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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from to

Commission file number 001-37605

LM FUNDING AMERICA, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

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

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

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

The registrant had 13,091,883 shares of Common Stock, par value $0.001 per share, outstanding as of May 9, 2022.

LM FUNDING AMERICA, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
Cash	$ 24,536,467	$ 32,559,185
Finance receivables:		
Original product - net	20,543	13,993
Special product - New Neighbor Guaranty program, net of allowance for credit losses of	16,148	14,200
Short-term investments - convertible debt securities (Note 7)	845,424	539,351
Marketable securities (Note 7)	308,950	2,132,051
Short-term investments - debt security (Note 7)	2,106,082	2,000,000
Prepaid expenses and other assets	944,464	1,251,852
Income tax receivable (Note 4)	143,822	-
Note receivable from related party (Note 7)	310,000	-
Digital assets, net (Note 9)	504,366	-
Current assets	29,736,266	38,510,632
Fixed assets, net	14,820	17,914
Real estate assets owned	80,057	80,057
Operating lease - right of use assets (Note 5)	337,413	59,969
Long-term investments - equity securities (Note 7)	949,754	1,973,413
Investments in unconsolidated affiliates (Note 7)	4,713,390	4,676,130
Deposit on mining equipment (Note 8)	23,893,672	16,775,100
Other assets	10,726	10,726
Long-term assets	29,999,832	23,593,309
Total assets	$ 59,736,098	$ 62,103,941
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	325,489	463,646
Note payable - short-term (Note 3)	57,344	114,688
Due to related party (Note 2)	373,800	121,220
Current portion of lease liability (Note 5)	90,072	68,002
Income tax payable (Note 4)	-	326,178
Other liabilities	1,725	-
Total current liabilities	848,430	1,093,734
Lease liability - long-term (Note 5)	248,475	-
Long-term liabilities	248,475	-
Total liabilities	1,096,905	1,093,734
Stockholders' equity:		
Preferred stock, par value $.001; 150,000,000 shares authorized; no shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	-	-
Common stock, par value $0.001; 350,000,000 shares authorized; 13,091,883 and 13,017,943 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	13,092	13,018
Additional paid-in capital	78,173,269	74,525,106
Accumulated deficit	(19,505,057)	(13,777,006)
Total stockholders' equity	58,681,304	60,761,118
Non-controlling interest	(42,111)	249,089
Total stockholders' equity	58,639,193	61,010,207
Total liabilities and stockholders' equity	$ 59,736,098	$ 62,103,941

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

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

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Revenues:		
Interest on delinquent association fees	$ 101,268	$ 77,444
Administrative and late fees	16,708	15,071
Recoveries in excess of cost - special product	17,365	29,473
Underwriting and other revenues	16,791	22,703
Rental revenue	38,872	31,917
Total revenues	191,004	176,608
Operating Expenses:		
Staff costs and payroll	4,292,197	1,301,981
Professional fees	774,820	482,943
Settlement costs with associations	160	-
Selling, general and administrative	114,920	99,769
Recovery of cost from related party receivable	-	(10,000)
Real estate management and disposal	31,481	18,290
Depreciation and amortization	3,094	1,696
Collection costs	(3,820)	2,048
Other operating expenses	8,384	7,545
Total operating expenses	5,221,236	1,904,272
Operating loss	(5,030,232)	(1,727,664)
Realized gain (loss) on securities	(395,181)	5,671,464
Unrealized gain on convertible debt security	288,320	-
Unrealized gain on marketable securities	130	-
Unrealized gain (loss) on investment and equity securities	(986,399)	595,392
Digital assets other income	4,366	-
Interest income	98,370	13,055
Interest expense	-	(464)
Dividend income	1,375	-
Income (loss) before income taxes	(6,019,251)	4,551,783
Income tax expense	-	(3,484)
Net income (loss)	(6,019,251)	4,548,299
Less: Net income (loss) attributable to non-controlling interest	291,200	(171,866)
Net income (loss) attributable to LM Funding America Inc.	$ (5,728,051)	$ 4,376,433
Earnings/(loss) per share:		
Basic income (loss) per common share - net income (loss) - attributable to LM Funding	$ (0.44)	$ 0.87
Diluted income (loss) per common share - net income (loss) - attributable to LM Funding	$ (0.44)	$ 0.80
Weighted average number of common shares outstanding:		
Basic	13,060,736	5,047,498
Diluted	13,060,736	5,439,398

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

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

	For the Three Months Ended March 31,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	**$ (6,019,251)**	**$ 4,548,299**
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	3,094	1,696
Right to use non cash lease expense	23,343	25,808
Stock compensation	329,500	-
Stock option expense	3,318,737	-
Accrued investment income	(96,657)	(12,784)
Digital assets other income	(4,366)	
Gain on deconsolidation of affiliate	-	(43,623)
Unrealized gain on convertible debt security	(288,320)	-
Unrealized gain on marketable securities	(130)	(595,392)
Unrealized loss on investment and equity securities	986,399	-
Realized (gain) loss on securities	395,181	(5,671,464)
Proceeds from securities	1,428,050	21,218,918
Investment in convertible note receivable converted into marketable security	-	(15,547,454)
Change in assets and liabilities		
Prepaid expenses and other assets	280,208	710,163
Digital assets, net	(500,000)	-
Accounts payable and accrued expenses	(136,430)	157,514
Advances (repayments) from related party	252,580	200,749
Lease liability payments	(30,242)	(24,971)
Income tax payable	(326,178)	3,484
Income tax receivable	(143,822)	-
Net cash provided by (used in) operating activities	**(528,304)**	**4,970,943**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net collections of finance receivables - original product	(6,550)	14,206
Net collections of finance receivables - special product	(1,948)	(1,020)
Payments for real estate assets owned	-	(62,432)
Deposit for mining equipment	(7,118,572)	-
Investment in convertible note receivable	-	(1,666,500)
Loan to purchase securities	-	1,784,250
Investment in note receivable - related party	(310,000)	-
Repayment of loan to purchase securities	-	(1,784,250)
Investment in unconsolidated affiliate	-	(5,738,000)
Net cash (used in) provided by investing activities	**(7,437,070)**	**(7,453,746)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments	-	(343,687)
Insurance financing repayments	(57,344)	(468,061)
Exercise of warrants	-	9,544,623
Net cash provided by (used in) financing activities	**(57,344)**	**8,732,875**
NET INCREASE (DECREASE) IN CASH	(8,022,718)	6,250,072
CASH - BEGINNING OF YEAR	32,559,185	11,552,943
CASH - END OF YEAR	**$ 24,536,467**	**$ 17,803,015**
SUPPLEMENTAL DISCLOSURES OF NON-CASHFLOW INFORMATION		
ROU assets and operating lease obligation recognized	$ 300,787	$ -
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION		
Cash paid for taxes	$ 470,000	-

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

LM Funding America, Inc. and Subsidiaries Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

	Common Stock					
	Shares	Amount	Additional paid in capital	Accumulated Deficit	Non-Controlling Interest	Total Equity
Balance - December 31, 2020	3,083,760	$ 3,084	$ 29,996,257	$ (18,536,224)	$ 5,191	$ 11,468,308
Stock issued for warrants exercised	2,330,536	2,330	9,542,293	-	-	9,544,623
Net income	-	-	-	4,376,433	171,866	4,548,299
Balance - March 31, 2021	5,414,296	$ 5,414	$ 39,538,550	$ (14,159,791)	$ 177,057	$ 25,561,230
Balance - December 31, 2021	13,017,943	$ 13,018	$ 74,525,106	$ (13,777,006)	$ 249,089	$ 61,010,207
Stock issued for services	73,940	74	(74)	-	-	-
Stock compensation	-	-	329,500	-	-	329,500
Stock option expense	-	-	3,318,737	-	-	3,318,737
Net loss	-	-	-	(5,728,051)	(291,200)	(6,019,251)
Balance - March 31, 2022	13,091,883	$ 13,092	$ 78,173,269	$ (19,505,057)	$ (42,111)	$ 58,639,193

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

LM Funding America, Inc. (“we”, “our”, “LMFA” or the “Company”) was formed as a Delaware corporation on April 20, 2015. LMFA 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 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 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. The LM Funding America Inc. organized another subsidiary, US Digital Mining and Hosting Co., LLC., on September 10, 2021.

