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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from to
Commission file number 001-37605

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

Delaware

47-3844457

(State or other jurisdiction of
incorporation or organization)

(I.R.S. employer
identification no.)

1200 West Platt Street

Suite 100

33606

Tampa

,

FL

(Address of principal executive offices)

(Zip code)

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

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

Title of each class:

Trading symbol

Name of each exchange on which registered

Common Stock par value \$0.001 per share

LMFA

The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth

company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The registrant had

2,528,857
shares of Common Stock, par value \$0.001 per share, outstanding as of August 12, 2024.

LM FUNDING AMERICA, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

LM Funding America, Inc. and Subsidiaries Consolidated Balance Sheets

	June 30, 2024 (Unaudited)	December 31, 2023
Assets		
Cash	\$ 145,648	\$ 2,401,831
Digital assets (Note 2)	10,032,104	3,416,256
Finance receivables	34,295	19,221
Marketable securities (Note 5)	22,140	17,860
Receivable from sale of Symbiont assets (Note 5)	200,000	200,000
Current portion of notes receivable from Tech Infrastructure JV I LLC (Note 5)	174,529	-
Prepaid expenses and other assets	848,423	4,067,212
Income tax receivable	31,187	31,187
Current assets	11,488,326	10,153,567
Fixed assets, net (Note 3)	19,671,511	24,519,610
Deposits on mining equipment (Note 4)	20,847	20,837
Notes receivable from Seastar Medical Holding Corporation (Note 5)	1,440,498	-
Notes receivable from Tech Infrastructure JV I LLC - net of current portion (Note 5)	1,936,519	-
Long-term investments - equity securities (Note 5)	11,155	156,992
Investment in Seastar Medical Holding Corporation (Note 5)	785,565	1,145,486
Operating lease - right of use assets (Note 7)	136,430	189,009
Other assets	86,798	86,798

	22,648,825	27,559,230
Long-term assets		
Total assets	<u>\$ 34,137,151</u>	<u>\$ 37,712,797</u>
Liabilities and stockholders' equity		
Accounts payable and accrued expenses	1,346,352	2,064,909
Note payable - short-term (Note 6)	1,583,753	567,586
Due to related parties (Note 10)	53,575	22,845
Current portion of lease liability (Note 7)	117,153	110,384
Total current liabilities	3,100,833	2,765,724
Lease liability - net of current portion (Note 7)	25,962	85,775
Long-term liabilities	25,962	85,775
Total liabilities	3,126,795	2,851,499
Stockholders' equity (Note 8)		
Preferred stock, par value \$.001		
;		
150,000,000 shares authorized;		
no		

shares issued and outstanding as of June 30, 2024 and December 31, 2023

Common stock, par value \$

.001

;

350,000,000

shares authorized;

2,492,964

shares issued and outstanding as of June 30, 2024 and

2,492,964

as of December 31, 2023

2,493

2,493

Additional paid-in capital	95,443,307	95,145,376
	((
Accumulated deficit	62,930,465	58,961,461
))
Total LM Funding America stockholders' equity	32,515,335	36,186,408
	((
Non-controlling interest	1,504,979	1,325,110
))
Total stockholders' equity	31,010,356	34,861,298
Total liabilities and stockholders' equity	\$ 34,137,151	\$ 37,712,797

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

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

	Three Months Ended June 30, 2024	2023	Six Months Ended June 30, 2024	2023
Revenues:				
Digital mining revenues	\$ 2,893,073	\$ 2,968,322	\$ 7,490,981	\$ 5,059,173
Specialty finance revenue	89,036	190,173	205,664	373,009
Rental revenue	29,238	37,155	62,306	76,986
Total revenues	3,011,347	3,195,650	7,758,951	5,509,168
Operating costs and expenses:				
Digital mining cost of revenues (exclusive of depreciation and amortization shown below)	2,357,111	2,361,825	5,012,057	4,029,498
Staff costs and payroll	837,888	2,463,440	2,080,914	3,396,275
Depreciation and amortization	2,339,702	1,169,120	4,765,770	1,970,993
Loss (gain) on fair value of Bitcoin, net	1,265,485	-	2,992,030	()
Impairment loss on mining equipment	-	-	1,188,058	-
Impairment loss on mined digital assets	-	239,599	-	439,153
Realized gain on sale of mined digital assets	-	646,458	-	1,070,791
Professional fees	484,335	236,974	994,228	809,330
Selling, general and administrative	195,681	242,559	373,587	482,023
Real estate management and disposal	31,097	69,355	58,286	101,158
Collection costs	20,416	373	21,342	9,435
Settlement costs with associations	-	10,000	-	10,000

	223,112	205,943	437,617	457,854
Other operating costs				
Total operating costs and expenses	7,754,827	6,351,984	11,939,829	10,634,928
Operating loss	4,743,480	3,156,334	4,180,878	5,125,760
Unrealized gain (loss) on marketable securities	6,440	1,412	4,280	4,378
Impairment loss on prepaid machine deposits	-	-	-	36,691
Unrealized loss on investment and equity securities	1,856,737	3,716,681	505,758	9,539,535
Gain on fair value of purchased Bitcoin, net	-	-	57,926	-
Realized gain on sale of purchased digital assets	-	-	-	1,917
Gain on adjustment of note receivable allowance	-	1,052,543	-	1,052,543
Loss on disposal of assets	33,887	-	42,057	-
Other income - coupon sales	-	25,721	4,490	629,312
Other income - financing revenue	-	37,660	-	37,660
Interest expense	36,893	-	107,719	-
Interest income	17,228	116,147	26,353	171,224
Loss before income taxes	6,647,329	5,642,356	4,743,363	12,804,952
Income tax expense	-	-	-	-
Net loss	\$ 6,647,329	\$ 5,642,356	\$ 4,743,363	\$ 12,804,952
Less: loss attributable to non-controlling interest	574,474	1,093,177	160,253	2,869,441
Net loss attributable to LM Funding America Inc.	\$ 6,072,855	\$ 4,549,179	\$ 4,583,110	\$ 9,935,511

	((((
Basic loss per common share	\$ 2.44)	\$ 2.08)	\$ 1.87)	\$ 4.55)
Diluted loss per common share	\$ 2.44)	\$ 2.08)	\$ 1.87)	\$ 4.55)

