower hereby unconditionally promises to pay to the Lender on each Maturity Date the Lender Proceeds, if any, as determined on such date. Lender Proceeds shall be calculated as of each Maturity Date based on the aggregate Principal Amount that Lender has disbursed to Borrower and the aggregate amount of Applicable Proceeds received by Borrower prior to such date.

Section 2.08 Application of Payments. For the avoidance of doubt, it is the intent of the parties any payment from the Borrower to the Lender be characterized as a repayment of the Principal Amount or a payment of Lender Proceeds based on the aggregate Principal Amount disbursed and repaid and the Applicable Proceeds received by Borrower.

Section 2.09 Payments Generally. The Borrower shall make each payment required to be made by it hereunder (whether of Principal Amount, interest or otherwise) on the date when due, in immediately available funds, without set-off or counterclaim. All such payments shall be made to the Lender's account set forth on Schedule II hereto or to such other account as the Lender shall specify to the Borrower any time after the date hereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. Al payments shall be made in Dollars.

Section 2.10 Alternative Sources of Funds. If the Lender fails to make a timely disbursement when due pursuant to the terms of this Agreement and such failure continues without cure for a period of three (3) Business Days, then Borrower shall be permitted to arrange or obtain funds from other sources and, if such funds are obtained and used to generate Applicable Proceeds, the Lender shall not be entitled to receive any Applicable Proceeds obtained by Borrower through the use of such alternative funds; provided, however, that except as explicitly provided for in this Section 2.10, Lender shall be entitled to, and Borrower shall pay to Lender, the Lender Proceeds as calculated hereunder, regardless of whether Applicable Proceeds are derived from the use of any Principal Amount provided by Lender or from funds provided by alternative sources.

Article III. Conditions of Lender to Disburse Funds

The obligations of the Lender to make disbursements hereunder at the applicable Disbursement Date is subject to the satisfaction or waiver of the following conditions as of the applicable Disbursement Date, provided that these conditions are for the Lender's sole benefit and may be waived by the Lender at any time in its sole discretion:

(a) all "Conditions to the Buyer's Obligation to Close" as set forth in Section 10 of the Purchase Agreement shall have been satisfied or waived pursuant to the terms of the Purchase Agreement, provided, however, that Lender shall have provided prior consent to any waiver of such conditions; and

(b) no Default or Event of Default shall have occurred and be continuing.

Article IV. Representation and Warranties

Section 4.01 Representation and Warranties of Borrower. Borrower hereby represents and warrants to Lender that:

(a) Borrower is validly existing as a limited liability company under the laws of the State of Florida and has the power and authority to execute and deliver this Agreement;

(b) this Agreement is the legal, valid and binding obligation of Borrower, enforceable in accordance with its terms;

(c) the execution, delivery and performance of this Agreement and the borrowing evidenced hereby does not (i) require the consent or approval of any other party (including any governmental or regulatory party), (ii) violate any law, regulation, agreement, order, writ, judgment, injunction, decree, determination or award presently in effect to which Borrower is a party or to which Borrower or any of its assets may be subject, or (iii) conflict with or constitute a breach of, or default under, or require any consent under, or result in the creation of any lien, charge or encumbrance upon the property or assets of Borrower pursuant to any other agreement or instrument (other than any pledge of or security interest granted in any collateral pursuant to this Agreement) to which Borrower is a party or is bound or by which its properties may be bound or affected; and

(d) there are no actions, suits, investigations or proceedings pending or, to the best of Borrower's knowledge, threatened at law, in equity, in arbitration or by or before any other authority involving or affecting Borrower that are likely to have a material adverse effect on the financial condition of Borrower.

Section 4.02 Representation and Warranties of Lender. Lender hereby represents and warrants to Borrower that:

(a) Lender is validly existing as a limited liability company under the laws of the State of New York and has the power and authority to execute and deliver this Agreement;

(b) this Agreement is the legal, valid and binding obligation of Lender, enforceable in accordance with its terms;

(c) the execution, delivery and performance of this Agreement and the payments evidenced hereby does not (i) require the consent or approval of any other party (including any governmental or regulatory party), (ii) violate any law, regulation, agreement, order, writ, judgment, injunction, decree, determination or award presently in effect to which Lender is a party or to which Lender or any of its assets may be subject, or (iii) conflict with or constitute a breach of, or default under, or require any consent under, or result in the creation of any lien, charge or encumbrance upon the property or assets of Lender pursuant to any other agreement or instrument (other than any pledge of or security interest granted in any collateral pursuant to this Agreement) to which Lender is a party or is bound or by which its properties may be bound or affected; and

(d) there are no actions, suits, investigations or proceedings pending or, to the best of Lender's knowledge, threatened at law, in equity, in arbitration or by or before any other authority involving or affecting Lender that are likely to have a material adverse effect on the financial condition of Lender.

Article V. Covenants

Section 5.01 Use of Proceeds. The Borrower covenants and agrees with the Lender that it will use the funds disbursed by Lender hereunder solely for the purpose of financing purchases of Loan Receivables (as that term is defined in the Purchase Agreement), pursuant to the terms of the Purchase Agreement (the "Permitted Use").

Section 5.02 Further Assurances. Borrower and Lender shall execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, any and all such further assurances and other agreements or instruments, and take or cause to be taken all such other action, as shall be reasonably necessary from time to time to give full effect to this Agreement and the obligations hereunder.

Section 5.03 Maintenance of Existence. Borrower shall preserve, renew and maintain in full force and effect its corporate or organizational existence and take all reasonable action to maintain all rights and privileges necessary or desirable in the ordinary course of business except as would not have a materially adverse effect.

Section 5.04 Notices of Defaults. As soon as possible and in any event within two (2) business days after Borrower becomes aware of a Default or Event of Default under this Agreement, Borrower shall notify Lender in writing of the nature and extent of such default or event of default and the action, if any, Borrower has taken or proposes to take with respect to such default or event of default.

Article VI. Events of Default

Each of the following acts, events or circumstances shall constitute an Event of Default (each an "Event of Default") hereunder:

(a) the Borrower fails to make any payments under this Agreement when and as the same becomes due and payable on the due date thereof and such failure continues without cure for a period of three (3) Business Days;

(b) the Borrower uses funds disbursed by Lender hereunder for any purpose other than the Permitted Use;

(c) (i) Borrower commences a voluntary case concerning itself under any bankruptcy, insolvency or similar laws or statutes (including Title 11 of the United States Code, as amended, supplemented or replaced) (collectively, the "Bankruptcy Code"); or (ii) an involuntary case is commenced against Borrower and is not dismissed within ninety (90) days; or (iii) a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Borrower or Borrower commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Borrower or there is commenced against Borrower any such proceeding; or (iv) any order of relief or other order approving any such case or proceeding is entered; or (v) Borrower is adjudicated insolvent or bankrupt; or (vi) Borrower makes a general assignment for the benefit of creditors; or (vii) Borrower calls a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or (h) Borrower by any act or failure to act consents to, approves of or acquiesces in any of the foregoing;

(d) the Borrower (i) voluntarily commences any proceeding or files any petition seeking a winding up, dissolution, administration, liquidation, reorganization or other formal insolvency proceedings (by way of voluntary arrangement, scheme of arrangement or

otherwise) or relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consents to the institution of, or fails to contest in a timely and appropriate manner, any proceeding or petition described in clause (c) of this Article, (iii) applies for or consent to the appointment of a liquidator, administrative receiver, compulsory manager, receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or for a substantial part of its assets, (iv) files an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) makes a composition, compromise, arrangement or general assignment for the benefit of creditors or (vi) takes any action for the purpose of effecting any of the foregoing;

(e) Borrower dissolves or for any reason ceases to be in existence;

(f) any representation or warranty made or that is deemed made by Borrower is false or misleading in any material respect on the date as of which such representation or warranty was made or deemed made;

(g) Borrower fails to perform or observe any agreement, covenant or obligation arising under any provision hereof for more than thirty (30) days following receipt by Borrower of a notice from Lender indicating any such violation; and

(h) any material adverse effect occurs with respect to (a) the validity or enforceability of this Agreement or the rights, powers and privileges purported to be created hereby, (b) the rights and remedies of the Lender hereunder, (c) Borrower's ability to perform any of its obligations hereunder, or (d) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) of Borrower.

If an Event of Default, other than an Event of Default described in clause (c) of this section, occurs, Lender by written notice to Borrower may declare the Principal Amount of and any other amounts owed under this Agreement to be immediately due and payable. Upon a declaration of acceleration, such amounts become immediately due and payable. If an Event of Default described in clause (c) of this Section occurs, the Principal Amount then outstanding becomes immediately due and payable without any declaration or other act on the part of Lender.

As used herein, the term "Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

In addition to the rights provided under the immediately preceding section, Lender shall also have any other rights that Lender may have been afforded under any contract or agreement at any time, and any other rights that Lender may have pursuant to applicable law. No delay on the part of Lender in the exercise of any power or right under this Agreement or under any other instrument executed pursuant hereto shall operate as a waiver thereof, nor shall a single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. No extension of time of the payment under this Agreement or any other modification, amendment or forbearance made by agreement with any person now or hereafter liable for the payment under this Agreement shall operate to release, discharge, modify, change or affect the liability of any co-borrower, endorser, guarantor or any other person with regard to this Agreement,

either in part or in whole. No failure on the part of Lender or any successor or assignee to exercise any right or remedy hereunder, whether before or after the occurrence of a Default, shall constitute a waiver thereof, and no waiver of any past Default shall constitute a waiver of any future Default or of any other Default. No failure to accelerate the debt evidenced hereby by reason of an Event of Default hereunder or acceptance of a past due installment, or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or to impose late payment charges, or shall be deemed to be a novation of this Agreement or any reinstatement of the debt evidenced hereby, or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right which Lender or any successor or assignee hereof may have, whether by the laws of the State of New York, by agreement or otherwise, and none of the foregoing shall operate to release, change or affect the liability of Borrower under this Agreement, and Borrower hereby expressly waives (to the extent allowed by law) the benefit of any statute or rule of law or equity which would produce a result contrary to or in conflict with the foregoing.

Article VII. Termination and Reduction of Commitment

Section 7.01 Termination.

(a) After the Lender has disbursed funds to Borrower in an aggregate amount equal to the Commitment, this Agreement will terminate upon the Borrower's repayment in full of all amounts owed under this Agreement.

(b) This Agreement may be terminated by Lender at any time after the occurrence and during the continuance of an Event of Default, effective immediately upon notice by Lender to Borrower.

Section 7.02 Reduction of Commitment. The Borrower and the Lender may from time to time by mutual agreement reduce the Commitment; provided that neither the Borrower nor the Lender shall reduce the Commitment if, after giving effect to any concurrent payment, the aggregate Principal Amount outstanding hereunder would exceed the Commitment.

Section 7.03 Survival. Without limiting the survival of obligations addressed otherwise in this Agreement and notwithstanding any other provision of this Agreement, all covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all amounts due hereunder have been paid in full and satisfied.

Article VIII. Miscellaneous

Section 8.01 Notices. Any notices required or permitted to be given under the terms of this Agreement shall be sent or delivered personally or by courier (including a recognized, receipted overnight delivery service) or by email and shall be effective upon receipt, if delivered personally or by courier (including a recognized overnight delivery service) or by email, in each case addressed to Borrower or Lender. The addresses for such communications shall be:

If to Borrower:

LMFA Financing, LLC
1200 W.Platt St.
Suite 1000
Tampa, FL 33606
Telephone 813 222 8996
Attention: Bruce M. Rodgers, CEO
E-mail: bruce@lmfunding.com
If to Lender:

Esousa Holdings LLC
211 East 43rd Street, Suite 402
New York, NY 10017
Attention: Michael Wachs
Email: michael@esousallc.com

Borrower or Lender shall provide notice to the other of any change in its address.

Section 8.02 Waivers. Except for the notices expressly required by the terms of this Agreement (which rights to notice are not waived by Borrower), Borrower, for itself and its successors and assigns, hereby forever waives presentment, protest and demand, notice of protest, demand, dishonor and non-payment under this Agreement, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Agreement, and waives and renounces (to the extent allowed by law), all rights to the benefits of any statute of limitations and any moratorium, appraisement, and exemption now allowed or which may hereby be provided by any federal or state statute or decisions against the enforcement and collection of the obligations evidenced by this Agreement and any and all amendments, substitutions, extensions, renewals, increases, and modifications hereof. Borrower expressly agrees that this Agreement may be extended or subordinated, by forbearance or otherwise, from time to time, without in any way affecting the liability of Borrower. No consent or waiver by Lender with respect to any action or failure to act which without such consent or waiver would constitute a breach of any provision of this Agreement shall be valid or binding unless in writing signed by Lender and then only to the extent expressly specified therein. Neither the failure nor any delay in exercising any right, power or privilege under this Agreement, at law or equity, or otherwise available agreement, will operate as a waiver of such right, power or privilege and no single or partial exercise of any such right, power or privilege by Lender will preclude any other or further exercise of such right, power or privilege.

Section 8.03 Severability; Invalidity. Borrower and Lender intend and believe that each provision in this Agreement comports with all applicable local, state and federal laws and judicial decisions. However, if any provisions, provision, or portion of any provision in this Agreement is found by a court of competent jurisdiction to be in violation of any applicable local, state or federal ordinance, statute, law, or administrative or judicial decision, or public policy, including applicable usury laws, and if such court would declare such portion, provision or provisions of this Agreement to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties

hereto that such portion, provision or provisions shall be given force and effect to the fullest possible extent they are legal, valid and enforceable, and the remainder of this Agreement shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were severable and not contained herein, and the rights, obligations and interest of Borrower and Lender under the remainder of this Agreement shall continue in full force and effect.

Section 8.04 Assignment. Neither party may transfer, assign or delegate any of its obligations hereunder without the prior written consent of the other party. Lender shall have the right, without the consent of Borrower, to transfer or assign, in whole or in part, its rights and interests in and to any payments owed to Lender under this Agreement. This Agreement shall accrue to the benefit of all permitted successors and assigns and shall be binding upon the undersigned and its permitted successors and assigns.

Section 8.05 Amendment. The provisions of this Agreement may be amended only by a written instrument signed by Borrower and Lender.

Section 8.06 Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement and all disputes and non-contractual obligations arising from or connected with this Agreement shall be governed by and construed in accordance with procedural and substantive laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than New York.

(b) Each party irrevocably consents and agrees that the courts of the State of New York shall have exclusive jurisdiction to hear and determine any claims or disputes between the Borrower and the Lender pertaining to this Agreement or any other document or instrument related thereto or to any matter arising out of or relating to this Agreement or any other document or instrument related thereto, provided that the Lender and the Borrower each acknowledges that any appeals from those courts may have to be heard by a court located outside of the state of New York and, provided, further, that nothing in this Agreement shall be deemed or operate to preclude the Lender from bringing suit or taking other legal action against the Borrower on this Agreement or any other document or instrument related thereto in any other court of competent jurisdiction or from enforcing a judgment or other court order in favor of the Lender in any other jurisdiction, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdictions, whether concurrently or not, to the extent permitted by the law of such other jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 8.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 8.07 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.08 Survival. All covenants and agreements made by the Borrower herein and in the instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lender and shall survive the execution and delivery of this Agreement and the making of any disbursements, regardless of any investigation made by the Lender or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default at the time any credit is extended hereunder, and shall continue in full force and effect as long as the Principal Amount of or any accrued interest or any fee or any other amount payable under this Agreement is outstanding and unpaid.

Section 8.09 Counterparts; Integration. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement constitutes the entire contract among the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Agreement by pdf or telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 8.10 Headings. Article and Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

[*Remainder of page is intentionally blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Lender:

ESOUSA HOLDINGS LLC

By: /s/ Michael Wachs

Name: Michael Wachs
Title: Managing Member

Borrower:

LMFA FINANCING, LLC

By: /s/ Richard Russell

Name: Richard Russell
Title: Treasurer and CFO

SCHEDULE I
to Loan Agreement

Disbursements

Closing Date	**Disbursement Amount**
Effective Date	$1,784,250
T + 58 days	$1,425,000
T + 118 days	$1,387,500
T + 178 days	$1,350,000
T + 238 days	$1,312,500
T + 298 days	$1,275,000
T + 358 days	$1,237,500
T + 418 days	$1,200,000
T + 478 days	$1,162,500
T + 538 days	$1,162,500
T + 598 days	$1,162,500
T + 658 days	R x 77.5%
TOTALS	**$14,459,250 + (R x 77.5%)**

T = the day of the first Closing (as that term is defined in the Purchase Agreement).
R = the amount of the remaining Loan Receivables to be purchased in the final Closing (as that term is defined in the Purchase Agreement)

SCHEDULE II
to Loan Agreement

BORROWER'S BANK ACCOUNT

BANK ACCOUNT: _____

ACCOUNT NUMBER: _____

SWIFT: _____

ABA: _____

LENDER'S BANK ACCOUNT

BANK ACCOUNT: _____

ACCOUNT NUMBER: _____

SWIFT: _____

ABA: _____

Exhibit 10.14

SETTLEMENT AGREEMENT AND STIPULATION

This SETTLEMENT AGREEMENT AND STIPULATION (this "**Agreement**"), is dated as of December 14, 2020, by and between plaintiff LMFA Financing, LLC, a Florida limited liability company (the "**Creditor**") and defendant Borqs Technologies, Inc., a company incorporated in the British Virgin Islands, with headquarters located at Building B23-A, Universal Business Park No. 10 Jiuxianqiao Road Chaoyang District, Beijing 100015, China (the "**Company**").

WHEREAS, the Creditor has entered into that certain Purchase Agreement (as defined below) whereby Creditor has agreed to acquire all rights, title and interest of the Original Creditor (as defined below) in the Debt (as defined below);

WHEREAS, the Debt represents bona fide outstanding liabilities of the Company and the Company acknowledges that all such liabilities are past due pursuant to the terms of the agreements governing their collection; and

WHEREAS , the Company and the Creditor desire to resolve, settle, and compromise the Debt through the issuance of Ordinary Shares (as defined below) pursuant to the terms of this Agreement and in reliance upon the exemption from securities registration afforded by Section 3(a)(10) of the Securities Act of 1933, as amended (the "**Securities Act**").