We are a 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. 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.

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

Specialty Finance Company

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

Under our New Neighbor Guaranty program, an Association will generally assign substantially all of its outstanding indebtedness and accruals on its delinquent units to us in exchange for payment by us of monthly dues on each delinquent unit. This simultaneously eliminates a substantial portion of the Association’s balance sheet bad debts and assists the Association to meet its budget by receiving guaranteed monthly payments on its delinquent units and relieving the Association from paying legal fees and costs to collect its bad debts. We believe that the combined features of the program enhance the value of the underlying real estate in an Association and the value of an Association’s delinquent receivables.

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

Specialty Finance Products

Original Product

Our original product relies upon Florida statutory provisions that effectively protect the principal amount invested by us in each Account. In particular, Section 718.116(1), Florida Statutes, makes purchasers and sellers of a unit in an Association jointly and severally liable for all past due assessments, interest, late fees, legal fees, and costs payable to the Association. 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.

New Neighbor Guaranty

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

Before we implement the New Neighbor Guaranty program for an Association we are typically asked 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.

Cryptocurrency Mining Business

On September 15, 2021, we announced that we plan to operate in the Bitcoin mining ecosystem. As of the date of this filing, we have not commenced operations. We aim to deploy the computing power that we will create to mine Bitcoin and validate transactions on the Bitcoin network. We believe that recent developments in Bitcoin mining have created an opportunity for us to deploy capital and conduct large-scale mining operations in the United States. We have formed a new wholly owned subsidiary, US Digital Mining and Hosting Co, LLC, a Florida limited liability company (US Digital), to develop and operate our cryptocurrency mining business.

We have committed to purchasing an aggregate of 5,046 Bitcoin S19J Pro Antminer cryptocurrency mining machines for an aggregate purchase price of $31.6 million (the “Mining Machines”). We received 841 Mining Machines during the first half of May 2022. We anticipate receiving the remaining Mining Machines to be delivered in batches over an estimated delivery timeframe starting in June 2022 and continuing through October 2022. The Bitmain Purchase Agreements required us to pay $7.9 million or 25% of the total purchase price as a non-refundable deposit for the Mining Machines within 7 days of the date of the signing of the respective Bitmain Purchase Agreements, and additional 35% of the batch price at least 6 months prior to shipment of such batch, and the remaining 40% of each batch price one month prior to the shipment of the batch.

In October 2021, we also entered into a sale and purchase agreement (the “Uptime Purchase Agreement”) with Uptime Armory LLC (“Uptime”) pursuant to which US Digital agreed to purchase, and Uptime agreed to supply to US Digital, an aggregate of 18 modified 40-foot cargo containers (“POD5ive containers”) that will be designed to hold and operate 280 S19 Pro Antminers manufactured by Bitmain. The purchase price of the POD5ive containers totals $3.15 million of which $2.4 million or 75% was paid in 2021 as a non-refundable down payment and the remaining 25% is due within five business days after Uptime delivers a “notice of completion” of the equipment. On the same effective date, US Digital also entered into a hosting agreement with Uptime Hosting LLC to host the Company’s 18 POD5ive containers at a secure location and provide power, maintenance and other services specified in the contract for 6 cents per kilowatt with a term of one year. Under the hosting agreement we paid a deposit of $0.8 million in 2021 and will pay an additional deposit for each container three months prior to delivery at the hosting site of $44 thousand and a final deposit for each container one month prior to arrival at the hosting site of $44 thousand.

Reverse Stock Split

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 On April 21, 2021, our Board of Directors approved a one-for-five reverse split of the Company's common stock. As a result, on May 7, 2021, the Company effected a common share consolidation ("Reverse Stock Split") by means of a one-for-five (1:5) reverse split of its outstanding common stock, which resulted in a decrease in outstanding common stock to 5,414,296 shares. The Reverse Stock Split became effective on May 7, 2021 and the Company's common stock began trading on The Nasdaq Capital Market on a split-adjusted basis on May 7, 2021. The Company has retroactively adjusted all share amounts and per share data herein to give effect to the Reverse Stock Split.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of LMFA and its wholly-owned subsidiaries: LM Funding, LLC; LMF October 2010 Fund, LLC; REO Management Holdings, LLC (including all 100% owned subsidiary limited liability companies); LM Funding of Colorado, LLC; LM Funding of Washington, LLC; LM Funding of Illinois, LLC; US Digital Mining Hosting Co., LLC; LMF SPE #2, LLC. LMFAO Sponsor LLC and various single purpose limited liability corporations owned by REO Management Holdings, LLC which own various properties. It also includes LMFA Sponsor LLC (a 70.5% owned subsidiary). All significant intercompany balances have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The interim condensed consolidated financial statements as of March 31, 2022 and for the Three Months ended March 31, 2022 and March 31, 2021, respectively are unaudited. In the opinion of management, the interim condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of the results for the interim periods. The accompanying consolidated balance sheet as of December 31, 2021, is derived from the audited consolidated financial statements presented in the Company's Annual Report on Form 10-K for fiscal the year ended December 31, 2021.

Reclassifications

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

Digital Assets, net

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

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

The impaired digital assets are written down to their fair value at the time of impairment and this new cost basis will not be adjusted upward for any subsequent increase in fair value. Gains are not recorded until realized upon sale, at which point they are presented separately from of any impairment losses.

During the three months ended March 31, 2022, the Company purchased an aggregate of $500,000 in stablecoin issued by Gemini Trust Company, LLC, ("GUSD") that is backed by dollar denominated assets held by the issuer in segregated accounts with U.S.

regulated financial institutions. The Company earns additional Gemini dollars on GUDS holdings, which we earned approximately $4 thousand in Gemini dollars during the period which is recognized as digital assets income.

As of March 31, 2022 we had $504,366 of GUSD. The GUSD is redeemable at a 1:1 exchange for USD at any time. The Company's GUSD holdings are classified as Level 1 within the fair value hierarchy and carried at amortized cost, which approximates their fair value.

There is currently no specific guidance under GAAP or alternative accounting framework for the accounting for digital assets recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Investment in Securities

Investment in Securities includes investments in common stocks, note receivables, and convertible notes receivables. Investments in securities are reported at fair value with changes in unrecognized gains or losses included in other income on the income statement. The fair value of the BORQ convertible note receivable is based on its classification as a trading security. The Symbiont note receivable is reported at amortized costs less impairment.

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.

Investments in Unconsolidated Entities

We account for investments in less than50% owned and more than 20% owned entities using the equity method of accounting. Because we have elected the fair value option for these securities, unrealized holding gains and losses during the period are included in earnings.

Income (Loss) Per Share

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

The Company issued approximately 74 thousand shares and 2.3 million shares at various times during the Three Months ended March 31, 2022 and March 31, 2021, respectively, and has weighted averaged these new shares in calculating income (loss) per share for the relevant period.

The Company has restated all share amounts to reflect the Reverse Stock Split.

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

The anti-dilutive stock based compensation awards consisted of:

	As of March 31,	
	2022	2021
Stock Options	3,956,827	3,860
Stock Warrants	7,702,441	391,900

Note 2. Due to Related Party

Legal services for the Company associated with the collection of delinquent assessments from property owners are performed by a law firm, Business Law Group ("BLG"), which was owned solely by Bruce M. Rodgers, the Chief Executive Officer of LMFA, until and through the date of the Company's filing initial public offering in 2015. Following the offering in 2015, Mr. Rodgers transferred his interest in BLG to other attorneys at the firm through a redemption of his interest in the firm, and BLG became 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 paid BLG a fixed monthly fee of $82,000 for services rendered. The Company paid BLG a minimum per unit fee of $700 in any case where there is a collection event and BLG 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.