Weighted average number of common shares outstanding

Basic	2,485,822	2,189,123	2,457,012	2,185,572
Diluted	2,485,822	2,189,123	2,457,012	2,185,572

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

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

	Six Months ended June 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ 4,743,363	\$ 12,804,952
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	4,765,770	1,970,993
Noncash lease expense	52,579	47,874
Stock compensation	76,322	564,930
Stock option expense	221,609	1,342,095
Accrued investment income	25,265	91,864
Digital assets other income	4,490	-
Gain on fair value of Bitcoin, net	3,049,956	-
Impairment loss on mining machines	1,188,058	-
Impairment loss on digital assets	-	439,153
Impairment loss on hosting deposits	-	36,691
Unrealized gain on marketable securities	4,280	4,378
Unrealized loss on investment and equity securities	505,758	9,539,535
Loss on disposal of fixed assets	42,057	-
Realized gain on sale of digital assets	-	1,072,708
Reversal of allowance loss on debt security	-	1,052,543
Change in operating assets and liabilities:		
Prepaid expenses and other assets	3,218,789	85,713
Hosting deposits	193,897	-

			(
Advances (repayments) to related party		30,730	7,271
		()
Accounts payable and accrued expenses		718,557	434,241
)	(
Mining of digital assets		7,490,981	5,059,173
))
			4,579,676
Proceeds from sale of digital assets		-	
		((
Lease liability payments		53,044	45,913
))
		((
Net cash used in operating activities		5,988,264	1,463,224
CASH FLOWS FROM INVESTING ACTIVITIES:))
		((
Net collections of finance receivables - original product		14,443	1,824
))
		(
Net collections of finance receivables - special product		631	14,529
)	(
		(
Capital expenditures		1,226,602	1,744,609
))
Proceeds from sale of fixed assets		78,806	-
		(
Investment in Tech Infrastructure JV I LLC note receivable		2,094,351	-
)	
Collection of notes receivable		1,449,066	1,661,171
		(
Investment in digital assets		-	35,157
)
Proceeds from sale of digital assets		4,543,685	43,678
		(
Symbiont asset acquisition		-	402,359
		()
Distribution to members		19,616	-
)	
		(
Net cash from (used in) investing activities		2,715,914	464,571
CASH FLOWS FROM FINANCING ACTIVITIES:)
Proceeds from borrowings		1,500,000	-
		(
Insurance financing repayments		483,833	357,649
))
Insurance financing		-	1,227

		(
Issue costs from the issuance of common stock	-	106,550
	()
Net cash from (used in) financing activities	1,016,167	462,972
	()
NET DECREASE IN CASH	2,256,183	2,390,767
))

CASH - BEGINNING OF PERIOD	2,401,831	4,238,006
CASH - END OF PERIOD	\$ 145,648	1,847,239

SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES

ROU assets and operating lease obligation recognized	\$ -	\$ 21,887
--	------	-----------

Reclassification of mining equipment deposit to fixed assets, net	\$ -	\$ 1,172,888
Change in accounting principle (see Note 1)	\$ 614,106	\$ -

SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION

Cash paid for taxes	\$ -	\$ -
---------------------	------	------

Cash paid for interest	\$ 134,751	\$ -
The accompanying notes are an integral part of these unaudited consolidated financial statements.		

LM Funding America, Inc. and Subsidiaries Consolidated Statements of Changes in Stockholders' Equity
For the Three and Six Months Ended June 30, 2024 and 2023
(unaudited)

Common Stock						
	Shares	Amount	Additional paid-in capital	Accumulated Deficit	Non-Controlling Interest	Total Equity
Balance - December 31, 2022	2,232,964	\$ 2,233	\$ 92,206,200	\$ 43,017,207)	\$ 1,606,003	\$ 50,797,229
Stock option expense	-	-	194,356	-	-	194,356
Net loss	-	-	-	5,386,332)	1,776,264)	7,162,596)
Balance - March 31, 2023	<u>2,232,964</u>	<u>\$ 2,233</u>	<u>\$ 92,400,556</u>	<u>\$ 48,403,539)</u>	<u>\$ 170,261)</u>	<u>\$ 43,828,989</u>
Stock option expense	-	-	1,147,739	-	-	1,147,739
Issuance of restricted stock	260,000	260	564,670	-	-	564,930
Net loss	-	-	-	4,549,179)	1,093,177)	5,642,356)
Balance - June 30, 2023	<u>2,492,964</u>	<u>\$ 2,493</u>	<u>\$ 94,112,965</u>	<u>\$ 52,952,718)</u>	<u>\$ 1,263,438)</u>	<u>\$ 39,899,302</u>
Stock option expense	-	-	110,804	-	-	110,804
Stock compensation	-	-	71,047	-	-	71,047
Cumulative effect of change in accounting principle (See Note 1)	-	-	-	614,106	-	614,106
Net income	-	-	-	1,489,745	414,221	1,903,966
Balance - March 31, 2024	<u>2,492,964</u>	<u>\$ 2,493</u>	<u>\$ 95,327,227</u>	<u>\$ 56,857,610)</u>	<u>\$ 910,889)</u>	<u>\$ 37,561,221</u>
Stock option expense	-	-	110,805	-	-	110,805

		5,275		5,275
Stock compensation	-	-	-	-
		(()
Member distributions	-	-	-	19,616
		()	(
Net loss	-	-	6,072,855	574,474
		()	(
Balance - June 30, 2024	2,492,964	2,493	95,443,307	62,930,465
)
				1,504,979
				31,010,356

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

**LM FUNDING AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024
(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 is the sole member of several entities including LM Funding, LLC, which was organized in January 2008, US Digital Mining and Hosting Co., LLC, which was formed on September 10, 2021 ("US Digital"); LMFA Financing LLC, formed on November 23, 2020, and LMFAO Sponsor LLC, formed on October 29, 2020 (LMFA is a majority member of LMFAO Sponsor LLC). Additionally, US Digital has formed various

100
% owned subsidiaries to engage in business in various states in connection with its Bitcoin mining business.