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the Company and the Creditor hereby agree as follows:

1. FAIRNESS HEARING. Upon the execution hereof, Company and Creditor agree to promptly submit the terms and conditions of this Agreement to the Court for a hearing on the fairness of such terms and conditions and the issuance of the Ordinary Shares hereunder (the "**Settlement Shares**") and take all such other actions necessary such that the issuance of the Settlement Shares hereunder is exempt from registration pursuant to Section 3(a)(10) of the Securities Act. This Agreement shall become binding upon the parties only upon entry of an order by the Court substantially in the form annexed hereto as Exhibit A (the "**Order**"). In order to enable the Court to grant specific enforcement or other equitable relief in connection with this Agreement, (a) the parties consent to the jurisdiction of the Court for purposes of entering the Order and enforcing this Agreement, and (b) each party to this Agreement expressly waives any contention that there is an adequate remedy at law or any like doctrine that might otherwise preclude injunctive relief to enforce this Agreement.

2. SETTLEMENT OF DEBT.

(a) Settlement Shares. Following entry of the Order by the Court in accordance with Section 1 herein, in settlement of the Creditor's claim to the Debt, the Company shall issue and deliver to Creditor the Settlement Shares in tranches (each a "**Tranche**"), each at the applicable Tranche Price (as defined below) and subject to adjustment, ownership limitations and other terms and conditions as set forth in this Agreement.

(b) Tranche Rate. The number of Settlement Shares issuable in each Tranche shall be determined by dividing (x) the Tranche Amount (as defined below) with respect to such portion of the Debt, multiplied by 1.4286, by (y) the Tranche Price, subject to adjustment as described in Section 2(c) below.

(c) Adjustment to Number of Settlement Shares .

(i) It is the intention of the parties that the total number of Settlement Shares issued shall be based upon an average trading price of the Ordinary Shares for a specified period of time subsequent to the delivery of a Tranche Notice (as defined below). Subject to the limitations set forth in Section 2(e), the total number of Ordinary Shares to be issued to Creditor in connection with each Tranche shall be adjusted on the Business Day immediately following the Pricing Period (the "**Adjustment Date**") and issued within two (2) Trading Days after such Adjustment Date, as follows: (A) if the number of Adjusted Share Count exceeds the number of Settlement Shares that had previously been issued in such Tranche (including Settlement Shares issued pursuant to the Creditor's notice under Section 2(c)(ii)), then the Company will issue and deliver to Creditor in the same manner as described in Section 2(d) below additional Ordinary Shares equal to the difference between (I) the total number of Adjusted Share Count and (II) the number of Settlement Shares previously issued in such Tranche, and (B) if the number of Adjusted Share Count is less than the number of Settlement Shares that had previously been issued in such Tranche (including Settlement Shares issued pursuant to the Creditor's notice under Section 2(c)(ii)), then Creditor will return to the Company for cancellation that number of Ordinary Shares equal to the difference between (a) the number of Settlement Shares issued pursuant to such Tranche and (b) the total number of Adjusted Share Count. For purposes of this Agreement, "**Adjusted Share Count**" means the number of shares determined by dividing (x) the Tranche Amount by (y) the lesser of (I) seventy percent (70.0%) of the VWAP of the Ordinary Shares over the Pricing Period for such Tranche (the " **Adjustment Price**"), or (II) the Adjustment Price for the immediately prior Tranche; provided, however, that if the calculation of the Adjustment Price would result in the Adjustment Price being less than $0.10 per share, then the Adjustment Price shall be $0.10 per share. All such determinations in accordance with this Section 2(c)(i) will be appropriately adjusted for any stock split, stock dividend, reverse stock split, stock combination or other similar transaction during any such measuring period.

(ii) Subject to the limitations set forth in Section 2(e) below, at any time during a Pricing Period but prior to the applicable Adjustment Date, if the Closing Sale Price of the Ordinary Shares is below 90% of the applicable Tranche Price, Creditor may deliver a written notice to the Company by facsimile or email requesting that additional Ordinary Shares be delivered to the Creditor as if the date of such notice were an Adjustment Date, and the additional Ordinary Shares were calculated in accordance with Section 2(c)(i). On or before the first Trading Day following delivery of each such notice, the Company shall deliver to Creditor, in compliance with the procedure set forth in Section 2(d) below, the number of additional Ordinary Shares requested in the notice.

(d) Mechanics of Issuing Settlement Shares.

(i) Tranche Notice and Issuance . The Creditor shall from time to time deliver (whether via facsimile or otherwise) a copy of an executed Tranche Notice in the form attached hereto as Exhibit B (the "**Tranche Notice**"). Each Tranche Notice shall be received only after 4:00 p.m. and on or prior to 11:59 p.m., New York time (the date of receipt, in each case, the " **Tranche Notice Date**") The Creditor shall calculate and state in the Tranche Notice the Tranche Amount, the Tranche Price and the number of Settlement Shares issuable by the Tranche Delivery Deadline. On or before the first Trading Day following the Tranche Notice Date, the Company shall transmit by facsimile or otherwise an acknowledgment, substantially in the form attached hereto in Exhibit B, of receipt of such Tranche Notice, and shall deliver to the Company's transfer agent ("the **Transfer Agent** ") the instruction to issue such Settlement Shares, such that on or before the date that is one Trading Day following the Tranche Notice Date (in each case, the "**Tranche Delivery Deadline**") the Company, through its Transfer Agent, shall, credit such Settlement Shares to which the Creditor shall be entitled to the Creditor's balance account with The Depository Trust Company's (the "**DTC**") through its Deposit/Withdrawal at Custodian ("**DWAC**")

service. The Creditor shall be treated for all purposes as the beneficial holder of such Settlement Shares on the Tranche Delivery Deadline.

(ii) Company's Failure to Timely Deliver. If the Company shall fail, for any reason or for no reason, to credit to the Creditor's balance account with DTC by the Tranche Delivery Deadline, such number of Ordinary Shares to which the Creditor is entitled in such Tranche (as the case may be) (a "**Share Delivery Failure**") and, prior to the Company curing such Share Delivery Failure, the Creditor purchases (in an open market transaction or otherwise) Ordinary Shares to deliver in satisfaction of a sale by the Creditor or its designee of all or any portion of the number of Ordinary Shares, or a sale of a number of Ordinary Shares equal to all or any portion of the number of Ordinary Shares, issuable by such applicable Tranche Delivery Deadline that the Creditor or its designee so anticipated receiving from the Company, then, in addition to all other remedies available to the Creditor or its designee, the Company shall, within three (3) Business Days after receipt of the Creditor's or its designee's written request, pay cash to the Creditor or its designee, as applicable, in an amount equal to the Creditor's or its designee's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Ordinary Shares so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Creditor), at which point the Company's obligation to so credit the Creditor's or its designee's balance account with DTC for the number of Ordinary Shares to which the Creditor is entitled hereunder (as the case may be) shall terminate to the extent of such Ordinary Shares so purchased.

(iii) Delivery of Shares Not In Dispute. In the event of a dispute as to the number of Ordinary Shares issuable to the Creditor in connection with a Tranche, including a dispute regarding the adjustment to the number of Ordinary Shares to be delivered following a Pricing Period, the Company shall issue to the Creditor the number of Ordinary Shares not in dispute.

(e) Limitations on Issuance. Notwithstanding anything to the contrary contained in the notes, certificates or other instruments representing the Debt, and subject to the provisions of this Section 2(e), the Company shall not issue any Ordinary Shares pursuant hereto, to the extent (but only to the extent) that after giving effect to such share issuance the Creditor (together with its Affiliates) would beneficially own in excess of 9.9% (the "**Maximum Percentage**") of the Ordinary Shares. Under no circumstances can the Maximum Percentage limitation be amended on less than 61 days' notice, if, as a result of such amendment, the Maximum Percentage is amended to be above 9.9%. No prior inability to issue Ordinary Shares pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination. For purposes of this paragraph, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "**Exchange Act**"). The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. For any reason at any time until all Settlement Shares have been issued, upon the written or oral request of the Creditor, the Company shall within one (1) Business Day confirm orally and in writing to the Creditor the number of Ordinary Shares then outstanding, including by virtue of any prior conversion, exchange or exercise of convertible or exercisable securities into Ordinary Shares, including, without limitation, pursuant to this Agreement. In addition, under no circumstances whatsoever may the aggregate number of Ordinary Shares issued to the Creditor pursuant to this Agreement at any time exceed 19.9% of the total number of Ordinary Shares outstanding or of the voting power of the Ordinary Shares (the "**Exchange Maximum**") as of the date of this Agreement unless the Company has obtained shareholder approval to authorize the issuance of Ordinary Shares as settlement for all of the Debt on the terms and conditions set forth in this Agreement pursuant to the listing requirements of the Principal Market

(the "**Shareholder Approval**") and thereafter the approval from the Principal Market ("**Exchange Approval**"); provided, however, that the Exchange Maximum shall not apply if the issuance of Ordinary Shares as settlement for all of the Debt on the terms and conditions set forth in this Agreement without Shareholder Approval will not cause the Company to violate the listing requirements of the Principal Market applicable to the Company.

(f) Early Termination of Pricing Period. During any Pricing Period, upon the Creditor's written notice in accordance with Section 9(q) to the Company to terminate such Pricing Period, such Pricing Period shall terminate (i) as of the date immediately prior to the effective date of such notice, if such notice is effective on or before 4 pm New York time on such effective date, or (ii) as of the effective date of such notice, if such notice is effective after 4 pm New York time on such effective date.

(g) Stipulation of Dismissal. The parties hereto expressly agree that a stipulation of dismissal substantially in the form annexed hereto as Exhibit C (the "**Stipulation of Dismissal**") shall be filed at the time that Company has fully complied with all of its obligations under this Agreement.

(h) Releases. Upon receipt of all of the Settlement Shares for and in consideration of the terms and conditions of this Agreement, and except for the obligations, representations and covenants arising or made in this Agreement (including the provisions of Section 7 hereof), the parties hereby release, acquit and forever discharge the other and each, every and all of their current and past officers, directors, shareholders, affiliated corporations, subsidiaries, agents, employees, representatives, attorneys, predecessors, successors and assigns, of and from any and all claims, damages, cause of action, suits and costs, of whatever nature, character or description, whether known or unknown, anticipated or unanticipated, which the parties may now have or may hereafter have or claim to have against each other with respect to the Debt. Nothing contained herein shall be deemed to negate or affect Creditor's right and title to any securities heretofore issued to it by Company or any subsidiary of Company.

(i) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "**Affiliate**" means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control**,**" when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have correlative meanings.

(ii) "**Approved Stock Plan**" means any employee benefit plan which has been approved by the board of directors of the Company prior to or subsequent to the date hereof pursuant to which Ordinary Shares and standard options to purchase Ordinary Shares or restricted stock units to acquire Ordinary Shares may be issued to any employee, officer, consultant or director for services provided to the Company in their capacity as such.

(iii) "**Bloomberg**" means Bloomberg, L.P.

(iv) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(v) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price (as the case may be) then

the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC).

(vi) "**Convertible Securities**" means any capital stock, warrants, notes, rights, options or other security of the Company or any of its subsidiaries that is at any time and under any circumstances directly or indirectly convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any capital stock or other security of the Company (including, without limitation, Ordinary Shares) or any of its subsidiaries.

(vii) "**Court**" means the Circuit Court of the 11 th Judicial Circuit, in and for Miami-Dade County, Florida] or such other court as may be agreed by the parties.

(viii) "**Debt**" means the outstanding principal amount, and all accrued but unpaid interest, fees, penalties, expenses or adjustments, if any, under certain loan agreements and other debt of the Company or its direct or indirect subsidiaries up to the amounts purchased by Creditor pursuant to the Purchase Agreement.

(ix) "**Encumbrances**" shall mean any security or other property interest or right, claim, lien, pledge, option, charge, security interest, contingent or conditional sale, or other title claim or retention agreement, interest or other right or claim of third parties, whether perfected or not perfected, voluntarily incurred or arising by operation of law, and including any agreement (other than this Agreement) to grant or submit to any of the foregoing in the future.

(x) "**Excluded Securities**" means (A) the Settlement Shares; (B) Ordinary Shares issued in connection with an Approved Stock Plan; (C) Ordinary Shares issued in connection with a bona fide acquisition; and (D) up to 3,000,000 Ordinary Shares issuable to contractors and/or consultants of the Company not included in the Approved Stock Plan.

(xi) "**Ordinary Shares**" means the Ordinary shares, no par value, of the Company and any other shares of stock issued or issuable with respect thereto (whether by way of a stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, distribution, recapitalization, merger, consolidation, other corporate reorganization or other similar event with respect to the Ordinary Shares).

(xii) "**Original Creditor**" means, collectively, Partners for Growth IV L.P. and Partners for Growth V L.P.

(xiii) "**Person**" means any individual, partnership, firm, corporation, limited liability company, joint venture, corporation, association trust, unincorporated organization, government or any department or agency thereof, or any other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d) of the Exchange Act.

(xiv) "**Pricing Period**" means, subject to early termination of the Pricing Period pursuant to Section 2(f), with respect to each Tranche, the period commencing on the date after the date on

which the Creditor receives the number of Settlement Shares stated in the applicable Tranche Notice and ending on the date that is 45 days after such receipt, provided the Creditor, at its sole discretion, may elect to not include in the Pricing Period (A) any period commencing on the date on which the Creditor submits a Tranche Notice and ending on the date after the date on which the Creditor receives the Settlement Shares identified by such Tranche Notice; (B) any period commencing on the date on which the Creditor submits a notice pursuant to Section 2(c)(ii) and ending on the date after the date on which the Creditor receives the Settlement Shares identified in such notice; and (C) any period commencing on the date on which the Creditor reaches the Exchange Maximum and ending on the date after the date on which the Company has received Exchange Approval and the Creditor has received additional Settlement Shares.

(xv) "**Principal Market**" means the Nasdaq Global Select Market.

(xvi) "**Purchase Agreement**" means that certain Loan Receivable Purchase Agreement, dated as of the date hereof, between the Creditor and the Original Creditor

(xvii) "**Subsequent Placement**" means any, direct or indirect, issuance, offer, sale, grant of any option or right to purchase, or otherwise disposition of (or announcement of any issuance, offer, sale, grant of any option or right to purchase or other disposition of) any equity security or any equity-linked or related security (including, without limitation, any "equity security" (as that term is defined under Rule 405 promulgated under the Securities Act), any Convertible Securities, any debt, any preferred stock or any purchase rights) of the Company or any of its subsidiaries, in each case agreed or committed to by the Company or its subsidiaries after the date hereof.

(xviii) "**Trading Day**" means any day on which the Ordinary Shares is traded on the principal securities exchange or securities market on which the Ordinary Shares is then traded, provided that "Trading Day" shall not include any day on which the Ordinary Shares is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Ordinary Shares is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Creditor.

(xix) "**Tranche Amount**" means that portion of the Debt that has been purchased by the Creditor, as identified in a Tranche Notice, the settlement of which forms the basis of the calculation of the Settlement Shares issued in such Tranche.

(xx) "**Tranche Price**" means the Closing Bid Price effective on the day immediately prior to the applicable Tranche Notice Date (as may be appropriately adjusted for any stock split, stock dividend, reverse stock split, stock combination or other similar transaction); provided, however, that upon the Creditor's election upon submission of the Tranche Notice, which Creditor may exercise such election in its sole discretion, the Tranche Price shall be the same as the Tranche Price of a prior Tranche.

(xxi) "**VWAP**" means, for any security as of any period, the dollar volume-weighted average price for such security on the principal securities exchange or securities market on which such security is then traded during the period beginning on the first day of the period at 9:30:01 a.m., New York time, and ending on the last day of the period at 4:00:00 p.m., New York time, as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning on the first day of the period at 9:30:01 a.m., New York time, and ending on the last day of the period at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the

average of the highest Closing Bid Price and the lowest closing ask price of any of the market makers for such security as reported in the " pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such dates shall be the fair market value as mutually determined by the Company and the Creditor. All such determinations shall be appropriately adjusted for any stock dividend, stock split, reverse stock split, stock combination, recapitalization or other similar transaction during such period.

3. REPRESENTATIONS AND WARRANTIES AND COVENANTS.

(a) Company's Representations. The Company hereby represents and warrants and covenants to the Creditor, as of the date hereof and each other date in which the Company issues Settlement Shares to the Creditor, as follows:

(i) Each of the Company and its subsidiaries are entities duly organized and validly existing and in good standing under the laws of the jurisdiction in which they are formed, and have the requisite power and authorization to own their properties and to carry on their business as now being conducted and as presently proposed to be conducted. Each of the Company and its subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect. As used in this Agreement, "**Material Adverse Effect**" means any material adverse effect on (A) the business, properties, assets, liabilities, operations (including results thereof), condition (financial or otherwise) of the Company and its subsidiaries taken as a whole, or (B) the authority or ability of the Company to perform any of its obligations under any of the Settlement Documents (as defined below). Other than its subsidiaries, there is no Person in which the Company, directly or indirectly, owns share capital or holds an equity or similar interest.

(ii) The Company has the requisite power and authority to enter into and perform its obligations under this Agreement and each of the other agreements entered into by the parties hereto in connection with the transactions contemplated by this Agreement (collectively, the "**Settlement Documents**") and to issue the Settlement Shares in accordance with the terms hereof and thereof. The execution and delivery of the Settlement Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Settlement Shares have been duly authorized by the Company's Board of Directors and no further filing (other than a Form 6-K and the applicable shareholder approval and notification regarding the listing of additional shares), consent, or authorization is required by the Company, its Board of Directors or its stockholders. This Agreement and the other Settlement Documents have been duly executed and delivered by the Company, and constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies and except as rights to indemnification and to contribution may be limited by federal or state securities laws.