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

The Company had originally engaged BLG on behalf of many of its Association clients to service and collect the Accounts and to distribute the proceeds as required by Florida law and the provisions of the purchase agreements between LMF and the Associations. This engagement was subsequently assigned to BLGAL as described above. Ms. Gould who is one of our directors, worked as the General Manager of BLG and works as the General Manager of BLGAL .

Amounts collected from property owners and paid to BLG or BLGAL as applicable for the Three Months ended March 31, 2022 and 2021 were approximately $188,000 and $246,000, respectively. As of March 31, 2022 and December 31, 2021, receivables from property owners for charges ultimately payable to BLGAL or BLGAL were approximately $643,000 and $677,000, respectively.

Under the Services Agreement in effect during the Three Months ended March 31, 2022 and 2021, the Company pays all costs (lien filing fees, process and serve costs) incurred in connection with the collection of amounts due from property owners. Any recovery of these collection costs is accounted for as a reduction in expense incurred. The Company incurred expenses related to these types of costs for the Three Months ended March 31, 2022 and 2021 in the amounts of $24,000 and $22,000, respectively. Recoveries during the Three Months ended March 31, 2022 and 2021, related to those costs were approximately $20,000 for 2022 and $ 19,000 for 2021, respectively.

The Company also shares office space and related common expenses with BLGAL (and previously BLG). All shared expenses, including rent, are charged to BLG based on an estimate of actual usage. Any expenses of BLGAL and 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 sheets. BLGAL and BLG, as applicable were charged a total of approximately $15,000 and $17,000 for the office sub-lease during the Three Months ended March 31, 2022 and 2021, respectively.

In 2017, 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 2021 and 2020, the Company subsequently recouped $200,000 and $500,000, respectively, of this write-off. Additional recoveries of the reserve are not expected. No amounts were recouped in 2022.

Amounts payable to BLGAL and BLG, in aggregate as of March 31, 2022 and December 31, 2021 were approximately $73,800 and $121,200, respectively.

Note 3. Debt and Other Financing Arrangements

	March 31, 2022	December 31, 2021
Financing agreement with FlatIron capital that is unsecured. Down payment of $36,255 was required upfront and equal installment payments of $19,114 to be made over a 10 month period. The note matures onMay 1, 2022. Annualized interest is 3.95%	$ 57,344	$ 114,688
	$ 57,344	$ 114,688

Note 4. 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 2022 and 2021, the Company concluded there was not sufficient positive evidence to overcome this recent operating history. As a result, the Company believed that a valuation allowance was necessary based on the more-likely-than-not threshold noted above. The Company had recorded a valuation allowance of approximately $4,677,000 as of March 31, 2022 and $3,246,000 as of December 31, 2021.
Significant components of the tax expense (benefit) recognized in the accompanying consolidated statements of operations for the Three Months ended March 31, 2022 and March 31, 2021 are as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Current tax benefit		
Federal	$ (361,715)	$ 911,648
State	(48,102)	188,624
Total current tax expense (benefit)	(409,817)	1,100,272
Deferred tax expense	(1,021,132)	8,214
Valuation allowance (expense)	1,430,949	(1,105,002)
Income tax (reduction) benefit	$ -	$ 3,484

The reconciliation of the income tax computed at the combined federal and state statutory rate of23.8% for the Three Months ended March 31, 2022 and24.3% for the Three Months ended March 31, 2021 to the income tax benefit is as follows:

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021	
Benefit on net loss	$ (1,432,139)	23.8%	$ 1,107,447	24.3%
Nondeductible expenses	1,190	0.0%	1,039	0.0%
Valuation allowance (expense)	1,430,949	(23.8)%	(1,105,002)	(24.3)%
Tax benefit/effective rate	$ -	(—)%	$ 3,484	(—)%

The significant components of the Company's deferred tax liabilities and assets as of March 31, 2022 and December 31, 2021 are as follows:

	As of March 31, 2022	As of December 31, 2021
Deferred tax liabilities:		
Deferred vendor stock compensation	$ (182,926)	$ (261,323)
Total deferred tax liabilities	(182,926)	(261,323)
Deferred tax assets:		
Loss carryforwards	2,511,217	2,101,401
Step up in basis at contribution to C-Corp	449,165	461,078
Stock option expense	1,459,575	669,959
Step up in basis - purchase of non-controlling interest	41,439	42,529
Allowance for credit losses	16,539	16,539
Unrealized loss on securities	382,407	216,284
Total deferred tax asset	4,860,342	3,507,790
Valuation allowance	(4,677,416)	(3,246,467)
Net deferred tax asset (liability)	$ -	$ -

During the Three months ended March 31, 2022, the Company offset $l.4 million of it's tax recovery with $1.4 million of its valuation allowance. During the Three Months ended March 31, 2021, the Company offset $1.1 million of it's tax expense with $1.1 million of its valuation allowance.

Note 5. 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 March 31, 2022, the Company's operating leases have remaining lease terms ranging from less than one year to three 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 March 31, 2022. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value of future lease payments are discounted using either the implicit rate in the lease, if known, or the Company's incremental borrowing rate for the specific lease as of the lease commencement date. The ROU asset is also adjusted for any prepayments made or incentives received. The lease terms include options to extend or terminate the lease only to the extent it is reasonably certain any of those options will be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company accounts for lease components (e.g., fixed payments) separate from the non-lease components (e.g., common-area maintenance costs). The Company does not have any material financing leases

The Company's office lease began July 15, 2019 and was due to expire on July 31, 2022. During the three months ended March 31, 2022 the Company exercised its option to extend its office lease to July 31, 2025. Due to the lease extension, the Company remeasured the lease liability and ROU asset associated with the lease. The Company accounted for the lease extension as a lease modification under ASC 842. At the effective date of modification, the Company recorded an adjustment to the right-of-use asset and lease liability in the amount of $300,787 based on the net present value of lease payments discounted using an estimated borrowing rate of7.5%.

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 2) that also performs legal services associated with the collection of delinquent assessments. Net rent expense recognized for the Three Months ended March 31, 2022 and 2021 were approximately $23,400 and $24,900, respectively.

The following table presents supplemental balance sheet information related to operating leases as of March 31, 2022 and December 31, 2021

	Balance Sheet Line Item		March 31, 2022		December 31, 2021
Assets					
ROU assets	Right of use asset, net	$	337,413	$	59,969
Total lease assets		$	337,413	$	59,969
Liabilities					
Current lease liabilities	Lease liability	$	90,072	$	68,002
Long-term lease liabilities	Lease liability		248,475		-
Total lease liabilities		$	338,547	$	68,002
Weighted-average remaining lease term (in years)			3.36		0.60
Weighted-average discount rate			7.49 %		6.55 %

The following table presents supplemental cash flow information and non-cash activity related to operating leases for the Three Months ended March 31, 2022 and 2021:

		Three Months Ended March 31, 2022		Three Months Ended March 31, 2021
Operating cash flow information				
'Cash paid for amounts included in the measurement of lease liabilities	$	(30,242)	$	(24,971)
Non-cashflow information				
ROU assets and operating lease obligation recognized	$	300,787	$	-

The following table presents maturities of operating lease liabilities on an undiscounted basis as of March 31, 2022:

		Operating Leases
2022 (excluding the three months ended March 31, 2022)	$	68,328
2023		90,823
2024		103,805
2025		75,591
	$	338,547

Legal Proceedings

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

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

On March 9, 2022, legal counsel to a purported stockholder of the Company threatened to file a direct and derivative complaint alleging breaches of fiduciary duty by the Company's officers and directors, primarily with respect to (i) the Amended and Restated Employment Agreements entered into by the Company with each of Mr. Rodgers and Mr. Russell in October 2021; (ii) the approval of actions taken at our 2021 annual meeting of stockholders in December 2021; (iii) payments made to Business Law Group, P.A. in exchange for services provided pursuant to the Services Agreement between the Company and Business Law Group; and (iv) strategic advisory agreements entered into by us in connection with our planned cryptocurrency mining business. As of the date of filing of this quarterly report on Form 10-Q, the Company and the purported stockholder have agreed in principle to a settlement of the stockholder's alleged claims under which the Company would be required to seek a new independent director to replace Joel Rodgers, would be required to engage a compensation consultant to review certain sections of the Company's executive employment agreements and to make changes in response to the consultant's recommendation, and to pay certain attorney fees in an amount to be agreed upon. There is no assurance that the agreement in principle will result in a final settlement.