LMFAO Sponsor LLC formed a majority owned subsidiary LMF Acquisition Opportunities Inc. ("LMAO") on October 29, 2020 which was organized as a special purpose acquisition company that that completed an initial public offering in January 2021, whereupon the Company ceased to be majority owned by LMFA. LMF Acquisition Opportunities Inc. was subsequently merged with Seastar Medical Holding Corporation on October 28, 2022.

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

Lines of Business

The Company currently operates two lines of business: our cryptocurrency mining business and our specialty finance business.

The Bitcoin mining operation deploys our computing power to mine Bitcoin on the Bitcoin network. We conduct this business through our wholly owned subsidiary, US Digital, a Florida limited liability company, which we formed in 2021 to develop and operate our cryptocurrency mining business.

With respect to our specialty finance business, the Company has historically engaged in the business of providing funding to nonprofit community associations primarily located in the state of Florida. We offer incorporated nonprofit community associations, which we refer to as "Associations," a variety of financial products customized to each Association's financial needs.

Bitcoin Mining Business

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

As of June 30, 2024 and December 31, 2023, the Company had approximately

5,900

machines, which amounted to operating units capable of producing over

639
petahash and

615
petahash, respectively, per second ("EH/s") of computing power.

Specialty Finance Company

In our specialty finance business, we purchase an Association's right to receive a portion of the Association's collected proceeds from owners that are not paying their assessments. After taking assignment of an Association's right to receive a portion of the Association's proceeds from the collection of delinquent assessments, we engage law firms to perform collection work on a deferred billing basis wherein the law firms receive payment upon collection from the account debtors or a predetermined contracted amount if payment from account debtors is less than legal fees and costs owed.

Principles of Consolidation

The consolidated financial statements include the accounts of LMFA and its wholly-owned subsidiaries: LM Funding, LLC; LMF October 2010 Fund, LLC; REO Management Holdings, LLC (including all

100
% owned subsidiary limited liability companies); LM Funding of Colorado, LLC; LM Funding of Washington, LLC; LM Funding of Illinois, LLC; US Digital (includes all

100
% owned subsidiary limited liability companies) and LMF SPE #2, LLC and various single purpose limited liability corporations owned by REO Management Holdings, LLC which own various properties. It also includes LMFA Sponsor, LLC (a

69.5
% owned subsidiary). All significant intercompany balances have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The interim consolidated financial statements as of June 30, 2024 and for the three and six months ended June 30, 2024 and June 30, 2023, respectively, are unaudited. In the opinion of management, the interim consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of the results for the interim periods. The accompanying consolidated balance sheet as of December 31, 2023, 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, 2023.

Recently adopted accounting pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-08, *Intangible - Goodwill and Other - Crypto Assets (Subtopic 350-60)* ("ASC 350-60"). ASC 350-60 requires entities with certain crypto assets to subsequently measure such assets at fair value, with changes in fair value recorded in net income in each reporting period. In addition, entities are required to provide additional disclosures about the holdings of certain crypto assets. Crypto assets that meet all the following criteria are within the scope of the ASC 350-60:

- (1) meet the definition of intangible assets as defined in the Codification
- (2) do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
- (3) are created or reside on a distributed ledger based on blockchain or similar technology
- (4) are secured through cryptography
- (5) are fungible, and
- (6) are not created or issued by the reporting entity or its related parties.

Bitcoin, which is the sole crypto asset mined by the Company, meets each of these criteria. For all entities, the ASC 350-60 amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The Company has elected to early adopt the new guidance effective January 1, 2024 resulting in a \$

614 thousand cumulative-effect change to adjust the Company's Bitcoin held on January 1, 2024 with the corresponding entry to beginning accumulated deficit.

Segment and Reporting Unit Information

Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Chief Executive Officer and Chief Financial Officer of the Company comprise the CODM, as a group. The Company has

two operating segments as of June 30, 2024, which we refer to as Specialty Finance and Mining Operations. Our corporate oversight function and other components that may earn revenues that are only incidental to the activities of the Company are aggregated and included in the "All Other" category. Refer to Note 9 - Segment Information.

Reclassification

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

Liquidity

The accompanying consolidated financial statements of the Company have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will continue in operation one year after the date these financial statements are issued and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The evaluation of going concern under the accounting guidance requires significant judgment which involves the Company to consider that it has historically incurred losses in recent years as it has prepared to grow its business through expansion and acquisition opportunities. The Company must also consider its current liquidity as well as future market and economic conditions that may be deemed outside the control of the Company as it relates to obtaining financing and generating future profits. As of June 30, 2024, the Company had \$

0.1 million available cash on-hand and Bitcoin with a fair market value of \$

10.0 million. After considering its current liquidity and future market and economic conditions, the Company has concluded there is no substantial doubt about the Company's ability to continue as a going concern.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates include the evaluation of probable losses on balances due from a related party, the realization of deferred tax assets, the evaluation of contingent losses related to litigation and reserves on notes receivables. We consider our critical accounting estimates to be those related to long-lived asset impairment assessments. Our estimates may change, however, as new events occur and additional information is obtained, and any such changes will be recognized in the consolidated financial statements.

Cash

The Company maintains cash balances at several financial institutions that are insured under the Federal Deposit Insurance Corporation's ("FDIC") Transition Account Guarantee Program. Balances with the financial institutions may exceed federally insured limits. As of June 30, 2024 and December 31, 2023 we have approximately

nil
and \$

2.2
million of cash in various institutions that exceed the FDIC or SIPC insurance coverage limit of \$

250,000

Digital Assets

Bitcoin are included in current assets in the consolidated balance sheets due to the Company's ability to sell Bitcoin in a highly liquid marketplace and such Bitcoin holdings are expected to be realized in cash or sold or consumed during the normal operating cycle of the Company. As a result of adopting ASC 350-60 on January 1, 2024, Bitcoin is measured at fair value as of each reporting period (see Recently Issued Accounting Pronouncements). The fair value of Bitcoin is measured using the period-end closing Bitcoin price from its principal market in accordance with ASC 820, Fair Value Measurement. Since Bitcoin is traded on a 24-hour period, the Company utilizes the price as of midnight UTC time, which aligns with the Company's revenue recognition cut-off. The increase and decrease in fair value from each reporting period is reflected on the consolidated statements of operation as "Gain on fair value of Bitcoin, net". The Company sells Bitcoin and such gains and losses from such transactions are measured as the difference between the cash proceeds and the carrying basis of Bitcoin as determined on a First In-First Out ("FIFO") basis and are recorded within "Gain on fair value of Bitcoin, net".