(iii) The execution, delivery and performance of the Settlement Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, each Tranche and the reservation and issuance of the Settlement Shares) will not (A) result in a violation of the Memorandum of Association (as defined below) or other organizational documents of the Company or any of its subsidiaries or any share capital of the Company or any of its subsidiaries, (B) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or

cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, or (C) result in a violation of any law, rule, regulation, order, judgment or decree, including foreign, federal and state securities laws and regulations and the rules and regulations of the Principal Market applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected except, in the case of clause (B) or (C) above, to the extent such violations that could not reasonably be expected to have a Material Adverse Effect.

(iv) Other than the entry of the Order, neither the Company nor any of its subsidiaries is required to obtain any consent from, authorization or order of, or make any filing (other than a Form 6-K and the applicable notification regarding the listing of additional shares and receipt of Exchange Approval, if applicable) or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other Person in order for it to execute, deliver or perform any of its respective obligations under or contemplated by the Settlement Documents, in each case, in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings (other than a Form 6-K and the applicable notification regarding the listing of additional shares) and registrations which the Company or any of its subsidiaries is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the applicable Tranche Notice Date, including Exchange Approval, if applicable, and neither the Company nor any of its subsidiaries are aware of any facts or circumstances which might prevent the Company or any of its subsidiaries from obtaining or effecting any of the registration, application or filings contemplated by the Settlement Documents. As of the date of this Agreement, the Company is not in violation of the requirements of the Principal Market and has no knowledge of any facts or circumstances which could reasonably lead to delisting or suspension of the Ordinary Shares in the foreseeable future.

(v) On each date the Company issues Settlement Shares to the Creditor, all share transfer or other taxes (other than income or similar taxes) which are required to be paid in connection with the issuance of the Settlement Shares to be exchanged with the Creditor hereunder on such date will be, or will have been, fully paid or provided for by the Company, and all laws imposing such taxes will be or will have been complied with.

(vi) The Company has, during the preceding 12 months, filed with the SEC all reports and other materials required to be filed by Section 13 or 15(d) of the Exchange Act, as applicable (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "**SEC Documents**"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto as in effect as of the time of filing. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which will not be material, either individually or in the aggregate). No other information provided by or on behalf of the Company to the Creditor which is not included in the SEC Documents contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein not misleading, in the light of the circumstance under which they are

or were made. There is no event, pending event or threatened event that could result in the Company not filing with the SEC all reports and other materials required to be filed by Section 13 or 15(d) of the Exchange Act, as applicable, in compliance in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to such filings. For so long as the Company remains obligated to issue Settlement Shares pursuant to this Agreement, the Company shall timely file all reports required to be filed with the SEC pursuant to the Exchange Act, and the Company shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would no longer require or otherwise permit such termination.

(vii) The Company represents that the Debt is a bona-fide claim against the Company and that the loan agreement, promissory notes and other documentation associated with the Debt are accurate representations of the nature of the Debt and the amounts owed by the Company to Creditor.

(viii) As of the date hereof, the authorized share capital of the Company consists of: (A) an unlimited number of Ordinary Shares, of which, 49,432,590 Ordinary Shares are issued and outstanding. All of such outstanding shares are duly authorized and have been, or upon issuance will be, validly issued and are fully paid and nonassessable. Except as disclosed in SEC Documents: (A) none of the Company's or any subsidiary's share capital is subject to preemptive rights or any other similar rights or any liens or Encumbrances suffered or permitted by the Company or any subsidiary; (B) there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any share capital of the Company or any of its subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its subsidiaries is or may become bound to issue additional share capital of the Company or any of its subsidiaries or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any share capital of the Company or any of its subsidiaries; (C) except for the Debt and all other debt securities, notes, credit agreements, credit facilities or other agreements, documents or instruments disclosed in the SEC Documents, there are no outstanding debt securities, notes, credit agreements, credit facilities or other agreements, documents or instruments evidencing indebtedness of the Company or any of its subsidiaries or by which the Company or any of its subsidiaries is or may become bound; (D) other than with respect to the current indebtedness of the Company or any of its subsidiaries, there are no financing statements securing obligations in any amounts filed in connection with the Company or any of its subsidiaries; (E) there are no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of their securities under the Securities Act; (F) there are no outstanding securities or instruments of the Company or any of its subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its subsidiaries is or may become bound to redeem a security of the Company or any of its subsidiaries; (G) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Settlement Shares; (H) neither the Company nor any subsidiary has any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement; and (I) neither the Company nor any of its subsidiaries have any liabilities or obligations required to be disclosed in the SEC Documents which are not so disclosed in the SEC Documents, other than those incurred in the ordinary course of the Company's or its subsidiaries' respective businesses and which, individually or in the aggregate, do not or could not have a Material Adverse Effect. The Company will furnish to the Creditor upon Creditor's written request true, correct and complete copies of the Company's Memorandum of Association, as amended and as in effect on the date hereof (the "**Memorandum of Association**"), and the terms of all securities convertible into, or exercisable or exchangeable for, Ordinary Shares and the material rights of the holders thereof in respect thereto that have not been disclosed in the SEC Documents or is not otherwise available in documents filed by the Company with the SEC.

(ix) The Company confirms that neither it nor any other Person acting on its behalf has provided the Creditor or its agents or counsel with any information that constitutes or could reasonably be expected to constitute material, non-public information concerning the Company or any of its subsidiaries, other than the existence of the transactions contemplated by this Agreement and the other Agreements. The Company understands and confirms that the Creditor will rely on the foregoing representations in effecting transactions in securities of the Company. To the knowledge of the Company after reasonable inquiry, all disclosures provided to the Creditor regarding the Company and its subsidiaries, their businesses and the transactions contemplated hereby, including the schedules to this Agreement, furnished by or on behalf of the Company or any of its subsidiaries is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(x) When issued and delivered, the Settlement Shares shall be validly issued and outstanding, fully paid and nonassessable, free and clear of all liens, Encumbrances and rights of refusal of any kind. Upon issuance in accordance herewith and subject to the representations and warranties and covenants of the Creditor set forth in Section 3(b) having been and remaining at such issuance true and correct, the Settlement Shares will be exempt from the registration requirements of the Securities Act under Section 3(a)(10) of the Securities Act and all of such Settlement Shares, will be caused by the Company to be freely transferable and freely tradable by the Creditor without restriction pursuant to Rule 144, including, without limitation Rule 144(d)(3)(ii), of the Securities Act by requesting the Transfer Agent to remove restrictive legends from the Settlement Shares. Neither any Settlement Shares issuable hereunder nor any certificates evidencing any of such Settlement Shares (if a certificate therefor is requested in writing by the Creditor) shall bear any restrictive or other legends or notations. The Company shall not, and the Company shall cause all other Persons to not, issue any stop-transfer order, instruction or other restriction with respect to any such Settlement Shares.

(xi) The Company represents that it has not paid, and shall not pay, any commissions or other remuneration, directly or indirectly, to any third party for the solicitation of any Tranche pursuant to this Agreement. Other than the settlement of Creditor's claims to the Debt, the Company has not received and will not receive any consideration from the Creditor for the Settlement Shares to be issued pursuant to this Agreement.

(xii) To the Company's knowledge, neither the Creditor nor any of its Affiliates, (A) is or was an officer, director, 10% shareholder, control person, or Affiliate of the Company within the last 90 days, or (B) has or will, directly or indirectly, provide any consideration to or invest in any manner in the Company in exchange or consideration for, or otherwise in connection with, the sale or satisfaction of the Debt, other than pursuant to this Agreement.

(xiii) The Company acknowledges and agrees that (A) the issuance of Settlement Shares pursuant to this Agreement may have a dilutive effect, which may be substantial, (B) neither the Company nor any of the Company's Affiliates has or will provide the Creditor with any material non-public information regarding the Company or its securities, and (C) the Creditor has no obligation of confidentiality to the Company and may sell any of its Settlement Shares issued pursuant to this Agreement at any time but subject to compliance with applicable laws and regulations.

(xiv) The Company acknowledges and agrees that with respect to this Agreement and the transactions contemplated hereby, (A) the Creditor is acting solely in an arm's length capacity, (B) the Creditor does not make and has not made any representations or warranties, other than those specifically set forth in this Agreement, (C) except as set forth in this Agreement, the Company's obligations hereunder are unconditional and absolute and not subject to any right of set off, counterclaim,

delay or reduction, regardless of any claim the Company may have against the Creditor, (D) the Creditor has not and is not acting as a legal, financial, accounting or tax advisor to the Company, or agent or fiduciary of the Company, or in any similar capacity, and (E) any statement made by the Creditor or any of the Creditor's representatives, agents or attorneys is not advice or a recommendation to the Company.

(xv) Except as disclosed in SEC Documents, the Company has not, in the 12 months preceding the date of this Agreement, received notice from any national securities exchange or automated quotation system on which the Ordinary Shares are listed or designated for quotation to the effect that the Company is not in compliance with the listing or maintenance requirements of such national securities exchange or automated quotation system. As of the date of this Agreement, to the Company's actual knowledge based solely on absence of, as of the date hereof, any notice from any such securities exchange or automated quotation system that the Company is not in compliance with the listing or maintenance requirements of such national securities exchange or automated quotation system, the Company is in compliance with all such listing and maintenance requirements.

(xvi) The Company, through its Transfer Agent, currently participates in the DTC Fast Automated Securities Transfer ("**FAST**") Program and utilizes DTC's DWAC service, and the Ordinary Shares may be issued and transferred electronically to third parties via DTC's DWAC service. The Company has not, in the 12 months preceding the date of this Agreement, received any notice from DTC to the effect that a suspension of, or restriction on, accepting additional deposits of the Ordinary Shares, or electronic trading or settlement services with respect to the Ordinary Shares are being imposed or are contemplated by DTC.

(xvii) The Company and its board of directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, interested stockholder, business combination, or other similar antitakeover provision under the Memorandum of Association or other organizational documents of the Company, as currently in effect, or the laws of the jurisdiction of its incorporation or otherwise which is or could become applicable as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of Settlement Shares hereunder and the Creditor's ownership of such Settlement Shares, together with all other securities now or hereafter owned or acquired by the Creditor. The Company and its board of directors have taken all necessary action, if any, in order to render inapplicable any shareholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Settlement Shares or a change in control of the Company or any of its subsidiaries. Until the earlier of the time that the Creditor no longer beneficially owns any Settlement Shares or March 31, 2021, the Company and its board of directors shall not adopt any anti-takeover provision, including without limitation any shareholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Ordinary Shares, that would limit the ability of Creditor to acquire or hold Settlement Shares in accordance with this Agreement, without the Creditor's written consent.

(xviii) The Company shall take such action as the Creditor shall reasonably determine is necessary in order to qualify the Settlement Shares issuable to the Creditor hereunder under applicable securities or "blue sky" laws of the states of the United States for the issuance to the Creditor hereunder and for resale by the Creditor to the public (or to obtain an exemption from such qualification). Without limiting any other obligation of the Company hereunder, the Company shall timely make all filings and reports relating to the offer and issuance of such Settlement Shares required under all applicable securities laws (including, without limitation, all applicable federal securities laws and all applicable state securities or "blue sky" laws), and the Company shall comply with all applicable federal, state, local and foreign laws, statutes, rules, regulations and the like relating to the offering and issuance of such Settlement Shares to the Creditor.

(xix) The Company's Ordinary Shares are listed on the Principal Market (or traded on other exchange or market reasonably acceptable to the Purchaser).

(xx) No suspension of trading of the Company's Ordinary Shares is in effect.

(xxi) No injunctions or other legal proceedings relating to the Tranche is pending or threatened against the Company.

(xxii) The Company has delivered to the Creditor and the Company's transfer agent an opinion of counsel in a form acceptable to the Creditor, to the effect that the Ordinary Shares issued hereunder are legally issued, fully paid and non-assessable, are exempt from registration under the Securities Act, may be issued without restrictive legend, and may be resold by Creditor without restriction.

(xxiii) Except as disclosed in SEC Documents, the Company is not in a default under, or has given to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party.

(b) Creditor Representations. The Creditor hereby makes the following representations, warranties and covenants, as of the date hereof and each other date in which the Creditor delivers a Tranche Notice for issuance of the Settlement Shares, as follows:

(i) The Creditor is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite power and authority to enter into and to consummate the transactions contemplated hereby to which it is a party and otherwise to carry out its obligations hereunder and thereunder.

(ii) The Creditor owns and holds, beneficially and of record, the entire right, title, and interest in and to the Debt included in each Tranche Notice, free and clear of all rights and Encumbrances. The Creditor has full power and authority to release, acquit and forever discharge the Debt included in each Tranche Notice.

(iii) The Creditor understands that the Settlement Shares are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and the Creditor's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Creditor set forth herein in order to determine the availability of such exemptions and the eligibility of the Creditor to acquire the Settlement Shares.

(iv) This Agreement has been duly and validly authorized, executed and delivered on behalf of the Creditor and constitute the legal, valid and binding obligations of the Creditor enforceable against the Creditor in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(v) The execution, delivery and performance by the Creditor of this Agreement and the consummation by the Creditor of the transactions contemplated hereby and thereby will not (A) result in a violation of the organizational documents of the Creditor or (B) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Creditor is a party, or (C) result in a violation of any law, rule, regulation, order,

judgment or decree (including federal and state securities laws) applicable to the Creditor, except in the case of clauses (B) and (C) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the ability of the Creditor to perform its obligations hereunder.

(vi) As of the date of this Agreement and during the 90 calendar days prior to the date of this Agreement, neither the Creditor nor any Affiliate thereof is or was an officer, director, or 10% or more shareholder of the Company.

(vii) Creditor represents that it has not paid, and shall not pay, any commissions or other remuneration, directly or indirectly, to any third party for the solicitation of any Settlement Shares pursuant to this Agreement and no additional consideration from the Creditor was received or will be received by the Company for the Settlement Shares.

(viii) Creditor understands and acknowledges that the issuance and transfer to it of the Settlement Shares has not been reviewed by the United States Securities and Exchange Commission or any state securities regulatory authority because such transaction is intended to be exempt from the registration requirements of the Securities Act, and applicable state securities laws. Creditor understands that the Company is relying upon the truth and accuracy of, and Creditor's compliance with, the representations, warranties, acknowledgments and understandings of Creditor set forth herein in order to determine the availability of such exemptions and the eligibility of Creditor to acquire the Settlement Shares.

(ix) Creditor has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of Creditor's investment in the Company through Creditor's acquisition of the Settlement Shares. Creditor is able to bear the economic risk of its investment in the Company through Creditor's acquisition of the Settlement Shares for an indefinite period of time. At the present time, Creditor can afford a complete loss of such investment and has no need for liquidity in such investment.

(x) Creditor acknowledges that it has prior investment experience and that it recognizes and fully understands the highly speculative nature of Creditor's investment in the Company pursuant to its acquisition of the Settlement Shares. Creditor acknowledges that it, either alone or together with its professional advisors, has the capacity to protect its own interests in connection with this transaction.

(xi) Creditor represents and warrants that it was not induced to invest in the Company (pursuant to the issuance to it of the Settlement Shares) by any form of general solicitation or general advertising, including, but not limited to, the following: (a) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media (including via the Internet) or broadcast over the news or radio or (b) any seminar or meeting whose attendees were invited by any general solicitation or advertising.

(xii) Creditor agrees that neither it nor its Affiliates, agents or representatives shall at any time engage in any short sales of, or sell put options or similar instruments with respect to, the Company's Ordinary Shares or any other Company's securities.

4. RESTRICTION ON SUBSEQUENT PLACEMENTS.

(a) At any time until the date that is 30 days after Creditor has received all Ordinary Shares to which it is entitled pursuant to the terms of this Agreement, neither the Company nor any of its subsidiaries shall, directly or indirectly, effect any Subsequent Placement.

(b) The restrictions contained in this Section 4 shall not apply in connection with the issuance of any Excluded Securities; provided, however, that, until the date that is 30 days after Creditor has received all Ordinary Shares to which it is entitled pursuant to the terms of this Agreement, the Company shall not register the offer and sale, or subsequent resale, of any Excluded Securities under the Securities Act.

5. EXCLUSIVITY. During the period commencing on the date hereof and ending on the later of 10 calendar days after the end of the Pricing Period or such time as when the Company has satisfied its obligation to issue all Settlement Shares that may be issued pursuant to this Agreement, the Company shall not, without the prior written consent of the Creditor, (a) enter into, effect, alter, announce or recommend to its shareholders any transaction whereby the Company directly or indirectly issues equity or debt securities of the Company to a party in exchange for outstanding equity or debt securities (other than ordinary exercise of Convertible Securities), claims or property interests, or partly in such exchange and partly for cash, in one or more transactions carried out pursuant to Section 3(a)(9) or Section 3(a)(10) of the Securities Act (any such transaction, an "**Exchange Transaction**"), or (b) otherwise cooperate in any way, assist or participate in, facilitate or encourage any effort or attempt by any Person (other than the Creditor) to seek an Exchange Transaction involving the Company or any of its subsidiaries. The Company, its Affiliates, and each of its and their respective officers, employees, directors, agents or other representatives shall immediately cease and cause to be terminated all existing discussions, conversations, negotiations and other communications with any Persons (other than the Creditor) with respect to any of the foregoing.

6. DISCLOSURE.

(a) Prior to the earlier of (i) the opening time for trading stocks on public securities exchanges located in New York City on the first Trading Day immediately following the date of this Agreement and (ii) the initial Tranche Delivery Deadline, time being of the essence, the Company shall file a Current Report on Form 6-K with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act disclosing all of the material terms of this Agreement, and disclosing all other material, nonpublic information (if any) delivered to the Creditor (or the Creditor's representatives or agents) by the Company or any of its officers, directors, employees, agents or representatives, if any, in connection with the Debt, any Tranche, any Original Creditor or the transactions contemplated by this Agreement, and attaching a copy of this Agreement as an exhibit thereto (the " **6-K Filing**"). From and after the 6-K Filing, neither the Company nor any of its officers, directors, employees, agents or representatives shall disclose any material non-public information about the Company to the Creditor (or the Creditor's representatives or agents), unless prior thereto the Company shall have filed a Current Report on Form 6-K with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act disclosing all such material non-public information.