Note 6. Stockholders' Equity

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).

The following is a summary of the stock option plan activity during the Three Months ended March 31, 2022 and 2021:

	2022		2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options Outstanding at Beginning of the year	3,956,827	$ 6.22	3,860	$ 302.55
Granted	-	-	-	-
Exercised	-	-	-	-
Adjustment	-	-	-	-
Forfeited	-	-	-	-
Options Outstanding at March 31,	3,956,827	$ 6.22	3,860	$ 302.55
Options Exercisable at March 31,	3,760	$ 293.95	3,193	$ 320.00

Stock compensation expense recognized for the Three Months ended March 31, 2022 and 2021 was approximately $3,318 thousand and $nil. thousand, respectively. There was $13.5 million of unrecognized compensation cost associated with unvested stock options as of March 31, 2022.

The aggregate intrinsic value of the outstanding common stock options as of March 31, 2022 and December 31, 2021 was approximately $0 and $0, respectively.

Stock Issuance

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

The Company issued 200,000 shares on November 4, 2021 pursuant to an agreement that is for one year with two vendors who provide consulting in the blockchain and crypto currency field. The total fair value of the stock at the time of issuance was approximately $1,318,000 of which we expensed $329,500 for the Three Months ended March 31, 2022.

Warrants

The following is a summary of the warrant activity during the Three Months ended March 31, 2022 and 2021:

	2022		2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants Outstanding at Beginning of the year	7,702,441	$ 5.00	2,718,012	$ 4.20
Granted	-	-	-	-
Exercised	-	-	(2,326,112)	4.08
Warrants Outstanding at March 31,	7,702,441	$ 5.00	391,900	$ 4.35

During the Three Months ended March 31, 2021, the Company received approximately $9.5 million upon the exercise by warrant holders of warrants for approximately 2.3 million shares. There was also a cashless warrant exercise for approximately 129,800 shares on January 29, 2021. The aggregate intrinsic value of the outstanding common stock warrants as of March 31, 2022 and December 31, 2021 was approximately $0 and $177,000 respectively.

Note 7. Investments

Short-term Investments – convertible debt securities

Short-term investments consist of a convertible debt investment. The Company entered into an agreement with BORQS Technologies Inc. ("Borqs") (Nasdaq: BRQS) in February 2021 under which the Company agreed to purchase Senior Secured Convertible Promissory Notes ("Notes") of Borqs up to an aggregate principal amount of $5 million. The Company's purchase of the Notes was a part of a larger transaction in which an aggregate of $20 million in Notes were sold by Borqs in a private transaction to several institutional and individual investors, including the Company. The Notes become due in February 2023, 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. The Company received 2,922,078 warrants which had a nominal value on the grant date. One-third of the Notes ($1,666,667) were funded by the Company at the execution of definitive agreements for the transaction, and two-thirds of the Notes ($3,333,333) were purchased and funded upon the satisfaction of certain conditions, including effectiveness of a registration statement that was deemed effective on May 3, 2021 and the Company completed this funding on May 6, 2021.

During the year ended December 31, 2021, the Company converted $4,100,000 of the Notes plus accrued interest of $131,760 into 5,960,829 shares of Borqs. The remaining 4,567,321 shares were sold in the Three Months ended March 31, 2022 which resulted in a realized loss of $395 thousand which is reflected in Marketable Securities. The remaining principal amount of the Notes plus accrued interest ($965,096) can be converted into common shares of Borqs at a conversion price of $0.25 per share or 3,863,200 shares. As of March 31, 2022 the Company considered the fair value of the Notes to be equal to the fair value of the stock on March 31, 2022 or $0.219 per share times the number of shares that it could be converted into based on a conversion price of $0.25 or 3,863,200 shares which have a fair value of $845,424. The fair value of the Notes plus accrued interest are based on their classification as trading securities and as such are reported at fair value. As of March 31, 2022, our re-measurement resulted in an unrealized gain of approximately $288,320 and is included within "Unrealized loss on convertible debt security" in the consolidated statements of operations.

Short-term investments in convertible debt securities consist of the following:

	March 31, 2022	December 31, 2021	March 31, 2021
Convertible note	$ 845,424	$ 539,351	$ 1,666,500
End of period	$ 845,424	$ 539,351	$ 1,666,500

	March 31, 2022	March 31, 2021
Beginning of year	$ 539,351	$ -
Investment in convertible debt security	-	1,666,500
Accrued interest income on debt security	17,753	-
Unrealized gain on convertible debt security	288,320	-
End of period	$ 845,424	$ 1,666,500

In December 2020, the Company entered into a Loan Agreement (the "Investor Loan Agreement") with a private investor ("Investor") 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 the Company. The Investor Loan Agreement does not provide a fixed rate of interest, and the Company and Investor agreed to split the net proceeds from the Company sales 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.

As part of that transaction in which funding began in January 2021 and in which transactions occurred during the first three months ended March 31, 2021, the Company recognized a $5.7 million gain on the Borqs loan receivables loan transaction in which we acquired $18.2 million of Borqs debt for $15.5 million and converted the debt into Borqs common stock and subsequently sold such shares for $32.6 million, provided $11.3 million to the Investor and realized a $5.7 million gain. That transaction was completed by March 31, 2021.

Note Receivable – related party

On February 1, 2022, LMAO issued an unsecured promissory note to LMFAO Sponsor LLC, pursuant to which LMAO may borrow up to an aggregate principal amount of $500,000 to be used for a portion of LMAO's expenses. This loan was non-interest bearing, unsecured and due at the earlier of 24 month anniversary or the closing of business combination. As of March 31, 2022, LMAO had drawn down $310,000 under the promissory note with LMFAO Sponsor LLC to pay for offering expenses.

Short-term investments – debt securities

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

The Company entered into a secured promissory note and loan agreement with Symbiont.IO, Inc. ("Symbiont") on December 1, 2021 under which the Company agreed to lend Symbiont an aggregate principal amount of up to $3 million. The outstanding principal amount under the note will bear interest at a rate of 16% per annum. The outstanding principal, plus any accrued and unpaid interest, becomes due and payable on December 1, 2022. The Symbiont note is secured by a first priority perfected security interest in the assets of Symbiont. Concurrently with the execution of the Symbiont note, the Company and Symbiont entered into a First Refusal and Purchase Option Agreement, dated December 1, 2021 (the "ROFR Agreement"), to provide the Company with certain rights relating to the potential purchase of the capital stock or assets of Symbiont. Pursuant to the terms of the ROFR Agreement, in the event that Symbiont expects to accept a third-party offer that would result in a sale of Symbiont, then the Company will have the first right and option to purchase, upon the same terms and conditions as the third-party offer, the assets or capital stock of Symbiont, subject to certain terms and exclusions as described in the ROFR Agreement. The Company's rights under the ROFR Agreement are assignable to third parties. The ROFR Agreement will expire on December 1, 2022. Upon the occurrence of any event of default, the Company may, under its sole and absolute discretion, elect to convert the total outstanding principal and accrued but unpaid interest into shares of common stock of Symbiont at a conversion price per share equal to $3.0642 (subject to adjustment for any stock splits, reverse stock splits and similar changes in the capital stock of Symbiont). As of December 31, 2021, there was $27,178 of accrued interest included in Short-term investments – debt securities.