Prior to issuance of the ASU 2023-08 and adoption of ASC 350-60, Bitcoin were recorded at cost less impairment and were classified as indefinite-lived intangible assets in accordance with ASC 350, Intangibles — Goodwill and Other. An intangible asset with an indefinite useful life was not amortized but was assessed for impairment annually, or more frequently, when events or changes in circumstances occurred indicating that it was more likely than not that the carrying amount of the indefinite-lived asset exceeded its fair value. The Company determined the fair value of Bitcoin in accordance with ASC 820, Fair Value Measurement, based on lowest intraday quoted prices from our principal market for such assets (Level 1 inputs). We performed an analysis each month to identify whether events or changes in circumstances indicate that it is more likely than not that our digital assets were impaired. If the carrying value of a digital asset exceeded the fair value so determined, an impairment loss had occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the fair value. To the extent an impairment loss was recognized, the loss established the new cost basis of the asset and subsequent reversal of impairment losses was not permitted under ASC 350, Intangibles — Goodwill and Other. Additionally, in the previous guidance, subsequent increases in Bitcoin prices are not allowed to be recorded (unrealized gains) unless the Bitcoin is sold, at which point the gain is recognized. Accordingly, gains (losses) recognized on fair value of Bitcoin in fiscal year 2024 are not comparable to fiscal year 2023.

Bitcoin, which is non-cash consideration earned by the Company through its mining activities, are included as a reconciling item as a cash outflow within operating activities on the accompanying consolidated statements of cash flows. The cash proceeds from the sales of Bitcoin are classified based on the holding period in which the Bitcoin are held. ASC 350-60 specifies that Bitcoin converted nearly immediately into cash would qualify as cash flows from operating activities and all other sales would qualify as investing activities. In prior fiscal periods, the Company did not hold its Bitcoin for extended periods of time and such sales proceeds prior to the adoption of ASC 350-60 were reported as cash flows from operating activities. Upon adoption of ASC 350-60, the Company evaluates its sales of Bitcoin and will record Bitcoin sold nearly immediately as operating cash flows and the remainder will be recorded as investing activities. During the six months ended June 30, 2024, all proceeds from Bitcoin sales were classified as investing activities.

Investment in Securities

Investment in Securities includes investments in common stocks and convertible notes receivables. Investments in securities are reported at fair value with changes in unrecognized gains or losses included in other income on the income statement.

Investments in Unconsolidated Entities

We account for investments in less than

50

% owned and more than

20

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

Fair Value of Financial Instruments

FASB ASC 825-10, *Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet.

Fixed Assets

The Company capitalizes all acquisitions of fixed assets in excess of \$

500

. Fixed assets are stated at cost, net of accumulated depreciation. State and local use tax for equipment shipped from overseas is generally accrued on a quarterly basis at the time equipment is placed in service and is paid to the state in which the equipment is being utilized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets and commences once the assets are ready for their intended use. Fixed assets are comprised of furniture, computer, office equipment, buildings and mining machines with assigned useful lives of 3 to 30 years.

The Company classifies mining machine deposit payments within "Deposits on mining equipment" in the consolidated balance sheets. As mining machines are received, the respective cost of the mining machines plus the related shipping and customs fees are reclassified from "Deposits on mining equipment" to "Fixed assets, net" in the consolidated balance sheets. Refer to Note 4 - Deposits on Mining Equipment and Hosting Services. In addition, as part of its periodic review of its fixed asset groups during the fourth quarter of 2023, the Company changed the estimated useful life for its mining machines from 5 years to 4 years. The change was accounted for on a prospective basis.

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

Equipment Purchases

We ordered 300 S21 Bitmain machines in January 2024 for an aggregate purchase price of approximately \$

1.1

million which were delivered in two shipments during March 2024 and April 2024.

Right to Use Assets

The Company capitalizes all leased assets pursuant to ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize right-of-use assets and lease liability, initially measured at present value of the lease payments, on its balance sheet for leases with terms longer than 12 months and classified as either financing or operating leases. As of June 30, 2024 and December 31, 2023 right to use assets, net of accumulated amortization, was \$

136

thousand and \$

189

thousand.

Impairment of Long-Lived Assets

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

nil

and \$

1.2

million impairment loss recorded on fixed assets during the three and six months ended June 30, 2024, respectively, and

nil

impairment loss recorded on fixed assets during the three and six months ended June 30, 2023, respectively. Refer to Note 3 - Fixed Assets.

Hosting Contracts

The Company currently uses three companies to host its miners: Core Scientific Inc. ("Core"), Giga Energy Inc ("GIGA") and Tech Infrastructure JV I LLC ("Tech Infrastructure").

On September 5, 2022, the Company, through its wholly-owned subsidiary US Digital, entered into a hosting agreement (the "Core Hosting Agreement") with Core pursuant to which Core, under various additional orders, agreed to host approximately

3,000

of the

Company's Bitcoin miner machines at a secure location and provide power, maintenance and other services specified in the contract with a term of one year, with automatic renewals unless either party notifies the other party in writing not less than ninety (90) calendar days before such renewal of its desire for the order not to renew unless terminated sooner pursuant to the terms of the Core Hosting Agreement. The Company entered into a number of amendments in 2023 and 2024 that resulted in Core hosting a total of approximately

4,870 miners. The amended Hosting Agreement results in the terms of the hosting arrangement expiring with respect to approximately

4,000 miners on May 31, 2024 while allowing the terms of the hosting arrangement to continue with respect to approximately

800 miners through December 31, 2024.

As required under the Core Hosting Agreement, the Company paid a \$

2.2 million deposit as of December 31, 2023. Under the terms of the amended Hosting Agreement, the deposit related to the

4,000 miners that were removed was applied to our invoices. As of June 30, 2024 and December 31, 2023, the Company had nil and \$

2.1 million of the prepaid deposit remaining with Core, respectively. In December 2022, Core filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of Texas. Core's bankruptcy filing has not negatively impacted our mining ability at their sites as of the date of this filing.