(b) Neither the Company, its subsidiaries nor the Creditor shall issue any press releases or any other public statements with respect to the transactions contemplated hereby; provided, however, the Company and the Creditor shall be entitled to issue any press release or make other public disclosure with respect to such transactions (i) in substantial conformity with the 6-K Filing and contemporaneously therewith and (ii) as is required by applicable law and regulations (provided that each party shall consult the other party in connection with any such press release or other public disclosure prior to its release).

7. INDEMNIFICATION.

(a) In consideration of the Creditor's execution and delivery of the Settlement Documents to which it is a party and acquiring the Ordinary Shares thereunder and in addition to all of the Company's other obligations under the Settlement Documents, the Company shall indemnify the Creditor and all of their shareholders, partners, members, officers, directors, employees (collectively, the "**Creditor**

Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Creditor Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "**Indemnified Liabilities**") incurred by any Creditor Indemnitee as a result of, or arising out of, or relating to (i) any material misrepresentation or breach of any representation or warranty made by the Company in any of the Settlement Documents or (ii) any material breach of any covenant, agreement or obligation of the Company contained in any of the Settlement Documents.

(b) In consideration of the Company's execution and delivery of the Settlement Documents to which it is a party and agreeing to issue (subject to the terms hereof) the Shares thereunder and in addition to all of the Creditor's other obligations under the Settlement Documents, the Creditor shall indemnify the Company and all of their shareholders, partners, members, officers, directors, employees and counsel (collectively, the "**Company Indemnitees**") from and against any and all Indemnified Liabilities incurred by any Company Indemnitee as a result of, or arising out of, or relating to (i) any misrepresentation or breach of any representation or warranty made by the Creditor in any of the Settlement Documents, (ii) any material breach of any covenant, agreement or obligation of the Creditor contained in any of the Settlement Documents.

(c) Promptly after receipt by a Company Indemnitee or Creditor Indemnitee (as applicable) under this Section 7 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving an Indemnified Liability, such Company Indemnitee or Creditor Indemnitee (as applicable) shall, (i) if an Indemnified Liability in respect thereof is to be made against the Company under this Section 7, deliver to the Company a written notice of the commencement thereof, and the Company shall have the right to participate in, and, to the extent the Company so desires, to assume control of the defense thereof with counsel mutually satisfactory to the Company and the Creditor Indemnitee; provided, however, that a Creditor Indemnitee shall have the right to retain its own counsel at the Company's expense, if, in the reasonable opinion of counsel retained by the Company, the representation by such counsel of the Creditor Indemnitee and the Company would be inappropriate due to actual or potential differing interests between such Creditor Indemnitee and any other party represented by such counsel in such proceeding. In the case of a Creditor Indemnitee, legal counsel referred to in the immediately preceding sentence shall be selected by the Creditor at its sole discretion; *provided*, *however*, that the Company shall have the right to consent to Creditor Indemnitee's counsel if the Company is responsible for fees and expenses of the Creditor Indemnitee's counsel, such consent not to be unreasonably withheld, delayed or conditioned. The Creditor Indemnitee shall cooperate fully with the Company in connection with any negotiation or defense of any such Indemnified Liability by the Company and shall furnish to the Company all information reasonably available to the Creditor Indemnitee which relates to such Indemnified Liability. The Company shall keep the Creditor Indemnitee reasonably apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. The Company shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent, provided, however, that the Company shall not unreasonably withhold, delay or condition its consent. The Company shall not, without the prior written consent of the Creditor Indemnitee, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Creditor Indemnitee of a release from all liability in respect to such Indemnified Liability. Following indemnification as provided for hereunder, the Company shall be subrogated to all rights of the Creditor Indemnitee with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the Company within a reasonable time of the commencement of any such action shall not relieve the Company of any liability to the Creditor Indemnitee under this Section 7, except to the extent that the Company is materially prejudiced in its ability to defend such action; and (ii) if an Indemnified Liability in respect thereof is to be made against the Creditor under this Section 7, deliver to the Creditor a written

notice of the commencement thereof, and the Creditor shall have the right to participate in, and, to the extent the Creditor so desires, to assume control of the defense thereof with counsel mutually satisfactory to the Creditor and the Company Indemnitee; provided, however, that a Company Indemnitee shall have the right to retain its own counsel at the Creditor's expense, if, in the reasonable opinion of counsel retained by the Creditor, the representation by such counsel of the Company Indemnitee and the Creditor would be inappropriate due to actual or potential differing interests between such Company Indemnitee and any other party represented by such counsel in such proceeding. In the case of a Company Indemnitee, legal counsel referred to in the immediately preceding sentence shall be selected by the Company at its sole discretion; *provided*, *however*, that the Creditor shall have the right to consent to Company Indemnitee's counsel if the Creditor is responsible for fees and expenses of the Company Indemnitee's counsel, such consent not to be unreasonably withheld, delayed or conditioned. The Company Indemnitee shall cooperate fully with the Creditor in connection with any negotiation or defense of any such Indemnified Liability by the Creditor and shall furnish to the Creditor all information reasonably available to the Company Indemnitee which relates to such Indemnified Liability. The Creditor shall keep the Company Indemnitee reasonably apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. The Creditor shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent, provided, however, that the Creditor shall not unreasonably withhold, delay or condition its consent. The Creditor shall not, without the prior written consent of the Company Indemnitee, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Company Indemnitee of a release from all liability in respect to such Indemnified Liability. Following indemnification as provided for hereunder, the Creditor shall be subrogated to all rights of the Company Indemnitee with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the Creditor within a reasonable time of the commencement of any such action shall not relieve the Creditor of any liability to the Company Indemnitee under this Section 7, except to the extent that the Creditor is materially prejudiced in its ability to defend such action.

(d) Notwithstanding any other provisions of this Agreement, the Company shall not be obligated to indemnify any Person to the extent that the aggregate of all Indemnified Liabilities subject to the indemnification by the Company exceeds the Debt.

(e) The indemnification required by this Section 7 shall be the sole and exclusive remedy of the Company Indemnitees and the Creditor Indemnitees.

8. RESERVATION OF SHARES.

(a) Reservation. The Company shall maintain authorized and unissued Ordinary Shares (appropriately adjusted for any stock split, stock dividend, reverse stock split, stock combination or other similar transaction), solely for the purpose of effecting issuances of the Settlement Shares. So long as any of the Company remains obligated to issue additional Settlement Shares pursuant to the terms of this Agreement, the Company shall take all action necessary to reserve and keep available out of its authorized and unissued Ordinary Shares, solely for the purpose of issuing Settlement Shares in accordance with the terms of this Agreement, a number of authorized and unissued Ordinary Shares, as of any date of determination, of at least 150% of the number of authorized and unissued Ordinary Shares as shall from time to time be necessary to effect the issuance of all of the Settlement Shares then issuable or which may be issuable in accordance with the terms of this Agreement (using the then-current Tranche Price and without regard to any limitations on issuance) (the "**Required Reserve Amount**").

(b) Insufficient Authorized Shares. If, notwithstanding Section 8(a), and not in limitation thereof, at any time while the Company remains obligated to issue additional Settlement Shares pursuant to the terms of this Agreement the Company does not have a number of authorized and unreserved

Ordinary Shares at least equal to the Required Reserve Amount (appropriately adjusted for any stock split, stock dividend, reverse stock split, stock combination or other similar transaction) (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized Ordinary Shares to an amount sufficient to allow the Company to reserve the Required Reserve Amount (appropriately adjusted for any stock split, stock dividend, reverse stock split, stock combination or other similar transaction). At any time beginning three months after an Authorized Share Failure, in the event that the Company is prohibited from issuing Ordinary Shares upon submission of a Tranche Notice due to the Authorized Share Failure, in lieu of delivering such Ordinary Shares to the Creditor pursuant to the terms of the Tranche Notice (such unavailable number of Ordinary Shares, the "**Authorization Failure Shares**"), the Company shall pay cash at a price equal to the sum of (i) the product of (A) such number of Authorization Failure Shares and (B) the greatest Closing Sale Price of the Ordinary Shares on any Trading Day during the period commencing on the date the Creditor delivers the applicable Tranche Notice with respect to such Authorization Failure Shares to the Company and ending on the date of such issuance and payment under this Section 8(b) and (ii) to the extent the Creditor purchases (in an open market transaction or otherwise) Ordinary Shares to deliver in satisfaction of a sale by the Creditor of Authorization Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of the Creditor incurred in connection therewith. Nothing contained in Section 8(a) or this Section 8(b) shall limit any obligations of the Company under any other provision hereunder or in the Debt.

9. MISCELLANEOUS.

(a) Further Assurances; Additional Documents. The parties shall take any actions and execute any other documents that may be necessary or desirable to the implementation and consummation of this Agreement upon the reasonable request of the other party.

(b) No Oral Modification. This Agreement may only be amended in writing signed by the Company and by the Creditor. All waivers relating to any provision of this Agreement must be in writing and signed by the waiving party.

(c) Expenses. Except as otherwise set forth in this Agreement, each party to this Agreement shall bear its own expenses in connection with transactions contemplated hereby. The Company shall be responsible for the payment of any financial advisory fees, legal expenses of counsel to the Company (including, without limitation, with respect to any legal opinion issued in connection herewith or any Exchange), fees in connection with the registration or listing of any Ordinary Shares issued hereunder, DTC fees, or transfer agent fees relating to or arising out of the transactions contemplated hereby.

(d) Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the County of New York, New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY**

WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

(e) Headings; Gender. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms "including," "includes," "include" and words of like import shall be construed broadly as if followed by the words "without limitation." The terms "herein," "hereunder," "hereof" and words of like import refer to this entire Agreement instead of just the provision in which they are found.

(f) Remedies. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. Furthermore, the Company recognizes that in the event that it fails to perform, observe, or discharge any or all of its obligations under any of the Settlement Documents, any remedy at law may prove to be inadequate relief to the Creditor. The Company therefore agrees that the Creditor shall be entitled to seek specific performance and/or temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction in any such case without the necessity of proving damages and without posting a bond or other security.

(g) Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Settlement Documents, whenever the Creditor exercises a right, election, demand or option under an Settlement Document and the Company does not timely perform its related obligations within the periods therein provided, then the Creditor may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

(h) Payment Set Aside; Currency. To the extent that the Company makes a payment or payments to the Creditor hereunder or the Creditor enforces or exercises its rights hereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, foreign, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred. Unless otherwise expressly indicated, all dollar amounts referred to in this Agreement and the other Settlement Documents are in United States Dollars ("**US Dollars**"), and all amounts owing under this Agreement and all other Settlement Documents shall be paid in US Dollars. All amounts denominated in other currencies shall be converted in the US Dollar equivalent amount in accordance with the Dollar Exchange Rate on the date of calculation. "**Dollar Exchange Rate**" means, in relation to any amount of currency to be converted into US Dollars pursuant to this Agreement, the US Dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation.

(i) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

(j) Survival. The representations, warranties, agreements and covenants in this Agreement shall survive the execution and delivery hereof until the consummation of the transactions contemplated hereby or termination or expiration of this Agreement by its terms.

(k) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(l) Severability; Usury. If any term or provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon determination that any term or other provision of this Agreement is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to attempt to agree on a modification of this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible. Notwithstanding anything to the contrary contained in this Agreement or any other Settlement Document (and without implication that the following is required or applicable), it is the intention of the parties that in no event shall amounts and value paid by the Company, or payable to or received by the Creditor, under the Settlement Documents, including without limitation, any amounts that would be characterized as "interest" under applicable law, exceed amounts permitted under any such applicable law. Accordingly, if any obligation to pay, payment made to the Creditor, or collection by the Creditor pursuant the Settlement Documents is finally judicially determined to be contrary to any such applicable law, such obligation to pay, payment or collection shall be deemed to have been made by mutual mistake of the Creditor and the Company and such amount shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by the applicable law. Such adjustment shall be effected, to the extent necessary, by reducing or refunding, at the option of the Creditor, the amount of interest or any other amounts which would constitute unlawful amounts required to be paid or actually paid to the Creditor under the Settlement Documents. For greater certainty, to the extent that any interest, charges, fees, expenses or other amounts required to be paid to or received by the Creditor under any of the Settlement Documents or related thereto are held to be within the meaning of "interest" or another applicable term to otherwise be violative of applicable law, such amounts shall be pro-rated over the period of time to which they relate.

(m) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

(n) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(o) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

(p) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

(q) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); (iii) upon confirmation of transmission, when sent by email; or (iv) one business day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be (A) if to the Company, at the address set forth on its signature page attached hereto or (B) if to the Creditor, at the address set forth on its signature page attached hereto, or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (x) given by the recipient of such notice, consent, waiver or other communication, (y) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (z) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

[Signature Page Follows]

IN WITNESS WHEREOF, the Creditor and the Company have caused their respective signature page to this Settlement Agreement and Stipulation to be duly executed as of the date first written above.

COMPANY:

BORQS TECHNOLOGIES, INC.

By: /s/ Pat Sek Yuen Chan
Name: Pat Sek Yuen Chan
Title:Chief Executive Officer

Address: Suite 309, 3/F Dongfeng KASO
Dongfengbeiqiao, Chaoyang District
Beijing 100016, China

IN WITNESS WHEREOF, the Creditor and the Company have caused their respective signature page to this Settlement Agreement and Stipulation to be duly executed as of the date first written above.

CREDITOR:

LMFA FINANCING, LLC

By: /s/ Richard Russell
Name: Richard Russell
Title: Treasurer and CFO

Address:

LMFA Financing, LLC
1200 W.Platt St.
Suite 1000
Tampa, FL 33606
Telephone 813 222 8996
Attention: Bruce M. Rodgers, CEO
E-mail: bruce@lmfunding.com

EXHIBIT A

ORDER

See attached

EXHIBIT B

TRANCHE NOTICE

Reference is made to that certain Settlement Agreement and Stipulation, dated as of December 14, 2020 (the "**Settlement Agreement**"), by and between Borqs Technologies, Inc., a company incorporated in the British Virgin Islands (the "**Company**"), and LMFA Financing, LLC, a Florida limited liability company. In accordance with and pursuant to the Settlement Agreement, the undersigned hereby exercises its right to receive Ordinary Shares represented by the Tranche Amount and at the Tranche Price specified below. Capitalized terms not defined herein shall have the meaning as set forth in the Exchange Agreement.

Tranche Notice Date: _____

Tranche Amount: _____

Tranche Price: _____

Number of Ordinary Shares to be issued in this Tranche: _____

LMFA Financing, LLC

By:
Name:
Title:

ACKNOWLEDGMENT

Borqs Technologies, Inc. hereby acknowledges this Tranche Notice and hereby directs [ ], to issue the above indicated number of Ordinary Shares in accordance with the Transfer Agent Instructions dated [_____] from the Company and acknowledged and agreed to by [_____].

BORQS TECHNOLOGIES, INC.

By:_____
Name:
Title:

EXHIBIT C

STIPULATION OF DISMISSAL

See attached

Exhibit 10.15

MASTER LOAN RECEIVABLES PURCHASE AND ASSIGNMENT AGREEMENT

THIS MASTER LOAN RECEIVABLES PURCHASE AND ASSIGNMENT AGREEMENT (this " Agreement") is entered into as of December 10, 2020 by and among LMFA Financing, LLC, a Florida limited liability company (the " Buyer"), Partners for Growth IV, L.P. ("PFG IV") and Partners for Growth V, L.P. ("PFG V," and, together with PFG IV, the "Sellers").

WHEREAS, pursuant to that certain Loan and Security Agreement dated August 26, 2016 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "2016 LSA"), by and between Borqs Hong Kong Limited, a private company limited by shares under Hong Kong law ("Borqs HK"), and PFG IV, PFG IV made loans to Borqs HK in an aggregate principal amount of $8,000,000 (the "2016 Term Loan");

WHEREAS, pursuant to that certain Loan and Security Agreement, dated April 30, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "2018 Loan Agreement"), by and between Borqs HK, Borqs Technologies (HK) Limited, a private company limited by shares under Hong Kong law ("Borqs Tech HK" and together with Borqs HK, collectively, the "Borrowers" and each, individually, a "Borrower"), Borqs Technologies, Inc., a company incorporated in the British Virgin Islands (the "Company"), BORQS International Holding Corp., an exempted company limited by shares incorporated under the laws of the Cayman Islands ("Borqs Holding" and together with the Borrowers, and the Company, collectively, the " Obligors" and each, individually, an "Obligor") and PFG V, PFG V made loans to the Borrowers in the form of a term loan in the in the maximum amount of $3,000,000 (the " 2018 Term Loan") and a convertible term loan, represented by a Senior Secured Convertible Promissory Note issued in a principal amount of $1,000,000 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Note");

WHEREAS, the 2018 Loan Agreement was amended and restated pursuant to that certain Amended and Restated Loan and Security Agreement dated March 8, 2019 (the "2019 Restated Loan Agreement"), and PFG V made additional loans to Borqs HK and Borqs Tech HK in the form of a rotating line of credit (the "LOC");

WHEREAS, the Sellers have agreed to assign and sell to the Buyer all present and future loan accounts receivable, including all of the Sellers' rights, title and interest in the outstanding principal amount of, and all accrued but unpaid interest, fees, penalties, expense or adjustments under, the 2016 Term Loan, the 2018 Term Loan and the LOC up to the aggregate amount set forth on Schedule II attached hereto (the "Loan Receivables").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Purchase and Assignment of Loan Receivables. Upon the terms, subject to the satisfaction (or waiver) of the conditions and in reliance upon the representations and warranties set forth in this Agreement, the Buyer agrees to purchase from the Sellers, and the Sellers agree to sell,

assign, transfer and convey to the Buyer on the applicable Closing Dates (as defined below) the Loan Receivables as set forth on Schedule II attached hereto, including all of the Sellers' rights to payment against the Company with respect to such Loan Receivables; provided, however, that, in the event the aggregate amount owed to the Sellers under the Loan Documents (as defined below) is reduced other than pursuant to this Agreement to an amount that is less than the then-remaining amount of Loan Receivables as set forth on Schedule II attached hereto, the Sellers obligations hereunder shall be reduced accordingly. For the avoidance of doubt, "Loan Receivables" does not include any of Sellers' rights to payment against the Company with respect to the outstanding principal amount of, and all accrued but unpaid interest, fees, penalties, expense or adjustments under, the Note, and "Loan Documents" as used herein refers only the 2016 LSA, the 2018 Loan Agreement and the 2019 Restated Loan Agreement.