As part of a $2 million loan to Symbiont in December 2021, the Company received 700,000 warrants. Each warrant is immediately exercisable at a purchase price of $3.0642 per share of Common Stock, subject to adjustment in certain circumstances, and will expire on December 1, 2026. The Company determined the warrants to have a nominal value due to lack of marketability.

	March 31, 2022	December 31, 2021	March 31, 2021
Symbiont.IO Note Receivable	$ 2,106,082	$ 2,027,178	$ -
End of period	$ 2,106,082	$ 2,027,178	$ -

	March 31, 2022	March 31, 2021
Beginning of year	$ 2,027,178	$ -
Accrued interest income on debt security	78,904	-
Unrealized loss	-	-
End of period	$ 2,106,082	$ -

Marketable Securities

Our marketable equity securities are publicly traded stocks measured at fair value using quoted prices for identical assets in active markets and classified as Level 1 within the fair value hierarchy. Marketable equity securities as of March 31, 2022 and December 31, 2021 are as follows:

	Cost	Cost of Shares Sold	Gross Unrealized Gain (Loss)	Fair Value
Marketable equity securities, March 31, 2022	$ 2,132,051	$ (1,823,231)	$ 130	$ 308,950
Marketable equity securities, December 31, 2021	4,766,349	$ (1,246,708)	(1,387,590)	2,132,051

The Company sold 4,895,894 shares of Borqs shares for approximately $1,428,100 and realized a loss of approximately $395,200.

Long-term Investments

In connection with LMF Acquisition Opportunities Inc ("LMAO") initial public offering in January 2021, the Company's affiliate LMFA Sponsor LLC purchased an aggregate 5,738,000 private placement warrants from LMAO ("Private Placement Warrants") at a price of $1.00 per whole warrant. Each Private Placement Warrant is exercisable for one share of LMAO's Class A common stock at a price of $11.50 per share, and as such meets the definition of a derivative as outlined within ASC 815, *Derivatives and Hedging.* The Private Placement Warrants are recorded at fair value and are classified in long-term "Investments" on the consolidated balance sheet. The fair value of the Private Placement Warrants is classified as level 3 in the fair value hierarchy as the calculation is dependent upon company specific adjustments to the observable trading price of LMAO's public warrants for lack of marketability and related risk of forfeiture should no business combination occur. Subsequent changes in fair value will be recorded in the income statement during the period of the change. As of March 31, 2022 and 2021, our re-measurement resulted in an unrealized loss of $1,023,659 and $3,948,662, respectively and is included within "Unrealized gain (loss) on investment and equity securities" within our consolidated statements of operations.

Long-term investments as of consist of the following:

	March 31, 2022	December 31, 2021	March 31, 2021
LMF Acquisition Opportunities Inc. warrants	$ 949,754	$ 1,973,413	$ 1,789,338
End of period	$ 949,754	$ 1,973,413	$ 1,789,338

	March 31, 2022	March 31, 2021
Beginning of year	$ 1,973,413	$ -
Investments in affiliate	-	5,738,000
Unrealized loss on investment in affiliate	(1,023,659)	(3,948,662)
End of period	$ 949,754	$ 1,789,338

Investment in Unconsolidated Affiliates

LMF Acquisition Opportunities Inc.

The Company is the sponsor of LMF Acquisition Opportunities, Inc. ("LMAO"), a special purpose acquisition company that completed an initial public offering in January 2021. Prior to LMAO's initial public offering, LMFA Sponsor LLC ("Sponsor"), a 70% owned subsidiary of the Company, organized and initially capitalized LMAO by a $25,000 purchase of Class B shares par value $0.0001 per share, of LMAO. At the time of the initial public offering of LMAO, Sponsor purchased Private Placement Warrants that allow it to purchase 5,738,000 shares of Class A common stock at an exercise price of $11.50. The Class B shares and Private Placement Warrants were issued to and are held by Sponsor. The shares of Class B common stock of LMAO held by Sponsor will automatically convert into shares of LMAO's Class A common stock on a one-for-one basis at the time of LMAO's initial business combination and are subject to certain transfer restrictions.

The registration statement for LMAO's initial public offering (the "LMAO IPO") was declared effective on January 25, 2021 and on January 28, 2021, LMAO consummated the LMAO IPO with the sale of 10,350,000 units (the "Units" and, with respect to the shares of Class A common stock included in the Units sold, the "Public Shares"), at $10.00 per Unit, generating gross proceeds of $103,500,000. The Units trade on the NASDAQ Capital Market under the ticker symbol "LMAOU". After the securities comprising the units began separate trading on March 18, 2021, the shares of Class A common stock and warrants were listed on NASDAQ under the symbols "LMAO" and "LMAOW," respectively. Simultaneously with the closing of the LMAO IPO, LMAO consummated the sale of the Private Placement Warrants at a price of $1.00 per Private Placement Warrant in a private placement to Sponsor generating gross proceeds of $5,738,000.

As a result of the LMAO IPO, we ceased having a controlling financial interest in LMAO as of January 28, 2021 Additionally, as our retained investment in LMAO qualifies for equity-method accounting, we were required to remeasure our retained interest in LMAO at fair value and include any resulting adjustments as part of a gain or loss recognized on deconsolidation. The fair value calculation related to our retained interest in LMAO is dependent upon company-specific adjustments applied to the observable trading price of LMAO's Class A common stock.

The Company's investment in the Sponsor represents 70.5% of the Sponsor's initial risk capital. The LMAO IPO closed on January 28, 2021 and proceeds from LMAO's IPO totaled $103.5 million. If LMAO does not complete a business combination within 18 months from the closing of LMAO's IPO, the proceeds from the sale of the Private Placement Warrants (after LMAO IPO transaction costs) will be used to fund the redemption of the shares sold in the LMAO IPO (subject to the requirements of applicable law), and the private warrants will expire without value. The Sponsor holds approximately 20% of the total common shares (Class A and Class B) in LMAO along with the 5,738,000 Private Placement Warrants. The Sponsor is managed by the Company. The Company has determined that as a result of the LMAO IPO, we ceased having a controlling financial interest in LMAO as of January 25, 2021. The Company, therefore, accounts for the Sponsor under the equity method of accounting. Additionally, as our retained investment in LMAO qualifies for equity-method accounting, we were required to remeasure our retained interest at fair value and include any resulting adjustments as part of a gain or loss recognized on deconsolidation. The fair value calculation related to our retained interest in LMAO is dependent upon company-specific adjustments applied to both the observable trading price of LMAO's Class A common stock and the transaction price of the January 28, 2021 and the related risk of forfeiture should LMAO not consummate a business combination. As a result of the remeasurement of our retained interest in LMAO, we recognized for the Three Months ended March 31, 2022 and 2021, an unrealized gain on securities of $37 thousand and $4,544 thousand within our consolidated statements of operations.

	March 31, 2022	March 31, 2021
LMF Acquisition Opportunities Inc. common stock	$ 4,713,390	$ 4,569,054
End of period	$ 4,713,390	$ 4,569,054

	March 31, 2022	March 31, 2021
Beginning of year	$ 4,676,130	$ 25,000
Unrealized gain on investment in affiliate	37,260	4,544,054
End of period	$ 4,713,390	$ 4,569,054

The net unrealized gain (loss) on securities from the Company's investment in LMAO's Class B shares and warrants totaled $0.1 million and $(1.0) million, respectively for the Three Months ended March 31, 2022 and $4.5 million and $(3.9) million for the Three Months ended March 31, 2021.