On May 5, 2023, the Company entered into a hosting agreement (the "GIGA Hosting Agreement") with GIGA pursuant to which GIGA agreed to host

1,080 of the Company's Bitcoin Miner S19J Pro machines at a secure location and provide power, maintenance and other services specified in the contract with a term of one year. On April 12, 2024, the Company amended the contract to allow for an extension of the contract with a 60 day termination notice. As required under the GIGA Hosting Agreement, the Company paid \$

173 thousand as a pre-payment in May 2023 and paid a refundable deposit of \$

173 thousand in August 2023. As of June 30, 2024 and December 31, 2023, respectively, the Company had approximately \$

88 thousand and \$

117 thousand of prepaid deposits remaining with GIGA, respectively. Since June 30, 2024, all of the machines hosted by Giga have been moved to a third-party warehouse and are awaiting a new hosting site.

On May 6, 2024, the Company entered into a hosting agreement (the "Arthur Hosting Agreement") with Tech Infrastructure pursuant to which Tech Infrastructure agreed to host approximately

3,000 of the Company's Bitcoin Miner S19J Pro machines at a secure location and provide power, maintenance and other services specified in the contract with a term of nine months. On July 17, 2024, the Company amended the contract to allow for an extension of the contract of one month.

Revenue Recognition – Bitcoin Mining

We recognize revenue in accordance with generally accepted accounting principles as outlined in ASC 606, Revenue From Contracts with Customers, which requires that five steps be followed in evaluating revenue recognition: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when or as the entity satisfied a performance obligation.

Our accounting policy on revenue recognition for our Bitcoin mining segment is provided below.

Step 1: The Company enters into a contract with a Bitcoin mining pool operator (i.e., the customer) to provide computing power to the mining pools. The contract is terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company starts providing computing power to the mining pool operator (which occurs daily at midnight Universal Time Coordinated (UTC)). When participating in ratable share pools, in exchange for providing computing power the Company is entitled to a fractional share of the Bitcoin award the mining pool operator receives for successfully adding a block to the blockchain, plus a fractional share of the transaction fees attached to that blockchain. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm. When participating in a Full Pay Per Share ("FPPS") mining pool, in exchange for providing computing power to the pool the Company is entitled to compensation, calculated on a daily basis, at an amount that approximates the total Bitcoin that could have been mined using the Company's computing power, calculated on a look-back basis across previous blocks using the pool's hash rate index. Applying the criteria per ASC 606-10-25-1, the contract arises at the point that the Company provides computing power to the mining pool operator, which is beginning contract day at midnight UTC (contract inception), because customer consumption is in tandem with daily earnings of delivery of the computing power.

Step 2: In order to identify the performance obligations in a contract with a customer, the Company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met:

- The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and
- The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

Based on these criteria, the Company has a single performance obligation in providing computing power services (i.e., hashrate) to the mining pool operator (i.e., customer). The performance obligation of computing power services is fulfilled daily over-time, as opposed to a point in time, because the Company provides the hashrate throughout the day and the customer simultaneously obtains control of it

and uses the asset to produce Bitcoin. The Company has full control of the mining equipment utilized in the mining pool and if the Company determines it will increase or decrease the processing power of its machines and/or fleet (i.e., for repairs or when power costs are excessive) the computing power provided to the customer will be reduced.

Step 3: The transaction consideration the Company earns is non-cash digital consideration in the form of Bitcoin, which the Company measures at fair value on the date earned at the daily closing price, which is not materially different from the fair value at contract inception.

The transaction consideration the Company earns is all variable since it is dependent on the daily computing power provided by the Company under the FPPS model and total Bitcoin earned by the under the ratable share model. The Company's Bitcoins earned through the contractual payout formula is not known until the Company's computational hashrate contributed over the daily measurement period is fulfilled over-time daily between midnight-to-midnight UTC time. The Company's proportionate amount of the global network transaction fee rewards earned are calculated at the end of each transactional day (midnight to midnight). There are no other forms of variable considerations, such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties, or other similar items.

The Company does not constrain this variable consideration because it is probable that a significant reversal in the amount of revenue recognized from the contract will not occur when the uncertainty is subsequently resolved and recognizes the noncash consideration on the same day that control is transferred, which is the same day as contract inception.

Step 4: The transaction price is allocated to the single performance obligation upon verification for the provision of computing power to the mining pool operator, and total Bitcoin rewards earned by the pool, when applicable under a ratable share model. There is a single performance obligation (i.e., computing power or (hashrate) for the contract; therefore, all consideration from the mining pool operator is allocated to this single performance obligation.

Step 5: The Company's performance is complete in transferring the hashrate service over-time (midnight to midnight) to the customer and the customer obtains control of that asset.

In exchange for providing computing power, the Company is entitled to a pro-rata share of the fixed Bitcoin awards earned over the measurement period, plus a pro-rata fractional share of the global transaction fee rewards for the respective measurement period, less net digital asset fees due to the mining pool operator over the measurement period, as applicable. The transaction consideration the Company receives is non-cash consideration, in the form of Bitcoin. The Company measures the Bitcoin at fair value on the date earned using the closing price of Bitcoin on the date earned (midnight UTC), which is not materially different from the fair value at contract inception.

There are no deferred revenues or other liability obligations recorded by the Company since there are no payments in advance of the performance. At the end of the 24 hour "midnight-to-midnight" period, there are no remaining performance obligations.

Bitcoin earned by the Company through its mining activities are included within operating activities on the accompanying consolidated statements of cash flows.

Cost of Revenues

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

Revenue Recognition - Specialty Finance

Accounting Standards Codification ("ASC") 606 of the Financial Accounting Standards Board ("FASB") states an entity needs to conclude at the inception of the contract that collectability of the consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer is probable. That is, in some circumstances, an entity may not need to assess its ability to collect all of the consideration in the contract. The Company provides funding to Associations by purchasing their rights under delinquent accounts from unpaid assessments due from property owners. Collections on the Accounts may vary greatly in both the timing and amount ultimately recovered compared with the total revenues earned on the Accounts because of a variety of economic and social factors affecting the real estate environment in general.