2. Closing. Each closing of the purchase by the Buyer and the sale by the Sellers of a Loan Receivable including all rights, title and interest in the outstanding principal amount, and accrued but unpaid interest, fees, penalties, expenses or adjustments, if any, represented by such Loan Receivable (each a "Closing" and collectively the "Closings") shall take place on the date as set forth next to such Loan Receivable on Schedule II attached hereto (each a "Closing Date"); provided, however, that the Buyer may, at the Buyer's sole discretion, accelerate the date of any Closing upon notice to Seller at least two (2) business days prior to the accelerated date of such Closing. At the applicable Closing, the Sellers shall deliver to the Buyer a Bill of Sale, in the form attached hereto as Exhibit A (each, a "Bill of Sale"), against the receipt by the Sellers of payment of the Purchase Price for the applicable Loan Receivable.

3. Purchase Price. The parties hereto agree that the purchase price payable to the Sellers by the Buyer for each Loan Receivable is equal to the amount set forth next to each Loan Receivable on Schedule II attached hereto (each, with regard the applicable Closing, the "Purchase Price"). The Purchase Price shall be paid on the applicable Closing Date in United States Dollars and immediately available funds, to the bank account instructions specified in Schedule III.

4. Reduction of Amounts Owed to Seller. Upon each Closing, the aggregate amount owed by the Company to the Sellers under the Loan Documents shall be reduced by the amount of such Loan Receivables purchased by the Buyer. Reductions in the aggregate amount owed to the Sellers pursuant to this Section 4 shall be deemed to reduce the amounts owed to the Sellers under each of the Loan Documents and the related interest, fees and expenses, on a pro rata basis, as follows:

(a) First, by reducing any and all then outstanding fees and expenses (including attorney's fees);

(b) Second, by reducing any and all then outstanding interest accrued at the Default Rate (as defined in the 2016 LSA or 2018 Loan Agreement, as applicable) to the extent that such amount exceeds all then outstanding interest accrued at the applicable interest rate(s) set forth in the schedule(s) to the 2016 LSA or the 2018 Loan Agreement, as applicable (collectively, the "Regular Interest Rate");

(c) Third, by reducing any and all then outstanding interest accrued at the Regular Interest Rate; and

(d) Fourth, by reducing any and all outstanding principal, in inverse order of maturity.

5. No Transfer of Certain Right. For the avoidance of doubt, Sellers shall not transfer, and the Buyer shall not assume, any rights under the Note or any financing statements, mortgages, debentures, charges or similar agreements, instruments or notices that reflect a security interest held by any Seller in any assets of any Obligor.

6. Payment Subordination. Except as envisioned by this Agreement and that certain Settlement Agreement and Stipulation by and between the Buyer and the Company dated as of the date hereof (the "Settlement Agreement and Stipulation") and the ordinary shares or other equity of the Company issued to the Buyer thereunder, the Buyer hereby subordinates payment by any Obligor of any and all indebtedness and other obligations of any Obligor to the Buyer, now existing or hereafter arising, to the indefeasible payment to the Sellers, in full in cash, of all indebtedness, liabilities, guarantees and other obligations of any Obligor to any Seller, now existing or hereafter arising, including without limitation any interest accruing after the commencement of any bankruptcy, arrangement, or reorganization proceeding with respect to any Obligor (whether or not such interest is recoverable from the Obligor or allowable or provable in any such proceeding), costs, expenses, penalties, indemnities, and reimbursement obligations. The Buyer shall remit to the Sellers any amounts received in contravention of the provisions of this Section upon notice and reasonable substantiation by the Sellers.

7. Representations and Warranties of the Sellers. Each Seller hereby represents and warrants to the Buyer that:

(a) The Loan Receivables are solely owned by the Sellers, free and clear and is not subject to any security interests, liens, claims, options, restrictions or other encumbrances of any nature whatsoever, whether fixed or contingent.

(b) Each Seller is duly organized and validly existing under the under the laws of its jurisdiction of organization. Each Seller has the right, power and authority to enter into this Agreement, perform its obligations hereunder and to sell to the Buyer the Loan Receivables.

(c) This Agreement has been duly and validly executed and delivered by the Sellers and constitutes the valid and binding agreement of the Sellers, enforceable against each Seller in accordance with its terms.

(d) The execution and delivery of this Agreement by the Sellers does not, and the performance of the terms of this Agreement by the Sellers will not, (i) require either Seller to obtain the consent or approval of, or make any filing with or notification to, any governmental or regulatory authority, domestic or foreign, (ii) require the consent or approval of any other person pursuant to any material agreement, obligation or instrument binding on each Seller or its properties and assets, (iii) conflict with or violate any organizational document or law, rule, regulation, order, judgment or decree applicable to either Seller or by which any property or asset of either Seller is bound, or (iv) violate any other agreement to which either Seller is a party including, without limitation, any voting agreement, stockholders agreement, partnership agreement, irrevocable proxy or voting trust.

(e) Schedule I attached hereto accurately lists as of the Closing Date, (i) the outstanding principal balance of the 2016 Term Loan, the 2018 Term Loan and the LOC, (ii) the

outstanding amount of accrued but unpaid interest on the 2016 Term Loan, the 2018 Term Loan and the LOC , and (iii) the outstanding amount of any other fees, penalties, expenses or adjustments payable in respect of the 2016 Term Loan, the 2018 Term Loan and the LOC .

(f) The Sellers and the Company have entered into that certain Amendment to the Loan Documents in substantially the form as reviewed by the Buyer pursuant to which the Sellers have agreed to forbear from exercising any of the Sellers' rights or remedies under the Loan Documents for 60 days following any Closing, subject to the terms and provisions thereof and hereof (the "Seller Amendment"). The Seller Amendment has been duly and validly executed and delivered by the Sellers and constitutes the valid and binding agreement of the Sellers, enforceable against each Seller in accordance with its terms.

(g) Neither Seller is an affiliate of the Company. Neither Seller has paid the Company any consideration, fees, commissions or otherwise in connection with the consummation of the transaction and transfer contemplated by this Agreement, and neither Seller will pay to the Company any such consideration in the future in connection with such transactions and transfer; provided, however, that this representation and covenant shall not apply to any agreement between Sellers and the Company to set off outstanding amounts of principal or accrued but unpaid interest, fees, penalties, expense or adjustments owed under the Note; provided that the Company receives no cash consideration in connection with such agreement or the transaction contemplated thereby.

(h) Except as provided in the Seller Amendment, neither Seller has received from the Company any consideration, fees, commissions or otherwise in connection with the consummation of the transaction and transfer contemplated by this Agreement, and neither Seller will receive from the Company any such consideration in the future in connection with such transactions and transfer; provided, however, that this representation and covenant shall not apply to any agreement between Sellers and the Company with regard to the collection of outstanding amounts of principal and accrued but unpaid interest, fees, penalties, expense or adjustments owed under the Note.

(i) Neither Seller was induced to consummate the transaction and transfer contemplated hereunder by any form of general solicitation or general advertising, including, but not limited to, the following: (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media (including via the Internet) or broadcast over the news or radio; (ii) any registration statement; or (iii) any seminar or meeting whose attendees were invited by any general solicitation or advertising.

(j) Each Seller is solvent and is able, and has not admitted or asserted its inability, to pay its debts as they become due. Neither Seller has filed for nor is it subject to, nor is it reasonably likely to be subject to, any bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors instituted by or against either Seller or its respective subsidiaries.

(k)Exhibit B sets forth a true, correct and complete copy of the 2016 LSA, the 2018 Loan Agreement, the Waiver, Consent and Modification No. 1 to the 2018 Loan Agreement, and the 2019 Restated Loan Agreement (in each case including all exhibits, schedules, annexes and amendments thereto).

(l)Each Seller acknowledges that with respect to all Loan Receivables purchased by the Buyer hereunder, such Seller transfers to the Buyer the rights to enforce payment of such purchased Loan Receivables (the "Purchased Receivables Enforcement Rights").

Except as specifically provided in this Section 6, this Agreement is made by the Sellers without any representations or warranties whatsoever, whether expressed, implied or imposed by law. Without limiting the generality of the foregoing, this Agreement is made without any representations or warranties (a) described in Article 3 of the Uniform Commercial Code as enacted in the state of New York; or (b) with respect to: (i) the collectability of any Loan Receivables, (ii) the financial condition of any Obligor, (iii) the legality, validity, completeness, accuracy, sufficiency or enforceability of any of the Loan Documents, or (iv) the compliance with applicable law of any proceedings commenced or followed by either Seller with respect to such Seller's loan and security arrangements with any Obligor.

These representations and warranties of the Sellers shall survive the purchase and sale of the Loan Receivables.

8.Representations and Warranties of the Buyer. The Buyer hereby represents and warrants to the Sellers that:

(a)The Buyer has the right, power and authority to enter into this Agreement, to perform its obligations hereunder and to buy the Loan Receivables from the Sellers.

(b)The Buyer is duly organized and validly existing under the laws of its jurisdiction of organization.

(c)This Agreement has been duly and validly executed and delivered by the Buyer and constitutes the valid and binding agreement of the Buyer, enforceable against the Buyer in accordance with its terms.

(d)The execution and delivery of this Agreement by the Buyer does not, and the performance of the terms of this Agreement by the Buyer will not, (i) require the Buyer to obtain the consent or approval of, or make any filing with or notification to, any governmental or regulatory authority, domestic or foreign, (ii) require the consent or approval of any other person pursuant to any material agreement, obligation or instrument binding on the Buyer or its properties and assets, (iii) conflict with or violate any organizational document or law, rule, regulation, order, judgment or decree applicable to the Buyer or by which any property or asset of the Buyer is bound, or (iv) violate any other agreement to which the Buyer is a party, including, without limitation, any voting agreement, stockholder's agreement, partnership agreement, irrevocable proxy or voting trust.

(e)The Buyer is an "accredited investor" as that term is defined in Rule 501 of Regulation D under the Securities Act.

(f)The Buyer understands that its investment in the Loan Receivables involves a high degree of risk. The Buyer is able to bear the risk of an investment in the Loan Receivables including, without limitation, the risk of total loss of its investment. The Buyer has sought such

accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to the transactions contemplated by this Agreement.

(g)The source of the funds used by the Buyer for this purchase have been obtained lawfully in compliance with applicable requirements of all applicable bribery, anti-money laundering and counter-terrorism financing laws and securities regulations, and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Buyer or its affiliates with respect to any such laws or regulations is pending or, to the knowledge of the Buyer or its affiliates, threatened or could result from this transaction. The representations and warranties of the Buyer shall survive the purchase and sale of the Loan Receivables.

9.Covenants.

(a)Pursuant to the terms of the Seller Amendment, the Sellers shall, through the close of business on the date that is sixty (60) days after the most recent Closing Date, forbear from exercising the rights and remedies to which either Seller is entitled to under the Loan Documents other than: (i) in the case of any Insolvency Proceeding, all of the Sellers' rights and remedies under the Loan Documents (other than any Purchased Receivables Enforcement Rights to the extent that the Buyer is exercising such rights), (ii) the Sellers' rights to continue efforts to collect amounts owing to such Seller in connection with the sale of equity interests in Yuantel (Beijing) Investment Management Co., Ltd., and (iii) Seller's rights to enforce continued compliance by each Obligor of its obligations related to maintenance and protection of either Seller's collateral under the Loan Documents including without limitation obligations to continue financial and collateral reporting and obligations to take actions to ensure continued attachment and perfection of the Sellers' security interests thereunder. As used herein, "Insolvency Proceeding" means (a) any proceeding by or against any person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law in any jurisdiction, including winding-up procedures, assignments for the benefit of creditors, compositions, receiverships, administrations, extensions generally with its creditors, or proceedings seeking reorganization, arrangement or other relief; or (b) if any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of a person's creditors; (c) if a meeting of a person's shareholders, directors or other officers is convened for the purpose of considering any resolution for, to petition for or to make an application to or to file documents with a court or any registrar for, such person's winding-up, administration or dissolution or any such resolution is passed; or (d) if an order is made for a person's winding-up, administration or dissolution, or any person presents a petition, or makes an application to or files documents with a court or any registrar, for such person's winding-up, administration or dissolution, or gives notice to any Seller of an intention to appoint an administrator; or (e) if any liquidator, receiver, administrative receiver, administrator or similar officer is appointed in respect of a person or any of such person's assets; or (f) if a person's shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint, a liquidator, receiver, administrator or similar officer.

(b)While this Agreement remains in effect, neither Seller shall assign, transfer, sell, negotiate, pledge or otherwise hypothecate the 2016 Term Loan, the 2018 Term Loan or the LOC or any of its rights and security thereunder, including any notes, security instruments, or any other loan documents.

(c) While this Agreement remains in effect, neither Seller shall take any action or any position challenging the legality, validity and enforceability of the Loan Documents.

10. Conditions to the Buyer's Obligation to Close. The obligation of the Buyer to consummate a Closing at the applicable Closing Date is subject to the satisfaction or waiver of the following conditions as of the applicable Closing Date, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion by providing the Sellers with prior written notice thereof:

(a) a court of competent jurisdiction shall have approved the fairness of the Settlement Agreement and Stipulation and the transactions envisioned thereunder as required by Section 3(a)(10) of the Securities Act of 1933;

(b) the Sellers shall have delivered to the Buyer a Bill of Sale evidencing the sale, assignment, transfer and conveyance of all of the Sellers' rights, title and interest to the applicable Loan Receivable;

(c) the Seller Amendment and each Loan Document shall be in full force and effect, the Sellers and the Company shall have performed or complied with in all material respects all of their respective obligations, agreements, and covenants required to be performed or complied with pursuant to the Seller Amendment and each Loan Document, except as provided in the Seller Amendment or this Agreement, no such obligations, agreements, or covenants shall have been amended or waived in any respects;

(d) since the date of execution of this Agreement, no event or series of events shall have occurred that reasonably would have or result in a Material Adverse Effect and the Company has not filed for nor is it subject to any bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors instituted by or against the Company. "Material Adverse Effect" means any material adverse effect on (i) the business, properties, assets, liabilities, operations (including results thereof), condition (financial or otherwise) or prospects of the Company and its subsidiaries, taken as a whole, (ii) the transactions contemplated hereby or in the Settlement Agreement and Stipulation or (iii) the authority or ability of either Seller or the Company or any of its subsidiaries to perform any of its respective obligations under any of transactions envisioned in this Agreement or the Settlement Agreement and Stipulation;

(e) the representations and warranties of the Sellers set forth in Section 6 shall be true and correct in all material respects;

(f) the Sellers shall have performed or complied with in all material respects all of its obligations, agreements, and covenants required to be performed or complied with by the Sellers under this Agreement at or prior to the Closing Date.

11. Conditions to the Sellers' Obligation to Close. The obligation of the Sellers to consummate each Closing is subject to the satisfaction or waiver of the following conditions as of the Closing Date, provided that these conditions are for the Sellers' benefit and may be waived by the Sellers at any time in its sole discretion by providing the Buyer with prior written notice thereof:

(a)the Buyer shall have delivered to the Sellers the applicable Purchase Price for the Loan Receivable to be purchased by the Buyer at the applicable Closing pursuant to Section 3.

(b)the representations and warranties of the Buyer set forth in Section 7 shall be true and correct in all material respects; and

(c)the Buyer shall have performed or complied with in all material respects all of its obligations, agreements, and covenants required to be performed or complied with by the Buyer under this Agreement at or prior to the Closing Date.

12.Company Acknowledgment, Consent to Assignment and Enforcement.

(a)The Company hereby acknowledges that it is in default under the terms of the Loan Documents and that it has no defense to such default.

(b)The Company agrees that Schedule I attached hereto accurately lists as of the date hereof, (i) the outstanding principal balance of the 2016 Term Loan, the 2018 Term Loan and the LOC, (ii) the outstanding amount of accrued but unpaid interest on the 2016 Term Loan, the 2018 Term Loan and the LOC, and (iii) the outstanding amount of any other fees, penalties, expenses or adjustments payable in respect of the 2016 Term Loan, the 2018 Term Loan and the LOC.

(c)The Company hereby consents to the sale and assignment of the Loan Receivables by the Sellers to the Buyer and the application of the reduction of the amounts owed to Sellers as set forth in Section 4.

(d)The Company further agrees that as of the date hereof the Buyer is a third party beneficiary under the Loan Documents and that the right to payment of the Loan Receivables is enforceable against the Company by the Buyer.

13. Termination.

(a)In the event that the first Closing shall not have occurred within sixty (60) days after the date of this Agreement, then the Buyer shall have the right to terminate its obligations under this Agreement at any time on or after the close of business on such date without liability of the Buyer to the Sellers or any other party; provided, however, the right to terminate this Agreement under this Section 12(a) shall not be available to the Buyer if the failure of the transactions contemplated by this Agreement to have been consummated by such date is the result of the Buyer's breach of this Agreement.

(b)In the event that the Shareholder Approval (as defined in the Settlement Agreement and Stipulation) shall not have occurred within sixty (60) days following the date of this Agreement, then the Buyer shall have the right at the close of business on such date, or any date thereafter, to terminate the obligations hereunder of the parties to consummate any additional Closings without further liability of the parties to one another in respect thereof.