Note 8. Deposit on Mining Equipment

On September 8, 2021, the Company entered into a sale and purchase agreement (the "First Bitmain Purchase Agreement") with Bitmain Technologies Limited ("Seller") pursuant to which the Company agreed to purchase, and Seller agreed to supply to the Company, an aggregate of 1,002 Bitcoin S19J Pro Antminer cryptocurrency mining machines for an aggregate purchase price of $6.3 million (the "Mining Machines").

On October 6, 2021, the Company entered into an additional sale and purchase agreement (the "Second Purchase Agreement" and, collectively with the First Bitmain Purchase Agreement, the Purchase Agreements) with Seller pursuant to which the Company agreed to purchase, and Seller agreed to supply to the Company, an aggregate of 4,044 mining machines for an aggregate purchase price of $25.3 million. The Purchase Agreement provides for delivery of the Mining Machines in batches over an estimated delivery timeframe starting in April 2022 and continuing through September 2022. The Purchase Agreements require the Company to pay a nonrefundable amount of 25% of the total purchase price for the Mining Machines within 7 days of the date of the signing of the respective Purchase Agreement, an additional 35% of the batch price at least 6 months prior to shipment of such batch, and the remaining 40% of each batch price one month prior to the shipment of the batch. The Purchase Agreements contain other customary terms, provisions, and conditions. During 2021 the Company paid $7.9 million for the 25% as a deposit and $5.7 million for the 35% batch price for the machines. The Company also entered into an agreement with Miami based Bit5ive subsidiary Uptime Armory LLC to manufacture18 Pod5ive specialty containers for approximately $3.1 million and paid $2.4million in 2021 as a non-refundable deposit for the containers. The Company also entered into a hosting agreement with Uptime Hosting LLC to house and service LMFA's mining machines for $0.06 per kilowatt and the Company paid $0.8 million in 2021 as a deposit for the hosting services and an additional deposit for each container three months prior to delivery at the hosting site of $44 thousand and a final deposit for each container one month prior to arrival at the hosting site of $44 thousand. During the three months ended March 31, 2022 the Company paid an additional $7.1 million to Bitmain Technologies Limited for deposits related to mining equipment. The Company classifies these payments within Deposit on mining equipment in long term assets. As of March 31, 2022 and December 31, 2021, the Company has a total of approximately $23.9 and $16.8 million, respectively, classified as Deposit on mining equipment under these payment arrangements.

Note 9. Digital Assets

Digital assets as of March 31, 2022 are as follows:

During the three months ended March 31, 2022, the Company purchased and received an aggregate of $500 thousand in GUSD dollars. The GUSD earn additional Gemini dollars of which we earned approximately $4 thousand GUSD. During the Three months ended March 31, 2022, we didnot record any impairment losses on such digital assets. As of March 31, 2022, the carrying value of our digital assets held was $504 thousand, which does not reflect any cumulative impairments. GUSD earned on our investment for the period ended March 31, 2022 of approximately $4.4 thousand were recorded as "Digital assets other income" in the consolidated statements of operation.

Note 10. Subsequent Events

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

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

This Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the Three Months ended March 31, 2022, and with the Annual Report on Form 10-K for the year ended December 31, 2021

Forward-Looking Statements

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

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties, and assumptions about us that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Important factors which could materially affect our results and our future performance include, without limitation:

- *our ability to retain the listing of our securities on the Nasdaq Capital market,*
- *our ability to obtain funds to purchase receivables,*
- *the early stage of our planned cryptocurrency mining business and our lack of operating history in such business,*
- *the uncertainty surrounding the cryptocurrency mining business,*
- *our ability to purchase defaulted consumer receivables at appropriate prices,*
- *competition to acquire such receivables,*
- *our dependence upon third party law firms to service our accounts,*
- *our ability to manage growth or declines in the business,*
- *changes in government regulations that affect our ability to collect sufficient amounts on our defaulted consumer receivables,*
- *the impact of class action suits and other litigation on our business or operations,*
- *our ability to keep our software systems updated to operate our business,*
- *our ability to employ and retain qualified employees,*
- *our ability to establish and maintain internal accounting controls,*
- *changes in the credit or capital markets,*
- *changes in interest rates,*
- *deterioration in economic conditions,*
- *the spread of the novel coronavirus (COVID-19), its impact on the economy generally and, more specifically, the specialty finance industries,*
- *negative press regarding the debt collection industry which may have a negative impact on a debtor's willingness to pay the debt we acquire, and*
- *other factors set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 202 and Item 1A of this Quarterly Report on Form 10-Q.*

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

Overview

LM Funding America, Inc. ("we", "our", "LMFA" or the "Company") is a 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. 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.

Specialty Finance Company

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

Under our New Neighbor Guaranty program, an Association will generally assign substantially all of its outstanding indebtedness and accruals on its delinquent units to us in exchange for payment by us of monthly dues on each delinquent unit. This simultaneously eliminates a substantial portion of the Association’s balance sheet bad debts and assists the Association to meet its budget by receiving guaranteed monthly payments on its delinquent units and relieving the Association from paying legal fees and costs to collect its bad debts. We believe that the combined features of the program enhance the value of the underlying real estate in an Association and the value of an Association’s delinquent receivables.

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

Cryptocurrency Mining Business

On September 15, 2021, we announced that we plan to operate in the Bitcoin mining ecosystem. As of the date of this filing, we have not commenced operations. We aim to deploy the computing power that we will create to mine Bitcoin and validate transactions on the Bitcoin network. We believe that recent developments in Bitcoin mining have created an opportunity for us to deploy capital and conduct large-scale mining operations in the United States. We have formed a new wholly owned subsidiary, US Digital Mining and Hosting Co, LLC, a Florida limited liability company (US Digital), to develop and operate our cryptocurrency mining business.

We have committed to purchasing an aggregate of 5,046 Bitcoin S19J Pro Antminer cryptocurrency mining machines for an aggregate purchase price of $31.6 million (the “Mining Machines”). We received 841 Mining Machines during the first half of May 2022. We anticipate the remaining Mining Machines to be delivered in batches over an estimated delivery timeframe starting in June 2022 and continuing through October 2022. The Bitmain Purchase Agreements required us to pay $7.9 million or 25% of the total purchase price as a non-refundable deposit for the Mining Machines within 7 days of the date of the signing of the respective Bitmain Purchase Agreements, and additional 35% of the batch price at least 6 months prior to shipment of such batch, and the remaining 40% of each batch price one month prior to the shipment of the batch.

In October 2021, we also entered into a sale and purchase agreement (the “Uptime Purchase Agreement”) with Uptime Armory LLC (“Uptime”) pursuant to which US Digital agreed to purchase, and Uptime agreed to supply to US Digital, an aggregate of 18 modified 40-foot cargo containers (“POD5ive containers”) that will be designed to hold and operate 280 S19 Pro Antminers manufactured by Seller. The purchase price of the POD5ive containers totals $3.15 million of which $2.4 million or 75% was paid in 2021 as a non-refundable down payment and the remaining 25% is due within five business days after Uptime delivers a “notice of completion” of the equipment. On the same effective date, US Digital also entered into a hosting agreement with Uptime Hosting LLC to host the Company’s 18 POD5ive containers at a secure location and provide power, maintenance and other services specified in the contract for 6 cents per kilowatt with a term of one year. Under the hosting agreement we paid a deposit of $0.8 million in 2021 and will pay an additional deposit for each container three months prior to delivery at the hosting site of $44 thousand and a final deposit for each container one month prior to arrival at the hosting site of $44 thousand.

Recent Developments

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.