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

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

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

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

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

Coupon Sales

From time to time the Company receives coupons from Bitmain to incentivize purchases of equipment. Coupons have a stated face value in dollars and can be applied against future invoices for purchased machines. Coupons are transferable and there are not restrictions on the sale to third parties. Occasionally, the Company sells coupons to third parties in exchange for cash consideration or digital assets. As there is currently no active market for the buying and selling of Bitmain coupons, the Company has determined that the fair value of coupons received is nil at the time of receipt therefore revenue associated with the sale of such coupons is not recognized until the sale transaction has been completed and consideration has been received from the third party. During the three and six months ended June 30, 2024, the Company sold Bitmain coupons for

nil
and \$

4
thousand, which was recognized as other income within "Other income - coupon sales" in the Consolidated Statements of Operations. During the three and six months ended June 30, 2023, the Company sold Bitmain coupons for approximately \$

26
thousand and \$

629
thousand respectively.

Income Taxes

The Company's calculation of its tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. The Company recognizes tax liabilities for uncertain tax positions based on management's estimate of whether it is more likely than not that additional taxes will be required. The Company had

no

uncertain tax positions as of June 30, 2024 and December 31, 2023.

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

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

Income tax expense/(benefit) from operations for the three and six months ended June 30, 2024 and 2023 was

nil

in each period, which resulted primarily from maintaining a full valuation allowance against the Company's deferred tax assets.

Income (Loss) Per Share

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

The weighted average shares used in calculating income per share for the three and six months ended June 30, 2024 includes

22
thousand and

87
thousand restricted shares that were legally issued during the year ended December 31, 2023 and vested during the three and six months ended June 30, 2024 based on their respective vesting date. The Company issued approximately

260

thousand restricted shares during the three and six months ended June 30, 2023. The weighted average shares used in calculating loss per share for the three and six months ended June 30, 2023 includes

43

thousand of restricted shares that were fully vested as of June 30, 2023 based on their respective vesting date and excludes

217
thousand restricted shares that were legally issued but not vested as of June 30, 2023.

Diluted income (loss) per share for the periods equal to basic income (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:

	June 30, 2024	December 31, 2023
Stock Options	599,597	599,597
Stock Warrants	1,274,807	1,274,807
Restricted Shares	-	86,667

Contingencies

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

Stock-Based Compensation

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

Non-cash Activities

ROU assets and operating lease obligation recognized - Due to the execution of its office equipment operating lease during the six months ended June 30, 2024 and 2023, the Company recognized a lease liability and ROU asset associated with the lease in the amount of

nil
and \$

22
thousand, respectively.

Reclassification of mining equipment deposit to fixed assets, net - During the six months ended June 30, 2024 and 2023 as mining machines were received, the Company reclassified

nil
and \$

1.2

million of mining machine costs plus related shipping and customs fees from "Deposits on mining equipment" to "Fixed assets, net" in the consolidated balance sheets, respectively.

Change in equity due to change in accounting principle ASC 350-60 - The Company has elected to early adopt the new guidance effective January 1, 2024 resulting in a \$

614

thousand cumulative-effect change to adjust the Company's Bitcoin held on January 1, 2024 with the corresponding entry to beginning accumulated

deficit.

Note 2. Digital Asset

Digital assets consisted of the following:

	June 30, 2024	December 31, 2023	June 30, 2023
Bitcoin			
	\$ 10,020,457	\$ 3,406,096	\$ 1,992,557
Tether			
	11,647	10,160	-
Total digital assets	<u>\$ 10,032,104</u>	<u>\$ 3,416,256</u>	<u>\$ 1,992,557</u>
Bitcoin			
Number of Bitcoin held	June 30, 2024	December 31, 2023	June 30, 2023
	160.4	95.1	79.1
Carrying basis - per Bitcoin			
	\$ 54,479	\$ 35,816	\$ 25,190
Fair value - per Bitcoin			
	\$ 62,668	\$ 42,273	\$ 30,469
Carrying basis of Bitcoin			
	\$ 8,738,376	\$ 3,406,096	\$ 1,992,557
Fair value of Bitcoin			
	\$ 10,020,457	\$ 4,020,202	\$ 2,410,098

The carrying basis represents the valuation of Bitcoin at the time the Company earns the Bitcoin through mining activities. The carrying basis for Bitcoin held prior to the adoption of ASU 2023-08 was determined on the "cost less impairment" basis. Fair value of Bitcoin was determined using Level 1 inputs.

The following table presents a roll-forward of Bitcoin for the six months ended June 30, 2024, based on the fair value model under ASU 2023-08:

	June 30, 2024
Bitcoin as of December 31, 2023	\$ 3,406,096
Cumulative effect of the adoption of ASU 2023-08 (See Note 1)	614,106
Beginning balance: Bitcoin as of January 1, 2024	4,020,202
Addition of Bitcoin from mining activities	7,490,981
Disposition of Bitcoin from sales	(4,540,682)
Gain on fair value of Bitcoin, net	3,049,956
End of period	\$ 10,020,457

During the three and six months ended June 30, 2024, the Company realized total gains on Bitcoin of

nil

and \$

521
thousand, respectively and realized total losses on Bitcoin of \$

127
thousand and \$

127
thousand, respectively.

The following table presents a roll-forward of Bitcoin for the six months ended June 30, 2023, prior to the adoption of ASU 2023-08, based on the cost less impairment model under ASC 350:

	June 30, 2023
Beginning of year	888,026
Purchase of Bitcoin	\$ 35,157
Production of Bitcoin	5,059,173
Impairment loss on mined Bitcoin	(439,153)
Carrying amount of Bitcoin sold	3,550,646)
End of period	1,992,557

Note 3. Fixed Assets, net

The components of fixed assets as of June 30, 2024 and December 31, 2023 are as follows:

	Useful Life (Years)	June 30, 2024	December 31, 2023
Mining machines	4	\$ 29,249,432	\$ 29,799,782
Real estate assets owned	30	80,057	80,057
Furniture, computer and office equipment	3 - 5	230,062	230,063
Gross fixed assets		29,559,551	30,109,902
Less: accumulated depreciation		(9,888,040)	(5,590,292)
Fixed assets, net		\$ 19,671,511	\$ 24,519,610

As of June 30, 2024 and December 31, 2023, there were approximately

5,900

miners located at various hosting sites. The Company's depreciation expense recognized for the three and six months ended June 30, 2024 and 2023 was \$

2.3
million and \$

4.8
million, respectively for 2024 and was \$

1.2
million and \$

2.0
million, respectively for 2023.