(c)In the event that any Closing shall not have occurred by thirty (30) days following the Closing Date for such Closing as set forth on Schedule II, then at the close of business on such date (a) the parties' obligations hereunder to consummate the Closing shall automatically

terminate without further liability of the parties to one another in respect thereof, and (b) either party may, by written notice, terminate this Agreement and any further obligations hereunder; provided, however, the right to terminate this Agreement under this Section 12(c) shall not be available to a party if the failure of the transactions contemplated by this Agreement to have been consummated by such date is the result of such party's breach of this Agreement.

(d)Notwithstanding anything to the contrary above, nothing contained in this Section 12 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement.

14. Miscellaneous.

(a)*Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of all of which shall be deemed to be one and the same agreement.

(b)*Amendments; Assignment*. This Agreement may not be amended or revised, except by a writing signed by all of the parties hereto. No party shall assign its rights hereunder without the written consent of the other parties. Any purported assignment done in violation of the terms hereof shall be null and void.

(c)*Entire Agreement*. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral.

(d)*Construction*. This Agreement shall be construed, applied and interpreted in accordance with the laws of the State of New York. Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction and venue of the state and federal courts having jurisdiction in New York County, New York, in connection with any suit, action or proceeding arising out of or relating to this Agreement.

(e)*Additional Actions*. Each party agrees to cooperate and to execute any subsequent documents reasonably required to effectuate this Agreement and further to undertake and perform such other actions as may be reasonably required to fulfill the obligations and covenants contained herein.

(f)*Confidentiality*. Each of the parties hereto agrees, on behalf of such party and their respective agents, employees, officers, directors and for those for whom in law they are responsible, not to disclose, and to take every reasonable precaution to prevent disclosure of, any of the terms of this Agreement to third parties, and agrees that there will be no publicity, directly or indirectly, concerning the Agreement except to their respective attorneys, accountants and tax authorities; provided, however, that the parties shall be entitled to issue any press release or make other public disclosure with respect to such transactions to the extent that such disclosure is required by applicable law and regulations.

(g)*No Termination and No Novation*. Nothing in this Agreement shall be deemed a termination of the provisions of any Transaction Document that survives the execution hereof. The

indebtedness evidenced by the Loan Documents is continuing indebtedness, and nothing contained herein shall be deemed to constitute payment, settlement or a novation of such indebtedness or release or otherwise adversely affect any lien or security interest securing such indebtedness.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year above written.

BUYER:

LMFA FINANCING, LLC

By: /s/ Richard Russell
Name: Richard Russell
Title: CFO. Treasurer

SELLERS:

PARTNERS FOR GROWTH IV, L.P.

By: /s/ Andrew Kahn
Name: Andrew Kahn
Title: Manager

PARTNERS FOR GROWTH V, L.P.

By: /s/ Andrew Kahn
Name: Andrew Kahn
Manager

Title: Manager

COMPANY:

BORQS TECHNOLOGIES, INC.

By: /s/ Pat Sek Yuen Chan
Name: Pat Sek Yuen Chan
Title: Chief Executive Officer

[Signature Page to Master Loan Receivables Purchase and Assignment Agreement]

SCHEDULE I

Amounts Owed Pursuant to Loan Documents

Loan	Lender	Principal	Accrued but Unpaid Interest	Accrued but Unpaid Fees	Accrued but Unpaid Expenses	Accrued but Unpaid Interest, Fees and Expenses	Total
2016 Term Loan	PARTNERS FOR GROWTH IV, L.P.	$100,000	$14,544	$450,667	$742	$465,954	$565,954
2018 Term Loan	PARTNERS FOR GROWTH V, L.P.	$2,375,000	$407,313	$745,366	$17,631	$1,170,309	$ 3,545,309
Revolving Line of Credit	PARTNERS FOR GROWTH V, L.P.	$9,500,000	$1,598,442	$2,594,437	$70,525	$4,263,404	$13,763,404
TOTAL		**$11,975,000**	**$2,020,299**	**$3,790,470**	**$88,898**	**$5,899,667**	**$17,874,667**

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SCHEDULE II

Loan Receivables

Closing Date	**Loan Receivable**	**Purchase Price**
T	$1,830,000	$1,784,250
T + 60 days	$1,500,000	$1,425,000
T + 120 days	$1,500,000	$1,387,500
T + 180 days	$1,500,000	$1,350,000
T + 240 days	$1,500,000	$1,312,500
T + 300 days	$1,500,000	$1,275,000
T + 360 days	$1,500,000	$1,237,500
T + 420 days	$1,500,000	$1,200,000
T + 480 days	$1,500,000	$1,162,500
T + 540 days	$1,500,000	$1,162,500
T + 600 days	$1,500,000	$1,162,500
T + 660 days	R	R x 77.5%
TOTALS	**$16,830,000 + R**	**$14,459,250 + (R x 77.5%)**

T = the day after all of the conditions to the Buyer's obligation to close, as provided under Section 9, has been satisfied or waived (other than those conditions which by their nature are to occur at Closing); provided that such conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion by providing Seller with prior written notice thereof.
R = all remaining principal, accrued but unpaid interest, fees and expenses as of the applicable Closing Date (which may be accelerated pursuant to Section 2)

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SCHEDULE III

Seller's Bank Wiring Instructions

The Purchase Price for Loan Receivables purchased from PFG IV, should be paid in accordance with the following:

Bank:	SILICON VALLEY BANK (SIL VLY BK SJ)
Bank Address:	3003 TASMAN DRIVE SANTA CLARA, CALIFORNIA 95054, USA
Routing/Transit Number:	121140399
For Credit Of:	PARTNERS FOR GROWTH IV, L.P.
Credit Account:	#3300916496
By Order Of:	[NAME OF SENDER]

The Purchase Price for Loan Receivables purchased from PFG V should be paid in accordance with the following:

To:	SIL VLY BK SJ 3003 TASMAN DRIVE SANTA CLARA, CALIFORNIA 95054, USA
Routing &Transit Number:	121140399
For Credit Of:	PARTNERS FOR GROWTH V, L.P.
Credit Account:	#3302144694
By Order Of:	[NAME OF SENDER]

EXHIBIT A

Bill of Sale

[*see attached*]

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EXHIBIT B

Loan Agreements

[*see attached*]

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NEITHER THIS CONVERTIBLE NOTE NOR THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT"), AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), FROM REPUTABLE COUNSEL, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTIONS 3(c)(vi) AND 8 HEREOF. THE PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE AND, ACCORDINGLY, THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY BE LESS THAN THE AMOUNTS SET FORTH ON THE FACE HEREOF PURSUANT TO SECTION 3(c)(vi) OF THIS NOTE.

Borqs Technologies, Inc.

SENIOR SECURED CONVERTIBLE PROMISSORY NOTE AND SECURITY AGREEMENT

Issuance Date: February 24, 2021 Original Principal Amount: U.S. $1,666,500.00

FOR VALUE RECEIVED, Borqs Technologies, Inc., a company incorporated in the British Virgin Islands (the "**Company**"), hereby promises to pay to the order of LMFA FINANCING, LLC or its registered assigns ("**Holder**") the principal sum set forth above as the Original Principal Amount (as reduced pursuant to the terms hereof pursuant to redemption or otherwise, the "**Principal Amount**") together with interest on any outstanding Principal (as such interest on any outstanding Principal may be reduced pursuant to the terms hereof pursuant to redemption or otherwise) from the date set out above as the Issuance Date. This Convertible Note (with all notes issued in exchange, transfer or replacement hereof, this "**Note**") is issued pursuant to that certain Securities Purchase Agreement, dated as ofFebruary 24, 2021, by and among the Company, Holder and the other investor(s) referred to therein (the "**Securities Purchase Agreement**"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Securities Purchase Agreement.

1. Payments of Principal and Interest. Interest and principal under this Note shall be payable as follows:

(a) Except as otherwise provided in this Note, the outstanding Principal Amount shall accrue interest at an annual rate equal to the Interest Rate from the date of this Note until the entire Principal Amount is paid in full, whether at maturity, upon acceleration, by prepayment, or otherwise.

(b) The Company shall pay accrued interest at the Interest Rate on the Principal Amount in arrears on the last Business Day of each calendar year quarter (each an "**Interest Payment Date**"), with the first interest payment accrued on the outstanding Principal Amount due on March 31, 2021.

(c) After February 24, 2022, the Principal Amount will amortize equally over a twelve month period such that the Company shall pay principal and accrued interest in arrears on the last Business Day of each calendar year quarter (each an "**P&I Payment Date**"), with the first P&I Payment Date occurring on March 31, 2022, and, unless earlier converted into Conversion Shares (as defined below), all of the Principal Amount and accrued but unpaid interest of this Note being due and payable by the Company on February 24, 2023 (the "**Maturity Date**").

(d) From and after the occurrence and during the continuance of any Event of Default, the Interest Rate shall automatically be increased to twenty percent (20.0%) per annum. In the event that such Event of Default is subsequently cured, the adjustment referred to in the preceding sentence shall cease to be effective as of the date of such cure; provided that the Interest as calculated and unpaid at such increased rate during the continuance of

such Event of Default shall continue to apply to the extent relating to the days after the occurrence of such Event of Default through and includingthe date of such cure of such Event of Default.

(e) All computations of interest shall be made on the basis of the actual number of days elapsed in a year of 360 days. Interest shall commence to accrue on the Principal Amount on the Execution Date and shall not accrue on the Principal Amount on the day on which it is paid if payment is made to Holder prior to 12:00 p.m. ET. Any payment of principal on this Note after 12:00 p.m. ET on any Business Day shall be credited against this Note on the next Business Day and interest will continue to accrue until so credited.

(f) All payments made under this Note will be made in lawful money of the United States of America at the principal office of the Company, or at such other place as the Holder may from time to time designate in writing to the Company. Payment will be credited first to accrued interest due and payable, with any remainder applied to Principal.

(g) The agreements made by Company with respect to this Note and the other Transaction Documents are expressly limited so that in no event shall the amount of interest received, charged, or contracted for by Holder exceed the highest lawful amount of interest permissible under the laws applicable to the Loan. If at any time performance of any provision of this Note or the other Transaction Documents results in the highest lawful rate of interest permissible under applicable laws being exceeded, then the amount of interest received, charged, or contracted for by Holder shall automatically and without further action by any party be deemed to have been reduced to the highest lawful amount of interest then permissible under applicable laws. If Holder shall ever receive, charge, or contract for, as interest, an amount which is unlawful, at Holder's election, the amount of unlawful interest shall be refunded to the Company (if actually paid) or applied to reduce the then unpaid Principal Amount. To the fullest extent permitted by applicable laws, any amounts contracted for, charged, or received under the Transaction Documents included for the purpose of determining whether the Interest Rate would exceed the highest lawful rate shall be calculated by allocating and spreading such interest to and over the full stated term of this Note.

2. Security Interest.

(a) Company hereby pledges and grants to Holder an irrevocable and continuing first-priority security interest in all of its right, title, and interest in and to the Collateral (as such term is defined below), to secure the prompt payment and performance of all of Company's present and future debts, obligations, and liabilities of whatever nature to Holder, including, without limitation, all obligations of Company arising from or relating to this Note. Company hereby agrees to execute and deliver such further documentation and take such further actions as Holder may request in order to enforce and protect the aforesaid security interest, including, without limitation, one or more account control agreements by and among the Company, Holder and any bank where the Company maintains any deposit accounts that are subject to Holder's security interest hereunder. Company hereby authorizes Holder to notify any account debtor on any accounts that are the subject of Holder's security interest hereunder of the existence of Holder's interest and further, such notices may direct that after an Event of Default, any further payments shall be made directly to Holder. Company authorizes Holder to collect and enforce any of the Collateral, with the proceeds to be applied to the indebtedness outstanding hereunder, without liability to Company in connection with any such collection or enforcement and provided Company shall pay costs incurred by Holder, including reasonable attorneys' fees and costs, for such collection and enforcement. Company hereby authorizes Holder to perfect its security interest in the Collateral including, without limitation, filing, amending, and renewing one or more UCC-1 Financing Statements or continuation statements in respect thereof, and amendments thereto, relating to all or any part of the Collateral without the prior approval or signature of the Company where permitted by law and at Company's expense. Without first obtaining Holder's prior written consent and so long as any amounts under this Note or the Securities Purchase Agreement remain owing, Company shall not move, sell, transfer, assign, dispose, or encumber the Collateral outside the ordinary course of Company's business. Company shall adequately insure the Collateral for full replacement value and in conformity with industry standard practices and shall list Holder as an additional insured.

(b) In the event that Borrower undertakes a merger, acquisition, purchase and sale, change of control, joint venture, or reorganization, any parent, subsidiary or successor company and any of its subsidiaries shall unconditionally guaranty Borrower's payment and performance under this Note (as this Note may be amended from time to time) as primary obligor and not merely as a surety.

(c) Lender shall have such rights and remedies with respect to the Collateral as are available under the provisions of all applicable laws, including without limitation, the Uniform Commercial Code, in addition to all other rights and remedies existing at law, in equity, or by statute, or provided in the Securities Purchase Agreement or this Note, which may be exercised without notice to, or consent by, Borrower.

3. Conversion. This Note shall be convertible into validly issued, fully paid and non-assessable Ordinary Shares on the terms and conditions set forth in this Section 3.

(a) Holder's Conversion Right. Subject to the provisions of Section 3(e), at any time or times on or after the Execution Date, the Holder shall be entitled to convert any portion or the entirety of the outstanding Principal and/or accrued interest under this Note into validly issued, fully paid and non-assessable Ordinary Shares ("**Conversion Shares**") in accordance with Section 3(c). Any such portion of the outstanding Principal and/or accrued interest to be converted in accordance with this Section 3 is referred to herein as the "**Conversion Amount**."

(b) Conversion Shares. The number of Conversion Shares issuable upon conversion of the Conversion Amount shall be determined according to the following formula:

$$\frac{\text{Conversion Amount}}{\text{Conversion Price}}$$

No fractional Ordinary Shares are to be issued upon the conversion of this Note. If the issuance would result in the issuance of a fraction of a share, the Company shall round such fraction of a share up to the nearest whole share.

(c) Mechanics of Conversion. The conversion shall be conducted in the following manner:

(i) Holder's Conversion. To convert all or a portion of this Note into Conversion Shares on any date or, if later, the Issuance Date (a "**Conversion Date**"), a Holder shall deliver to the Company (whether via facsimile or otherwise), for receipt on or prior to 11:59 p.m., New York time, on such date, a copy of an executed notice of conversion in the form attached hereto as **Exhibit A** (the "**Conversion Notice**").

(ii) Company's Response. Not later than the first (1st) Trading Day following the date of receipt of a Conversion Notice, the Company shall transmit by email an acknowledgment of confirmation, in the form attached hereto as **Exhibit B**, of receipt of such Conversion Notice to such Holder and the Company's transfer agent (the "**Transfer Agent**"), which confirmation shall constitute an instruction to the Transfer Agent to process such Conversion Notice in accordance with the terms herein. On or before the second (2nd) Trading Day following the date of receipt by the Company of such Conversion Notice (the "**Required Delivery Date**"), the Company shall credit such aggregate number of Conversion Shares to which the Holder is entitled pursuant to such conversion to the Holder's or its designee's balance account with The Depository Trust Company ("**DTC**") through its Deposit/ Withdrawal at Custodian system.

(iii) Record Holder. Upon delivery of a Conversion Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Conversion Shares with respect to which such Conversion Notice was issued, irrespective of the date such Conversion Shares are credited to the Holder's DTC account.

(iv) Company's Failure to Timely Deliver Securities. If by the Required Delivery Date the Company fails to issue and credit (or cause to be delivered) to the balance account of Holder or Holder's nominee with DTC for such number of Conversion Shares so delivered to the Company, then, in addition to all other remedies available to Holder, at the sole discretion of Holder, the Company shall:

(A) pay in cash to Holder on each Trading Day after the Required Delivery Date that the issuance or credit of such Conversion Shares is not timely effected an amount equal to 1% of the product of (A) the number of Ordinary Shares not so delivered or credited (as the case may be) to Holder or Holder's nominee multiplied by (B)

the Closing Sale Price of the Ordinary Shares on the Trading Day immediately preceding the Required Delivery Date; or

(B) if on or after the Required Delivery Date, Holder (or any other Person in respect, or on behalf, of Holder) purchases (in an open market transaction or otherwise) Ordinary Shares ("**Replacement Shares**") to deliver in satisfaction of a sale by Holder of all or any portion of the number of Ordinary Shares, or a sale of a number of Ordinary Shares equal to all or any portion of the number of Ordinary Shares, that Holder so anticipated receiving from the Company without any restrictive legend, then, within five (5) Trading Days after Holder's request and in Holder's sole discretion, either (x) pay cash to Holder in an amount equal to Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Replacement Shares (the "**Buy-In Price**"), at which point the Company's obligation to credit Holder's balance account shall terminate and such shares shall be cancelled, or (y) promptly honor its obligation to credit Holder's DTC account representing such number of Ordinary Shares that would have been so delivered if the Company timely complied with its obligations hereunder and pay cash to Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (1) such number of Ordinary Shares that the Company was required to deliver to Holder by the Required Delivery Date multiplied by (2) the lowest Closing Sale Price of the Ordinary Shares on any Trading Day during the period commencing on the date Holder purchased Replacement Shares and ending on the date of such delivery and payment under this clause (B).

To the extent permitted by law, the Company's obligations to issue and deliver the Conversion Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other person, and irrespective of any other circumstance that might otherwise limit such obligation of the Company to the Holder in connection with the issuance of the Conversion Shares. Nothing herein shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver the Conversion Shares as required pursuant to the terms hereof.

(v) Disputes. In the case of a dispute as to the determination of the Conversion Price or the arithmetic calculation of the number of Conversion Shares to be issued pursuant to the terms hereof, the Company shall promptly issue to the Holder the number of Conversion Shares that are not disputed, provided that following such issuance to Holder such dispute shall be resolved in accordance with Section 22.