Reverse Stock Split

On May 6, 2021, the Company effected a common share consolidation ("Reverse Stock Split") by means of a one-for-five (1:5) reverse split of its outstanding common stock, par value $0.001 per share which resulted in a decrease in outstanding common stock to 5,414,296 shares. The reverse stock split was effected by the filing of an amendment to our Certificate of Incorporation on May 5, 2021 which provided that the reverse stock split become effective at 12:01 a.m. Eastern time on May 7, 2021. The amendment provides that any fraction of a share of common stock that would be created as a result of the reverse stock split is to be cashed out at price equal to the product of the closing price of the Company's common stock on May 6, 2021 and the amount of the fractional share. The Reverse Stock Split became effective on May 7, 2021 and the Company's common stock began trading on The Nasdaq Capital Market on a split-adjusted basis on May 7, 2021. The Company has retroactively adjusted all share amounts and per share data herein to give effect to the Reverse Stock Split.

Corporate History and Reorganization

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

The Company organized two new subsidiaries in 2020: LMFA Financing LLC, a Florida limited liability company, on November 21, 2020, and LMFAO Sponsor LLC, a Florida limited liability company, on October 29, 2020. LMFAO Sponsor LLC organized a subsidiary, LMF Acquisition Opportunities Inc., on October 29, 2020. LM Funding America Inc. organized a subsidiary, US Digital Mining and Hosting Co., LLC., on September 10, 2021.

Results of Operations

The Three Months Ended March 31, 2022 compared with the Three Months Ended March 31, 2021

Revenues

During the Three Months ended March 31, 2022, total revenues increased by $14 thousand, to $191 thousand from $177 thousand in the Three Months ended March 31, 2021.

Interest on delinquent association fees for the Three Months ended March 31, 2022 increased $24 thousand as the number of payoffs decreased to 53 payoff occurrences as compared to 82 payoff occurrences for the Three Months ended March 31, 2021. "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. The slight decrease in payoff occurrences was due to improved collection efforts as judicial operations and rent foreclosure moratoriums changed during the COVID 19 pandemic from the prior year. The average revenue per unit, excluding rental revenue and net commission revenue increased to $2,870 for the Three Months ended March 31, 2022 compared with $1,765 for the Three Months ended March 31, 2021.

We saw an increase in rental revenue in the Three Months ended March 31, 2022 of $7 thousand to $39 thousand from $32 thousand for the Three Months ended March 31, 2021.

Operating Expenses

During the Three Months ended March 31, 2022, operating expenses increased approximately $3,317 thousand, to $5,221 thousand from $1,904 thousand for the Three Months ended March 31, 2021. The increase in operating expenses can be attributed to various factors, including $3,648 thousand increase in stock compensation, $292 thousand increase in professional fees and real estate management expense increase of $13 thousand offset in part by a $658 thousand decrease in compensation costs.

Professional fees, excluding fees from the BLG service agreement, for the Three Months ended March 31, 2022 were approximately $437 thousand compared with approximately $237 thousand for the Three Months ended March 31, 2021. In the ordinary course of our business, we are involved in numerous legal proceedings and expenses associated with acquisitions and corporate initiatives. 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 Three Months ended March 31, 2022 were $338 thousand compared to $246 thousand for the Three Months ended March 31, 2021This increase is due in part to a $150 thousand termination fee. See Note 2. Due to Related Party for further discussion regarding the service agreements with BLG.

Other Income

The Company classified the $5 million Borqs convertible note as a trading security and as such is fair valued each quarter. The Company recognized an unrealized gain of $0.3 million for the Three Months ended March 31, 2022 from the revaluation of the Borqs convertible debt securities.

The Company recognized a $395 thousand realized loss on marketable securities for the Three Months ended March 31, 2022 as compared to a $5,671 thousand gain for the Three Months ended March 31, 2021.

The Company’s investment in LMAO changed due to the LMAO IPO on January 28, 2021. This resulted in LMAO’s deconsolidation from the Company and any changes in fair value will be recorded in the income statement during the period of the change. The Company recognized an unrealized loss on securities of $986 thousand for the Three Months ended March 31, 2022 as compared to a unrealized gain of $595 thousand for the Three Months ended March 31, 2021 from the revaluation of LMAO’s Class B common stock and Private Placement Warrants.

Interest (Income) Expense

During the Three Months ended March 31, 2022, the Company incurred net interest income of $103 thousand as compared to $13 thousand of interest income for the Three Months ended March 31, 2021.

Income Tax Expense

During the Three Months ended March 31, 2022, the Company generated a $6.0 million net loss before income taxes and the Company increased its income tax valuation allowance by $1.4 million, which offset the Company’s incurred net income tax expense of $410 thousand while also offsetting a recognized $1.0 million income tax benefit which resulted in no income tax expense being recognized during this period. This net activity resulted in no recognized income tax expense for the Three Months ended March 31, 2022. The Company recognized $3.5 thousand of income tax expense for the Three Months ended March 31, 2021.

Net Income (Loss)

During the Three Months ended March 31, 2022, the net loss was $6.0 million as compared to net income of $4.5 million for the Three Months ended March 31, 2021.

Net Income Attributable to Non-Controlling Interest

The Company owns 70.5% of Sponsor. As such, there is $291 thousand net loss for the Three Months ended Mach 31, 2022 attributable to the Non-Controlling Interest as compared to $172 thousand income for the Three Months ended Mach 31, 2021.

Net Income (Loss) Attributable to LM Funding America, Inc.

During the Three Months ended March 31, 2022, the net loss was $5.7 million as compared to net income of $4.4 million for the Three Months ended March 31, 2021.

Liquidity and Capital Resources

General

As of March 31, 2022, we had cash and cash equivalents of $24.5 million compared with $32.6 million at December 31, 2021. The Company also had $0.3 million of marketable securities as of March 31, 2022 compared with $2.1 million at December 31, 2021.

Cash from Operations

Net cash used by operations was $0.5 million during the Three Months ended March 31, 2022 compared with net cash provided by operations of $5.0 million during the Three Months ended March 31, 2021. This change in cash provided by operating activities was primarily driven by a $5.7 million realized gain on securities from the Borq Note transactions.

Cash from Investing Activities

For the Three Months ended March 31, 2022 net cash used in investing activities was $7.4 million as compared to net cash used in investing activities of $7.5 million for the Three Months ended March 31, 2021. The Company invested $7.1 million in deposits for mining equipment in 2022 as compared to the investment of $5.7 million in LMF Acquisition Opportunities Inc (a special purpose acquisition corporation) and a $1.7 million investment in note receivable.

Cash from Financing Activities

Net cash used in financing activities was $0.1 million for the Three Months ended March 31, 2022 compared to $8.7 million provided by financing activities for the Three Months ended March 31, 2021. At March 31, 2022, the Company paid $57 thousand repayments of debt. During the Three Months ended March 31, 2021 the Company received $9.5 million from the exercise of warrants and paid $0.8 million in repayments of debt.

Shareholders' Equity

During the Three Months ended March 31, 2021, holders of our warrants exercised such warrants for approximately 2.3 million shares of common stock for an aggregate of $9.5 million.

Debt

Debt of the Company consisted of the following at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Financing agreement with FlatIron capital that is unsecured. Down payment of $36,255 was required upfront and equal installment payments of $19,114 to be made over a 10 month period. The note matures on May 1, 2022. Annualized interest is 3.95%	$ 57,344	$ 114,688
	$ 57,344	$ 114,688

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

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

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2022. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of March 31, 2022 due to the following material weakness in internal control over financial reporting that existed as of December 31, 2021 and that continued to exist through March 31, 2022:

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

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

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

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

(a) *Sales of Unregistered Securities.*

None.