In order to accommodate an expected incoming shipment of S

21
mining machines in April 2024, management identified

365
mining machines at a Core hosting facility that would require relocation. As part of its impairment testing management considered the possible cashflows and probabilities associated with the relocation and continued use of

365
mining machines at a separate hosting facility location and the potential sale of such assets to a third-party. Based on the assessment performed, management concluded a sale was probable and an impairment of \$

1.2
million on the mining machines was recorded during the first quarter, which was calculated as the net carrying value of the

365
mining machines of \$

1.3
million less the expected sales price of \$

79
thousand. The loss was recorded on our Consolidated Statements of Operations as "Impairment loss on mining equipment" for the three and six months ended June 30, 2024 as

nil
and \$

1.2 million respectively.

On April 16, 2024, the

365 mining machines were sold to a third-party for \$

79 thousand. There was

no additional loss recognized upon the asset sale.

There was

no

impairment loss recorded on fixed assets during the three and six months ended June 30, 2023.

Note 4. Deposits on Mining Equipment and Hosting Services

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

As of June 30, 2024 and December 31, 2023, the Company had a total of \$

21

thousand classified as "Deposits on mining equipment".

As of June 30, 2024 and December 31, 2023, the Company had a total of \$

0.4 million and \$

3.1 million in prepaid hosting services and hosting deposits, respectively, classified as "Prepaid expenses and Other assets".

Note 5. Investments

Marketable Securities

Our marketable equity securities are publicly traded stocks measured at fair value using quoted prices for identical assets in active markets and classified as Level 1 within the fair value hierarchy. Marketable equity securities as of June 30, 2024 and December 31, 2023, and activity for the six months ended June 30, 2024 and year ended December 31, 2023, are as follows:

	Cost	Cost of Shares Sold	Gross Unrealized Gain (Loss)	Fair Value
Marketable equity securities, June 30, 2024	\$ 17,860	\$ -	\$ 4,280	\$ 22,140
Marketable equity securities, December 31, 2023	\$ 743,906	\$ 739,616)	\$ 13,570	\$ 17,860

No

marketable securities were sold during the three and six months ended June 30, 2024 and 2023.

Notes receivable from Sale of Symbiont assets

The Company entered into a secured promissory note and loan agreement with Symbiont.IO, Inc. ("Symbiont") on December 1, 2021 under which the Company loaned Symbiont an aggregate principal amount of \$

2 million bearing interest at a rate of

16 % per annum. The outstanding principal, plus any accrued and unpaid interest, became due and payable on December 1, 2022 but was not paid. The Symbiont note was secured by a first priority perfected security interest in the assets of Symbiont.

Symbiont filed for bankruptcy on December 1, 2022. On June 5, 2023, the Company purchased substantially all of the assets of Symbiont (the "Symbiont Assets") by means of a credit bid of the full amount of the note payable owed by Symbiont to the Company. The Symbiont Assets were comprised principally of intellectual property and software code relating to Symbiont's financial services blockchain enterprise platform. The assets were recorded as intangible assets at an amount equal to the total consideration of \$

2.8 million.

On December 26, 2023, the Company entered into an asset purchase agreement with Platonic Holdings, Inc. ("Platonic") pursuant to which we agreed to sell to Platonic the Symbiont Assets. The sale of the Symbiont Assets closed on December 27, 2023. The sales proceeds were \$

2.0 million, of which \$

0.2 million is being held in a customary indemnity escrow until December 26, 2024. Amounts held in escrow are recorded as "Receivable from the sale of Symbiont assets" in the consolidated balance sheets as of June 30, 2024 and December 31, 2023.

Notes receivable from Seastar Medical Holding Corporation

As of June 30, 2024, there was

no

outstanding principal and accrued interest and as of December 31, 2023, there was \$

1,127 thousand of principal and \$

13 thousand of accrued interest on the Amended Sponsor Note included in "Note receivable from Seastar Medical Holding Corporation" on the consolidated balance sheets.

As of June 30, 2024, there was

no

outstanding principal and accrued interest and as of December 31, 2023, there was \$

296 thousand of principal and \$

3 thousand of accrued interest on the amended LMFA Note in "Notes receivable from Seastar Medical Holding Corporation" on the consolidated balance sheets.

On January 29, 2024 Seastar fully repaid the remaining balance of principal and accrued interest on the Notes which totaled approximately \$

1.4

million as of the payoff date.

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivable from Seastar Medical Holding Corporation	\$ -	\$ 1,440,498	\$ 2,238,442
End of period	\$ -	\$ 1,440,498	\$ 2,238,442

Beginning of year		1,440,498		3,807,749
	\$ (\$ (
Repayment of Seastar Medical Holding Corporation notes receivable		1,449,066		1,661,171
))	
Accrued interest income		8,568		91,864
End of period	\$ <u>—</u>		\$ <u>2,238,442</u>	

Long-term Investments

On June 6, 2024, we, through our wholly-owned subsidiary LMFA Financing, LLC ("LMFAF"), entered into a Loan Agreement (the "Loan Agreement") with Tech Infrastructure JV I LLC ("Tech Infrastructure"), pursuant to which LMFAF agreed to extend to Tech Infrastructure a non-revolving credit line of up to \$

2.5 million (the "Loan") to fund the completion and build out of a

15 MW hosting facility in Calumet, Oklahoma (the "Calumet Hosting Facility"). Concurrent with entering into the Loan Agreement, US Digital Mining and Hosting Oklahoma, LLC, a subsidiary of the Company, entered into a hosting services agreement with Arthur Digital Assets, Inc. ("Arthur") under which 3,000 of the Company's Bitmain Antminer S19j Pro machines will be hosted at the Calumet Hosting Facility upon completion of the buildout. The Loan Agreement provides that Tech Infrastructure has the right to draw down advances of the Loan to fund specifically identified expenditures relating to the build-out of the Calumet Hosting Facility. The Loan bears interest at a rate equal to

14 % per annum, simple interest, through the date on which Arthur begins charging market pricing to US Digital Mining at the Hosting Facility (the "Change Date"), and

18 % per annum, simple interest, thereafter. Interest will accrue through the Change Date and be paid monthly after the Change Date, and payment of principal will be amortized over a period of 24 months following the Change Date. All unpaid principal and accrued but unpaid interest will be due and payable on the date that is 24 months after the Change Date. The Loan is secured by all of the personal property assets of Tech Infrastructure and a pledge of Arthur Group Inc.'s equity interest in Tech Infrastructure.