(vi) Book-Entry. Notwithstanding anything to the contrary set forth in this Section 3, upon conversion of any portion of this Note in accordance with the terms hereof, no Holder thereof shall be required to physically surrender this Note to the Company. If this Note is surrendered as provided by Section 8, then, provided that there remains outstanding Principal and accrued interest under this Note at the time of surrender, the Company shall, as soon as practicable and in no event later than three (3) Trading Days after receipt of this Note and at its own expense, issue and deliver to such Holder (or its designee) a new Note (in accordance with Section 8(d)) representing the outstanding Principal and accrued interest (if any) under this Note. Each Holder and the Company shall maintain records showing the portion of the Note so converted by such Holder and the dates of such conversions or shall use such other method, reasonably satisfactory to such Holder and the Company, so as not to require physical surrender of the Note upon each such conversion. In the event of any dispute or discrepancy, such records of such Holder establishing the portion of the Note to which the record holder is entitled shall be controlling and determinative in the absence of manifest error. A Holder and any transferee or assignee, by acceptance of a certificate, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of any portion of the Note, the outstanding Principal represented by such Note may be less than stated on the face thereof. Each Note shall bear the following legend:

ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTIONS 2(c)(vi) AND 8(a) HEREOF. THE PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE AND, ACCORDINGLY, THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY BE LESS THAN THE AMOUNTS SET FORTH ON THE FACE HEREOF PURSUANT TO SECTION 3(c)(vi) OF THIS NOTE.

(d) Taxes. The Company shall pay any and all documentary, stamp, transfer (but only in respect of the registered holder thereof), issuance and other similar taxes that may be payable with respect to the issuance and delivery of Conversion Shares upon the conversion of the Note.

(e) Limitation on Beneficial Ownership. Notwithstanding anything to the contrary contained in this Note, this Note shall not be convertible or exchangeable by the Holder hereof to the extent (but only to the extent), after giving effect to the issuance of Ordinary Shares issuable upon such conversion, the Holder or any of its affiliates would beneficially own in excess of 9.9% of the number of Ordinary Shares then outstanding, as calculated in accordance with Section 13(d) of the Exchange Act (the "**Maximum Percentage**"). To the extent the above limitation applies, the determination of whether this Note shall be convertible or exchangeable (vis-à-vis other convertible, exercisable or exchangeable securities owned by the Holder or any of its affiliates) and of which such securities shall be convertible, exercisable or exchangeable (as among all such securities owned by the Holder) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability to convert or exchange this Note pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility or exchangeability. For the purposes of this paragraph, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder. The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this paragraph shall apply to a successor Holder of this Note. The holders of Ordinary Shares shall be third party beneficiaries of this paragraph and the Company may not waive this paragraph without the consent of holders of a majority of its Ordinary Shares. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding, including by virtue of any prior conversion or exercise or exchange of convertible or exercisable or exchangeable securities into Ordinary Shares, including, without limitation, pursuant to this Note or securities issued pursuant to the Securities Purchase Agreement.

(f) Reservation of Shares; Insufficient Authorized Shares. The Company shall initially reserve out of its authorized and unissued Ordinary Shares a number of Ordinary Shares equal to 200% of the maximum number of Conversion Shares issuable to satisfy the Company's obligations to issue Ordinary Shares hereunder, and the Company shall at all times keep reserved for issuance under this Note a number of Ordinary Shares equal to 200% of the maximum number of Conversion Shares issuable to satisfy the Company's obligation to issue Ordinary Shares hereunder.

4. Rights upon Event of Default; Acceleration.

(a) Event of Default. Each of the following events shall constitute an "**Event of Default**":

(i) the suspension from trading or the failure of the Ordinary Shares to be trading or listed (as applicable) on an Eligible Market for a period of five (5) consecutive days;

(ii) the Company's failure, from the Execution Date to maintain sufficient reserves of its authorized and unissued Ordinary Shares to redeem 200% of the maximum number of Conversion Shares issuable upon conversion of all the Convertible Notes then outstanding;

(iii) the Company's failure to maintain sufficient reserves of its authorized and unissued Ordinary Shares to redeem 200% of the Warrant Shares that would be issuable upon exercise thereof;

(iv) the Company's (A) failure to timely deliver the required number of Ordinary Shares upon conversion of this Note or exercise of the Warrants, and any such failure remains uncured for a period of five

(5) Business Days, or (B) notice, written or oral, to any holder ofthe Convertible Notes or Warrants, including, without limitation, by way of public announcement or through any of its agents, at any time, of its intention not to comply, as required, with a request for conversion of any Convertible Notes into Ordinary Shares that is requested in accordance with the provisions of the Convertible Notes, in each case, other than pursuant to Section 3(e) or any comparable provision of the Warrants;

(v) the Company's or any Subsidiary's failure (A) to pay to the Holder any amount of Principal or Interest when and as due under this Note or (B) to pay to the Holder, within five (5) days after the delivery by the Holder of written notice thereof, any amount or penalties or other amounts due under this Note or any amount due under any other Transaction Document (as defined in the Securities Purchase Agreement) or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby;

(vi) the Company fails to remove any restrictive legend on any certificate or any Ordinary Shares issued to the Holder upon conversion or exercise (as the case may be) of any Securities acquired by the Holder under the Securities Purchase Agreement (including this Note) as and when required by such Securities or the Securities Purchase Agreement, unless otherwise then prohibited by applicable federal securities laws, and any such failure remains uncured for a period of five (5) Business Days;

(vii) the Company fails to maintain a transfer agent that participates in the DTC Fast Automated Securities Transfer Program;

(viii) the Company fails to use reasonable care to protect and preserve any Collateral or fails to keep accurate books and records with respect to the Collateral, and such failure is not reasonably cured within ten (10) Business Days following written notice thereof from the Lender;

(ix) the Company sells, transfers, encumbers, or suffers any material damage or loss of the Collateral outside the ordinary course of the Company's business;.

(x) the Company or its Subsidiaries, whether directly or indirectly, incurs any Indebtedness (as defined in the Securities Purchase Agreement) or amends or modifies any Indebtedness in such a manner that increases the Indebtedness of the Company or results in such Indebtedness being, secured by any Lien on any assets of the Company; provided, however that notwithstanding the foregoing, the Company's Subsidiaries may incur Indebtedness that is not guaranteed by the Company and does not result in any Lien on any assets of the Company.

(xi) the occurrence of (A) any default under or acceleration prior to maturity of any Indebtedness (as defined in the Securities Purchase Agreement, but excluding clause (E) of such definition and clauses (F) and (G) to the extent they relate to Indebtedness describe in clause (E)) of the Company or any of its Subsidiaries in an aggregate amount in excess of $300,000, subject to any cure or grace period provided in the governing documents of such Indebtedness, or (B) a payment default under any such Indebtedness, if such default remains uncured for a period of ten (10) consecutive Trading Days;

(xii) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors shall be instituted by or against the Company or any Subsidiary and, if instituted against the Company or any Subsidiary by a third party, shall not be dismissed within thirty (30) days of their initiation;

(xiii) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree, order, judgment or other similar document in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or the

consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any Subsidiary in furtherance of any such action or the taking of any action by any Person to commence a UCC foreclosure sale or any other similar action under federal, state or foreign law;

(xiv) the entry by a court of (A) a decree, order, judgment or other similar document in respect of the Company or any Subsidiary of a voluntary or involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or (B) a decree, order, judgment or other similar document adjudging the Company or any Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation, reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal, state or foreign law or (C) a decree, order, judgment or other similar document appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree, order, judgment or other similar document or any such other decree, order, judgment or other similar document unstayed and in effect for a period of thirty (30) consecutive days;

(xv) a final judgment, judgments, any arbitration or mediation award or any settlement of any litigation or any other satisfaction of any claim made by any Person pursuant to any litigation, as applicable, (each a "**Judgment**", and collectively, the "**Judgments**") with respect to the payment of cash, securities and/or other assets with an aggregate fair value (as determined in accordance with Section 5(c)(iv) below) in excess of $300,000 are rendered against, agreed to or otherwise accepted by, the Company and/or any of its Subsidiaries and which Judgments are not, within thirty (30) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within thirty (30) days after the expiration of such stay; provided, however, any Judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the $300,000 amount set forth above so long as the Company provides the Holder a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such Judgment is covered by insurance or an indemnity and the Company or such Subsidiary (as the case may be) will receive the proceeds of such insurance or indemnity within thirty (30) days of the issuance of such Judgment;

(xvi) other than as specifically set forth in another clause of this Section 4(a), the Company or any Subsidiary breaches any representation or warranty when made, or any covenant or other term or condition of any Transaction Document, and, only, in the case of a breach of a covenant or other term or condition that is curable, if such breach remains uncured for a period of ten (10) consecutive Trading Days after the delivery by Holder of written notice thereof;

(xvii) any breach or failure in any respect by the Company or any subsidiary to comply with any provision of Section 10 of this Note, and any such breach or failure remains uncured for a period of ten (10) consecutive Trading Days after the delivery by Holder of written notice thereof;

(xviii) any provision of any Transaction Document (shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any Subsidiary shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document.

Upon the occurrence of an Event of Default with respect to this Note the Company shall promptly, but in no case later than two (2) Business Days, deliver written notice thereof via email and overnight courier (with next day delivery specified) (an "**Event of Default Notice**") to the Holder.

(b) Remedies. Upon the occurrence of an Event of Default and at any time thereafter, Holder may at its option: (a) declare the entire principal amount of this Note, together with all accrued interest thereon, immediately due and payable; and (b) exercise any or all of its rights, powers, or remedies under the Transaction Documents or applicable law or available in equity, including foreclosing on the Collateral in accordance with the remedies provided to a lender under the Uniform Commercial Code; provided, however that, if an Event of Default described in Sections 3(a)(viii)-(x) of this Note shall occur, the principal of and accrued interest shall become immediately due and payable automatically and without any notice, declaration, or other act on the part of Holder.

(c) Acceleration by Subsidiary Spin-Off. Upon the occurrence of a Subsidiary Spin-Off and at any time thereafter, Holder may at its option declare the entire principal amount of this Note, together with all accrued interest thereon, immediately due and payable.

5. Adjustment of Conversion Price and Number of Conversion Shares. The Conversion Price and number of Conversion Shares issuable upon conversion of this Note are subject to adjustment from time to time as set forth in this Section 5.

(a) Registration or Rule 144 Eligibility. On the earlier date on which (i) the Initial Registration Statement (as defined in the Securities Purchase Agreement) is declared effective by the SEC or, (ii) the Conversion Shares are eligible to be sold, assigned or transferred under Rule 144 under the Securities Act of 1933, as amended, (such earlier date, the "**Adjustment Date**"), the Conversion Price then in effect shall be reduced (and in no event increased) to ninety percent (90%) of the Closing Bid Price of the Ordinary Shares on the Adjustment Date, but in no event less than $0.40 per Ordinary Share.

(b) Stock Dividends and Splits. Without limiting any provision of Section 6, if the Company, at any time on or after the date of the Securities Purchase Agreement, (i) pays a stock dividend on one or more classes of its then outstanding Ordinary Shares or otherwise makes a distribution on any class of capital stock that is payable in Ordinary Shares, (ii) subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its then outstanding Ordinary Shares into a larger number of shares or (iii) combines (by combination, reverse stock split or otherwise) one or more classes of its then outstanding Ordinary Shares into a smaller number of shares, then in each such case the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of Ordinary Shares outstanding immediately before such event and of which the denominator shall be the number of Ordinary Shares outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this paragraph occurs during the period that a Conversion Price is calculated hereunder, then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

(c) Adjustment Upon Issuance of Ordinary Shares. If, during the Restricted Period (as defined in the Securities Purchase Agreement), the Company effects an Additional Issuance (as defined in the Securities Purchase Agreement), or in accordance with this Section 5 is deemed to have effected an Additional Issuance, any Ordinary Shares (including the issuance or sale of Ordinary Shares owned or held by or for the account of the Company) issued or sold or deemed to have been issued or sold) for a consideration per share (the "**New Issuance Price**") less than a price equal to the Conversion Price in effect immediately prior to such issue or sale or deemed issuance or sale (such Conversion Price then in effect is referred to as the "**Applicable Price**") (the foregoing a "**Dilutive Issuance**"), then immediately after such Dilutive Issuance, the Conversion Price then in effect shall be reduced (and in no event increased) to such lower price per share of the New Issue Price, but in no event less than $0.01 per Ordinary Share (as adjusted for stock splits, stock dividends, reclassifications, reorganizations or other similar transactions); provided, that if such issuance or sale (or deemed issuance or sale) was without consideration, then the Company shall be deemed to have received $0.01 for each such share so issued or deemed to be issued. For all purposes of the foregoing (including, without limitation, determining the adjusted Conversion Price and consideration per share under this Section 5(c)), the following shall be applicable:

(i) Issuance of Options. If, during the Restricted Period, the Company in any manner grants or sells any Options and the lowest price per share for which one Ordinary Share is issuable upon the exercise

of any such Option or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option is less than the Applicable Price, then such Ordinary Share shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option for such price per share. For purposes of this Section 5(c)(i), the "lowest price per share for which one Ordinary Share is issuable upon the exercise of any such Options or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option" shall be equal to (A) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one Ordinary Share upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option minus (B) the sum of all amounts paid or payable to the holder of such Option (or any other Person) upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Option (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such Ordinary Shares or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such Ordinary Shares upon conversion, exercise or exchange of such Convertible Securities.

(ii) Issuance of Convertible Securities. If, during the Restricted Period, the Company in any manner issues or sells any Convertible Securities and the lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such Ordinary Shares shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section 5(c)(ii), the "lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof" shall be equal to (A) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one Ordinary Share upon the issuance or sale of the Convertible Security and upon conversion, exercise or exchange of such Convertible Security minus (B) the sum of all amounts paid or payable to the holder of such Convertible Security (or any other Person) upon the issuance or sale of such Convertible Security plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Convertible Security (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such Ordinary Shares upon conversion, exercise or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustment of this Warrant has been or is to be made pursuant to other provisions of this Section 5(c), except as contemplated below, no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Rate of Conversion. If, during the Restricted Period, the purchase or exercise price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exercisable or exchangeable for Ordinary Shares increases or decreases at any time, the Conversion Price in effect at the time of such increase or decrease shall be adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 5(c)(iii), if the terms of any Option or Convertible Security that was outstanding as of the date of issuance of this Warrant are increased or decreased in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Ordinary Shares deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 5(c) shall be made if such adjustment would result in an increase of the Conversion Price then in effect.

(iv) Calculation of Consideration Received. If, during the Restricted Period, any Option or Convertible Security is issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company, together comprising one integrated transaction, (A) such Option or Convertible Security (as applicable) will be deemed to have been issued for consideration equal to the Black Scholes

Consideration Value thereof and (B) the other securities issued or sold or deemed to have been issued or sold in such integrated transaction shall be deemed to have been issued for consideration equal to the difference of (1) the aggregate consideration received by the Company, minus (2) the Black Scholes Consideration Value of each such Option or Convertible Security (as applicable). If any Ordinary Shares, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the net amount of consideration received by the Company therefor. If any Ordinary Shares, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the arithmetic average of the VWAPs of such security for each of the five (5) Trading Days immediately preceding the date of receipt. If any Ordinary Shares, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Ordinary Shares, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or publicly traded securities will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "**Valuation Event**"), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10^{th}) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

(v) Record Date. If, during the Restricted Period, the Company takes a record of the holders of Ordinary Shares for the purpose of entitling them (A) to receive a dividend or other distribution payable in Ordinary Shares, Options or in Convertible Securities or (B) to subscribe for or purchase Ordinary Shares, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the Ordinary Shares deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(d) Calculations. All calculations under this Section 5 shall be made by rounding to the nearest $1/10000^{th}$ of cent and the nearest $1/100^{th}$ of a share, as applicable. The number of Ordinary Shares outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Ordinary Shares.

(e) Other Events. In the event that the Company shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 5 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Conversion Price and the number of Conversion Shares (if applicable) so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 5(e) will increase the Conversion Price or decrease the number of Conversion Shares as otherwise determined pursuant to this Section 5, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company's board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding and whose fees and expenses shall be borne by the Company.

6. Rights Upon Distribution of Assets. In addition to any adjustments pursuant to Section 5, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Ordinary Shares, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, indebtedness, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction, other than a distribution of Ordinary Shares covered by Section 5(b)) (a "**Distribution**"), at any time after the issuance of this Note, then, in each such case, provision shall be made so that upon conversion of this Note, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of

Ordinary Shares acquirable upon complete conversion of this Note (without regard to any limitations on conversion hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distributions would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to such extent (or the beneficial ownership of any such Ordinary Shares as a result of such Distribution to such extent) and such Distribution to such extent shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

7. Purchase Rights; Fundamental Transaction.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 5 herein, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Ordinary Shares (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Ordinary Shares acquirable upon complete conversion of this Note (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Ordinary Shares as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

(b) Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under this Note and the other Transaction Documents related to this Note in accordance with the provisions of this Section 7(b) pursuant to written agreements in form and substance reasonably satisfactory to the Holder, including agreements confirming the obligations of the Successor Entity as set forth in this Note and an obligation to deliver to the Holder in exchange for this Note a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Note, including, without limitation, which is exercisable for a corresponding number of shares of capital stock equivalent to the Ordinary Shares acquirable and receivable upon conversion of this Note (without regard to any limitations on the conversion of this Note) prior to such Fundamental Transaction, and with a conversion price which applies the Conversion Price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Note immediately prior to the consummation of such Fundamental Transaction). Notwithstanding the foregoing, at the election of the Holder upon conversion of this Note following a Fundamental Transaction, the Successor Entity shall deliver to the Holder, in lieu of the Ordinary Shares (or other securities, cash, assets or other property (except such items still issuable under Sections 6 and 7(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of this Note prior to the applicable Fundamental Transaction, such Ordinary Shares (or its equivalent) of the Successor Entity (including its Parent Entity), or other securities, cash, assets or other property, which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Note been exercised immediately prior to the applicable Fundamental Transaction; provided, however, that such amount of reserved Ordinary Shares shall be limited by the Maximum Percentage of Ordinary Shares.