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

None.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None

Item 6. Exhibits

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

EXHIBIT NUMBER	DESCRIPTION
3.2	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))
34.1	Certificate of Incorporation of LM Funding America, Inc., as amended (incorporated by reference to Exhibit 4.1 to Form S-8 filed on January 24, 2022)
10.1 *	Promissory Note dated effective as of March 1, 2022 between LMFAO Sponsor LLC and LMF Acquisition Opportunities Inc.
10.2	Services Agreement Amendment dated effective as of February 1, 2022, between LM Funding America, Inc. and BLG Association Law, PLLC (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on February 1, 2022)
31.1*	Rule 13a – 14(a) Certification of the Principal Executive Officer
31.2*	Rule 13a – 14(a) Certification of the Principal Financial Officer
32.1*	Written Statement of the Principal Executive Officer and Principal Financial Officer, Pursuant to 18 U.S.C. § 1350
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

SIGNATURES

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

	LM FUNDING AMERICA, INC.
Date: May 16, 2022	By: /s/ Bruce M. Rodgers Bruce M. Rodgers Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Date: May 16, 2022	By: /s/ Richard Russell Richard Russell Chief Financial Officer (Principal Accounting Officer)

Exhibit 10.1

THIS PROMISSORY NOTE (“NOTE”) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THIS NOTE HAS BEEN ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF REGISTRATION OF THE RESALE THEREOF UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY IN FORM, SCOPE AND SUBSTANCE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

PROMISSORY NOTE

Dated as of February 1, 2022

Principal Amount: Up to $500,000 Tampa, Florida

LMF Acquisition Opportunities, Inc., a Delaware corporation (the “**Maker**”), promises to pay to the order of LMFAO Sponsor, LLC, or its registered assigns or successors in interest (the “**Payee**”), or order, the principal sum of up to Five Hundred Thousand Dollars ($500,000) in lawful money of the United States of America, on the terms and conditions described below. All payments on this Note shall be made by check or wire transfer of immediately available funds or as otherwise determined by the Maker to such account as the Payee may from time to time designate by written notice in accordance with the provisions of this Note.

1. Principal. The principal balance of this Note shall be payable by the Maker on the date on which Maker consummates a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (the “**Initial Business Combination**”). No amount shall be due under this Note if such Initial Business Combination is not consummated on or before the 24 month anniversary of the date of the completion of the Maker’s initial public offering (“**IPO**”).

2. Interest. No interest shall accrue on the unpaid principal balance of this Note.

3. Drawdown Requests. Maker and Payee agree that Maker may request up to Five Hundred Thousand Dollars ($500,000) for costs reasonably related to the Initial Business Combination. The principal of this Note may be drawn down from time to time upon written request from Maker to Payee (each, a “**Drawdown Request**”). Each Drawdown Request must state the amount to be drawn down, and must not be an amount less than Ten Thousand Dollars ($10,000) unless agreed upon by Maker and Payee. Payee shall fund each Drawdown Request no later than five (5) business days after receipt of a Drawdown Request; provided, however, that the maximum amount of drawdowns collectively under this Note is Five Hundred Thousand Dollars ($500,000). Once an amount is drawn down under this Note, it shall not be available for future Drawdown Requests even if prepaid.

4. Application of Payments. All payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorney’s fees, and then to the reduction of the unpaid principal balance of this Note.

5. Events of Default. The following shall constitute an event of default (“**Event of Default**”):

(a) Failure to Make Required Payments. Failure by Maker to pay the principal amount due pursuant to this Note within five (5) business days of the date specified above.

(b) Voluntary Bankruptcy, Etc. The commencement by Maker of a voluntary case under any applicable bankruptcy, insolvency, reorganization, rehabilitation or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Maker or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Maker generally to pay its debts as such debts become due, or the taking of corporate action by Maker in furtherance of any of the foregoing.

(c) Involuntary Bankruptcy, Etc. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of Maker in an involuntary case under any applicable bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

6. Remedies.

(a) Upon the occurrence of an Event of Default specified in Section 5(a) hereof, Payee may, by written notice to Maker, declare this Note to be due immediately and payable, whereupon the unpaid principal amount of this Note, and all other amounts payable hereunder, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the documents evidencing the same to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default specified in Sections 5(b) and 5(c), the unpaid principal balance of this Note, and all other sums payable with regard to this Note, shall automatically and immediately become due and payable, in all cases without any action on the part of Payee.

7. Waivers. Maker and all endorsers and guarantors of, and sureties for, this Note waive presentment for payment, demand, notice of dishonor, protest, and notice of protest with regard to the Note, all errors, defects and imperfections in any proceedings instituted by Payee under the terms of this Note, and all benefits that might accrue to Maker by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment; and Maker agrees that any real estate that may be levied upon pursuant to a judgment obtained by virtue hereof or any writ of execution issued hereon, may be sold upon any such writ in whole or in part in any order desired by Payee.

8. Unconditional Liability. Maker hereby waives all notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, and agrees that its liability shall be unconditional, without regard to the liability of any other party, and shall not be affected in any manner by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Payee, and consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Payee with respect to the payment or other provisions of this Note, and agrees that additional makers, endorsers, guarantors, or sureties may become parties hereto without notice to Maker or affecting Maker's liability hereunder.

9. Notices. All notices, statements or other documents which are required or contemplated by this Note shall be made in writing and delivered: (i) personally or sent by first class registered or certified mail, overnight courier service or facsimile or electronic transmission to the address designated in writing, (ii) by facsimile to the number most recently provided to such party or such other address or fax number as may be designated in writing by such party or (iii) by electronic mail, to the electronic mail address most recently provided to such party or such other electronic mail address as may be designated in writing by such party. Any notice or other communication so transmitted shall be deemed to have been given on the day of delivery, if delivered personally, on the business day following receipt of written confirmation, if sent by facsimile or electronic transmission, one (1) business day after delivery to an overnight courier service or five (5) days after mailing if sent by mail.

10. Construction. THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF DELAWARE, WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF.

11. Severability. Any provision contained in this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Trust Waiver. Payee acknowledges that it has read the Investment Management Trust Agreement, dated as of January 25, 2021, by and between Maker and Continental Stock Transfer & Trust Company, a New York corporation, and understands that Maker has established the trust account described therein (the "**Trust Account**") for the benefit of Maker's public shareholders and that disbursements from the Trust Account are available only in the limited circumstances set forth therein. Payee further acknowledges and agrees that Maker's sole assets consist of the cash proceeds of the IPO and private placements of its securities, and that substantially all of these proceeds have been deposited in the Trust Account for the benefit of its public shareholders. Accordingly, and notwithstanding anything herein to the contrary, the Payee hereby waives any and all right, title, interest or claim of any kind (“**Claim**”) in or to any distribution of the Trust Account, and hereby agrees not to seek recourse, reimbursement, payment or satisfaction for any Claim against the Trust Account for any reason whatsoever.

13. **Amendment; Waiver**. Any amendment hereto or waiver of any provision hereof may be made with, and only with, the written consent of the Maker and the Payee.

14. **Assignment**. No assignment or transfer of this Note or any rights or obligations hereunder may be made by any party hereto (by operation of law or otherwise) without the prior written consent of the other party hereto and any attempted assignment without the required consent shall be void.

[Signature page follows]

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has caused this Note to be duly executed by the undersigned as of the day and year first above written.

LMF ACQUISITION OPPORTUNITIES, INC.

By: /s/ Richard Russell

Richard Russell
Chief Financial Officer

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 quarterly report on Form 10-Q of LM Funding America, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ Bruce Rodgers

May 16, 2022

Bruce Rodgers
Chief Executive Officer
(Principal Executive Officer)

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

Exhibit 31.2

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 quarterly report on Form 10-Q of LM Funding America, Inc.;

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

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

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

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

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

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

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

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

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

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

	/s/ Richard Russell
May 16, 2022	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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2022 as filed with the Securities and Exchange Commission on May 16, 2022 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bruce Rodgers
Bruce Rodgers
Chief Executive Officer
(Principal Executive Officer)
May 16, 2022

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 Financial Officer

Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chief Financial Officer of LM Funding America, Inc. (the “Company”), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2022 as filed with the Securities and Exchange Commission on May 16, 2022 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard Russell
Richard Russell
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 16, 2022

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.