8. Reissuance of Note.

(a) Transfer. If this Note is to be transferred, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 8(d)), registered as the Holder may request, representing the outstanding Principal being transferred by the

Holder and, if less than the entire outstanding Principal is being transferred, a new Note (in accordance with Section 8(d)) to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(vi) following conversion or redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 8(d)) representing the outstanding Principal.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes (in accordance with Section 8(d) and in principal amounts of at least $10,000) representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Note. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding (or in the case of a new Note being issued pursuant to Section 8(a) or Section 8(c), the Principal designated by the Holder which, when added to the Principal represented by the other new Notes issued in connection with such issuance, does not exceed the Principal remaining outstanding under this Note immediately prior to such issuance of new Notes), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Execution Date of this Note, and (iv) shall have the same rights and conditions as this Note.

9. Voting Rights. The Holder shall have no voting rights as the holder of this Note, except as required by law, including but not limited to Nevada corporate law, and as expressly provided in this Note.

10. Covenants. Until this Note has been entirely converted, redeemed or otherwise satisfied in accordance with its terms:

(a) Rank. This Note shall be senior in right of payment to all other current and future notes to which the Company is a party, other than the Senior Indebtedness.

(b) Secured Indebtedness. Except with respect to Senior Indebtedness, the Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, incur any Indebtedness of the Company or any of the Subsidiaries, or amend or modify any Indebtedness in such a manner that results in it being, secured by any Lien on any assets of the Company or any of its Subsidiaries.

(c) Restricted Payments. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness, whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness, if at the time such payment is due or is otherwise made or, after giving effect to such payment, (i) an event constituting an Event of Default has occurred and is continuing or (ii) an event that with the passage of time and without being cured would constitute an Event of Default has occurred and is continuing.

(d) Restriction on Redemption and Cash Dividends. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, repurchase or pay any cash dividend or

distribution on any of its capital stock (other than dividends by wholly-ownedSubsidiaries to the Company) without the prior express written consent of the Holder.

(e) Restriction on Transfer of Assets. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, convey or otherwise dispose of any assets or rights of the Company or any Subsidiary owned or hereafter acquired whether in a single transaction or a series of related transactions, other than sales, leases, licenses, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company and its Subsidiaries that, in the aggregate, do not have a fair market value in excess of $250,000 in any twelve (12) month period, and other than (i) sales, leases, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company in the ordinary course of business and (ii) sales of inventory in the ordinary course of business.

(f) Change in Nature of Business. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by the Company and each of its Subsidiaries on the Issuance Date or any business substantially related or incidental thereto. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose.

(g) Preservation of Existence, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(h) Maintenance of Properties, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, and cause each of its Subsidiaries to comply, at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any loss or forfeiture thereof or thereunder.

(i) Maintenance of Insurance. The Company shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (including, without limitation, comprehensive general liability, hazard, rent and business interruption insurance) with respect to its properties (including all real properties leased or owned by it) and business, in such amounts and covering such risks as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated.

11. [Reserved]

12. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversions and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Note shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Note (including, without limitation, compliance with Section 5

hereof). The issuance of Ordinary Shares and certificates for Ordinary Shares as contemplated hereby upon the conversion of this Note shall be made without charge to the Holder or such Ordinary Shares for any issuance tax or other costs in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than the Holder or its agent on its behalf

13. Payment of Collection, Enforcement and Other Costs. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or to collect upon any of the Collateral (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, attorneys' fees and disbursements.

14. Non-circumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its certificate of incorporation, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all the provisions of this Note and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Ordinary Shares upon the conversion of this Note, and (ii) shall, so long as any of the Principal under this Note remains outstanding, take all action necessary to reserve and keep available out of its authorized and unissued Ordinary Shares, solely for the purpose of effecting the exercise of this Note, the maximum number of Ordinary Shares as shall from time to time be necessary to effect the exercise of this Note.

15. Failure or Indulgence Not Waiver. No failure or delay on the part of a Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

16. Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with Section 10(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) as soon as practicable upon each adjustment of the Conversion Price and the number of Conversion Shares, setting forth in reasonable detail, and certifying, the calculation of such adjustment(s) and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Ordinary Shares, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities, indebtedness, or other property pro rata to holders of Ordinary Shares or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information (to the extent it constitutes, or contains, material, non-public information regarding the Company shall be made known to the public prior to or in conjunction with such notice being provided to the Holder and (iii) at least ten (10) Trading Days prior to the consummation of any Fundamental Transaction. To the extent that any notice provided hereunder (whether under this Section 16 or otherwise) constitutes, or contains, material, non-public information regarding the Company, the Company shall simultaneously file such notice with the SEC pursuant to a Report of Foreign Private Issuer on Form 6-K. It is expressly understood and agreed that the time of execution specified by the Holder in each Conversion Notice shall be definitive and may not be disputed or challenged by the Company.

17. [Reserved].

18. Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, unless otherwise expressly set forth herein, such payment shall be made in lawful money of the United States of America by wire transfer of immediately available funds by providing the Company with prior written notice

setting out the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day,the same shall instead be due on the next succeeding day which is a Business Day. Any amounts due under the Transaction Documents which is not paid when due shall result in a late charge being incurred and payable by the Company in an amount equal to interest on such amount at the rate of fifteen percent (15%) per monthfrom the date such amount was due until the same is paid in full.

19. Transferability of Note. A Holder may transfer some or all of this Note, or any shares issuable upon conversion of this Note, without the consent of the Company, subject only to the limitations of Section 2(f) of the Securities Purchase Agreement.

20. Register. The Company shall maintain a register (the "**Register**") and record the names and addresses of the holders of each Convertible Note and the Principal amount of the Convertible Notes held by such holders (the "**Registered Notes**"). The entries in the Register shall be conclusive and binding for all purposes absent manifest error. The Company and the holders of the Notes shall treat each Person whose name is recorded in the Register as the owner of a Note for all purposes, including, without limitation, the right to receive payments of Principal and interest hereunder, notwithstanding notice to the contrary. A Registered Note may be assigned or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of a request to assign or sell all or part of any Registered Note by a Holder, the Company shall record the information contained therein in the Register and issue one or more new Registered Notes in the same aggregate Principal amount as the Principal amount of the surrendered Registered Note to the designated assignee or transferee.

21. Amendment. Except as otherwise provided herein, the provisions of this Note may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder. The Holder shall be entitled, at its option, to the benefit of any amendment of any other similar Convertible Note issued by the Company under the Securities Purchase Agreement.

22. Dispute Resolution. In the case of a dispute as to the determination of the Conversion Price or the arithmetic calculation of the Conversion Shares (as the case may be), the Company or the Holder (as the case may be) shall submit the disputed determinations or arithmetic calculations (as the case may be) via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Company or the Holder (as the case may be) or (ii) if no notice gave rise to such dispute, at any time after the Holder or the Company (as the case may be) learned of the circumstances giving rise to such dispute. If the Holder and the Company are unable to agree upon such determination or calculation (as the case may be) within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Company or the Holder (as the case may be), then the Company shall, within two (2) Business Days submit via facsimile (a) the disputed arithmetic calculation of the Conversion Shares and the disputed determination of the Conversion Price to an independent, reputable investment bank selected by the Holder, with the consent of the Company (which may not be unreasonably withheld, conditioned or delayed), or (b) if acceptable to the Holder, the disputed arithmetic calculation of the Conversion Shares and the disputed determination of the Conversion Price to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant (as the case may be) to perform the determinations or calculations (as the case may be) and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives such disputed determinations or calculations (as the case may be). Such investment bank's or accountant's determination or calculation (as the case may be) shall be binding upon all parties absent demonstrable error. The fees and expenses of such investment bank or accountant shall be borne by the parties in the same proportion as the respective amounts by which the investment bank's or accountant's determination differs from such party's calculation.

23. Waiver of Notice. To the extent permitted by law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Securities Purchase Agreement.

24. Governing Law. This Note shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision

or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder or to enforce a judgment or other court ruling in favor of the Holder. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JU RY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.**

25. Certain Defined Terms. For purposes of this Note, the following terms shall have the following meanings:

(a) "**1934 Act**" means the Securities Exchange Act of 1934, as amended.

(b) "**Black Scholes Consideration Value**" means the value of the applicable Option or Convertible Security (as the case may be) as of the date of issuance thereof calculated using the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg utilizing (i) an underlying price per share equal to the Closing Sale Price of the Ordinary Shares on the Trading Day immediately preceding the public announcement of the execution of definitive documents with respect to the issuance of such Option or Convertible Security (as the case may be), (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Option or Convertible Security (as the case may be) as of the date of issuance of such Option or Convertible Security (as the case may be) and (iii) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the date of issuance of such Option or Convertible Security (as the case may be).

(c) "**Bloomberg**" means Bloomberg, L.P.

(d) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and the last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price (as the case may be) then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the average of the bid prices, or the ask prices, respectively, of all of the market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price (as the case may be) of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(e) "**Collateral**" means all of Borrower's right, title and interest in and to all of the assets of Borrower, including without limitation, the following assets (whether now existing or hereafter arising or acquired, wherever located): (i) all present and future income, accounts, accounts receivable, rights to payment and all forms of consideration and obligations owing to Borrower or in which the Borrower may have any interest, however created or arising and whether or not earned by performance; (ii) all deposit accounts, securities, securities entitlements,

securities accounts, investment property and certificates of deposit now owned or hereafter acquired;(iii) all other real and personal property now owned or hereafter acquired, including, and all accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located; and(iv) all other contract rights, intellectual property (including know-how, trade secrets, patents, copyrights, trade and service marks, licenses; issued, pending, or planned; and registered or at common law), and general intangibles now owned or hereafter acquired, including, without limitation, income tax refunds, credits, deposits, payments of insurance and rights to payment of any kind; notwithstanding the foregoing, Collateral shall not include (i) any real property owned by Borrower as of the date hereof or (ii) any hereinafter acquired real or personal property (including, without limitation, all other contract rights, intellectual property (including know-how, trade secrets, patents, copyrights, trade and service marks, licenses; issued, pending, or planned; and registered or at common law), and general intangibles) further to which the seller thereof self-finances or provides seller-backed financing.

(f) "**Conversion Price**" means $1.54, subject to adjustment as provided herein.

(g) "**Execution Date**" shall have the meaning set forth in the Securities Purchase Agreement.

(h) "**Fundamental Transaction**" means that (i) the Company shall, directly or indirectly, in one or more related transactions, (1) consolidate or merge with or into (whether or not the Company is the surviving entity) any other Person unless the shareholders of the Company immediately prior to such consolidation or merger continue to hold more than 50% of the outstanding shares of Voting Stock after such consolidation or merger, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its properties or assets to any other Person, in connection with which the Company is dissolved, or (3) allow any other Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other Person whereby such other Person acquires more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (ii) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock of the Company.

(i) "**Interest Rate**" means eight percent (8%) per annum, in each case as may be adjusted from time to time in accordance with Section 1.

(j) "**Lien**" means any lien, mortgage, pledge, encumbrance, charge, security interest, adverse claim, liability, interest, charge, preference, priority, proxy, transfer restriction (other than restrictions under the federal and state securities laws), encroachment, tax, order, community property interest, equitable interest, option, warrant, right of first refusal, easement, profit, license, servitude, right of way, covenant or zoning restriction.

(k) "**Options**" means any rights, warrants or options to subscribe for or purchase Ordinary Shares or Convertible Securities.

(l) "**Ordinary Shares**" means the Ordinary Shares, no par value, of the Company and any other shares of stock issued or issuable with respect thereto (whether by way of a stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, distribution, recapitalization, merger, consolidation, other corporate reorganization or other similar event with respect to the Ordinary Shares).

(m) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose Ordinary Shares or equivalent equity security is quoted or listed on an Eligible Market,

or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date ofconsummation of the Fundamental Transaction.

(n) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(o) "**Principal Market**" means the Nasdaq Capital Market.

(p) "**SEC**" means the Securities and Exchange Commission or the successor thereto.

(q) "**Senior Indebtedness**" means any Indebtedness of the Company or its Subsidiaries under any bank or seller-backed financing secured by real or personal property.

(r) "**Subsidiary**" means any Person in which the Company, directly or indirectly, (I) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (II) controls or operates all or any part of the business, operations or administration of such Person; provided, that after the Subscription Date, a Person (other than Subsidiaries as of the Subscription Date) shall not become a Subsidiary pursuant to clause (I) unless the Company, directly or indirectly, owns at least 10% of any of the outstanding capital stock or holds at least 10% of any equity or similar interest of such person.

(s) "**Subsidiary Spin-Off**" means any inquiry, proposal or offer from any Person relating to any (a) direct or indirect acquisition (whether in a single transaction or a series of related transactions) of assets of a Subsidiary (excluding sales of assets in the ordinary course of business) equal to 51% or more of the value of the assets of the Subsidiary or to which 51% or more of the revenues or earnings of the Subsidiary are attributable, (b) tender offer for, or direct or indirect acquisition (whether in a single transaction or a series of related transactions) of 51% or more of the outstanding equity securities of any Subsidiary, or (c) merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving substantially all of any Subsidiary or involving the assets of the any Subsidiaries with a value set forth in clause (a) of this definition.

(t) "**Successor Entity**" means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(u) "**Trading Day**" means, as applicable, (x) with respect to all price determinations relating to the Ordinary Shares, any day on which the Ordinary Shares is traded on the principal securities exchange or securities market on which the Ordinary Shares is then traded, provided that "Trading Day" shall not include any day on which the Ordinary Shares is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Ordinary Shares is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder or (y) with respect to all determinations other than price determinations relating to the Ordinary Shares, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(v) "**Voting Stock**" of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(w) "**VWAP**" means, for any security as of any date, the dollar volume-weighted average price for such security on the principal securities exchange or securities market on which such security is then traded during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted

average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the three highest closing bid prices and the three lowest closing ask prices of all of the market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

IN WITNESS WHEREOF, Holder and the Company have caused their respective signature page to this Convertible Note to be duly executed as of the date first written above.

COMPANY

BORQS TECHNOLOGIES, INC.

By: /s/ Pat Sek Yuen Chan
Name: Pat Sek Yuen Chan
Title: Chief Executive Officer

* * * * *

EXHIBIT I

BORQS TECHNOLOGIES, INC.
CONVERSION NOTICE

Reference is made to that certain Convertible Note (the "**Note**") issued by Borqs Technologies, Inc., a company incorporated in the British Virgin Islands (the "**Company**") to the undersigned Holder on [ ], 2021. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

The undersigned holder hereby exercises the right to convert the portion of the Note indicated below into Ordinary Shares, no par value, of the Company (the "**Ordinary Shares**") as of the date specified below.

Date of Conversion: _____

Principal Amount of Note to be Converted: _____

Tax ID Number (If applicable): _____

Applicable Conversion Price:

$_____

Number of Ordinary Shares to be issued: _____

Please issue the Ordinary Shares into which the Note is being converted in the following name and to the following address:

Issue to: _____
_____

Address: _____

Telephone Number: _____

Facsimile Number: _____

Holder: _____

By: _____
Title: _____

Dated: _____

Account Number (if electronic book entry transfer): _____

Transaction Code Number (if electronic book entry transfer): _____

EXHIBIT II

ACKNOWLEDGMENT

Borqs Technologies, Inc., a company incorporated in the British Virgin Islands (the "**Company**") hereby acknowledges its receipt of the enclosed Conversion Notice and hereby directs [_____] to issue the above indicated number of Ordinary Shares in accordance with the Irrevocable Transfer Agent Instructions dated [_____ __, 20__] from the Company and acknowledged and agreed to by [_____].

BORQS TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

Exhibit 21.1

SUBSIDIARIES OF LM FUNDING AMERICA, INC.

Except as indicated below, all of the following subsidiaries are 100% owned by LM Funding, LLC, a Florida limited liability company:

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
LM Funding, LLC (1)	Florida
LM Funding, LLC (1)	Florida
LMF October 2010 Fund, LLC	Florida
REO Holdings Management, LLC (2)	Florida
LM Funding of Colorado, LLC	Colorado
LM Funding of Washington, LLC	Washington
LMF SPE#2, LLC	Florida
LM Funding of Illinois, LLC	Illinois
LM Financial Partners, LLC	Florida
Central Florida Office Ventures, LLC	Florida
Data Investigative Services, LLC	Florida
Diligent Association Title, LLC	Florida
LMFAO Sponsor LLC (3)	Florida
LMF Acquisition Opportunities Inc. (4)	Delaware

(1) Owned 100% by LM Funding America, Inc.

(2) REO Holdings Management owns a number of single purpose LLC entities for owning various properties

(3) Owned approximately 70% by LM Funding America, Inc.

(4) Owned 100% by LMFAO Sponsor LLC until initial public offering on January 28, 2021, after which it owned approximately 20% by LMFAO Sponsor, LLC

Exhibit 31.1

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

I, Bruce Rodgers, certify that:

1. I have reviewed this annual report on Form 10-K 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.

March 31, 2021

/s/ Bruce Rodgers
Bruce Rodgers
CEO and 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 31.2

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 annual report on Form 10-K 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.

March 31, 2021

/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.

Exhibit 32.1

Written Statement of the Chief Executive 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 Annual Report on Form 10-K of the Company for the annual period ended December 31, 2020 as filed with the Securities and Exchange Commission on March 31, 2021 (the "Report"), fully complies with the requirements of Section 13(a) 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

March 31, 2021

Bruce Rodgers
CEO and 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 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 Annual Report on Form 10-K of the Company for the annual period ended December 31, 2020 as filed with the Securities and Exchange Commission on March 31, 2021 (the "Report"), fully complies with the requirements of Section 13(a) 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

March 31, 2021

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.