As of June 30, 2024, \$

2.1

million has been loaned to Tech Infrastructure. On July 16, 2024 the Loan was amended to increase the credit line to \$

2.9

million and the site became active as of July 28, 2024. The amount of principal due within the next twelve months is included in "Current portion of notes receivable from Tech Infrastructure JV I LLC" on the consolidated balance sheets.

Investments for the Loan consist of the following:

	June 30, 2024	December 31, 2023	June 30, 2023
Current portion of notes receivable from Tech Infrastructure JV I LLC	\$ 174,529	\$ -	\$ -
Notes receivable from Tech Infrastructure JV I LLC - net of current portion	1,936,519	-	-
End of period	<u>\$ 2,111,048</u>	<u>\$ -</u>	<u>\$ -</u>
	June 30, 2024	June 30, 2023	
Beginning of year	\$ -	\$ -	
Borrowings	2,094,351	-	-
Accrued interest income	16,697	-	-
End of period	<u>\$ 2,111,048</u>	<u>\$ -</u>	<u>\$ -</u>

The Tech Infrastructure loan is considered a variable interest in a VIE for which we are not the primary beneficiary as the Company does not have the power to direct the activities that most significantly impact Tech Infrastructure's economic performance, and accordingly, we do not consolidate. Other than the Loan, no additional financial support has been provided or is expected to be provided as it relates to Tech Infrastructure's operations. Information regarding our involvement in the VIE as of June 30, 2024 is as follows:

(in millions)	Financial Statement Carrying Amount	Maximum exposure to loss
Tech Infrastructure JV I LLC	\$ 2.1	\$ 2.1

The financial statement carrying amount consists of the loan principal and accrued interest accounted for at fair value. The maximum exposure to loss as of June 30, 2024 is limited to the financial statement carrying amount of our loan investment.

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

LMF Acquisition Opportunities Inc. and SeaStar Medical - Warrants

The Company, through its affiliate LMFA Sponsor LLC ("Sponsor"), owns an aggregate

5,738,000

private placement warrants in SeaStar Medical Holding Corporation, a Delaware corporation ("SeaStar Medical"). Effective June 7, 2024 SeaStar Medical effected a 25-for-1 reverse stock split (the "Seastar Reverse Split"), and, after adjustment, the private placement warrants are exercisable into

229,520

shares of common stock. For the three and six months ended June 30, 2024 and 2023, our re-measurement of the fair value of the private placement warrants resulted in an unrealized loss of approximately \$

thousand and \$

146

thousand, respectively, for 2024 and an unrealized loss of approximately \$

0.2

million and \$

0.3

million, respectively, for 2023. The unrealized loss is included within "Unrealized loss on investment and equity securities" within the consolidated statements of operations.

Long-term investments in Seastar Medical private placement warrants consist of the following:

	June 30, 2024	December 31, 2023	June 30, 2023
Seastar Medical Holding Corporation (formerly LMAO) warrants	\$ 11,155	\$ 156,992	\$ 188,493
End of period	<u>\$ 11,155</u>	<u>\$ 156,992</u>	<u>\$ 188,493</u>
	June 30, 2024	June 30, 2023	
Beginning of year	\$ 156,992	\$ 464,778	
Unrealized loss on equity securities	(145,837)	(276,285)	
End of period	<u>\$ 11,155</u>	<u>\$ 188,493</u>	

SeaStar Medical Holding Corporation - Common Stock

As of June 30, 2024 and December 31, 2023, Sponsor holds

103,500

shares, as adjusted to reflect the Seastar Reverse Split, or approximately

3.5

% of the total outstanding common shares of SeaStar Medical. Taking into consideration the approximately

30 % minority interest in Sponsor, the percentage of ownership in the total outstanding common shares of SeaStar Medical that is attributable to the Company is approximately

2.4 %.

Our investment in SeaStar Medical common stock qualifies for equity-method accounting, for which we have elected the fair value option which requires the Company to remeasure our retained interest in SeaStar Medical at fair value and include any resulting adjustments as part of a gain or loss on investment. The fair value calculation related to our retained interest in SeaStar Medical is based upon the observable trading price of SeaStar Medical's Class A common stock.

The Company determined that our investment in SeaStar Medical meets the criteria for the equity method of accounting, for which we have elected the fair value option. We remeasure our retained interest in SeaStar Medical's common stock at fair value and include any resulting adjustments as part of our gain or loss on investments. The fair value of our retained interest in SeaStar Medical's common stock is classified as Level 1 in the fair value hierarchy as the fair value is based upon the observable trading price of ICU common stock. The trading price of ICU common stock as of June 30, 2024 and 2023 was \$

7.59
and \$

13.00
per share, respectively.

Changes in fair value are recorded in the income statement during the period of change. For the three and six months ended June 30, 2024 and 2023, our re-measurement of the fair value of ICU common stock resulted in an unrealized loss of \$

1.1
million and \$

0.4
million, respectively, for 2024 and an unrealized loss of \$

3.5
million and \$

9.3
million, respectively, for 2023. The unrealized gain (loss) is included within "Unrealized loss on investment and equity securities" within the

consolidated statements of operations.

Long-term investments for the SeaStar Medical common stock consist of the following:

	June 30, 2024	December 31, 2023	June 30, 2023
Seastar Medical Holding Corporation common stock	\$ 785,565	\$ 1,145,486	\$ 1,345,500
End of period	<u>\$ 785,565</u>	<u>\$ 1,145,486</u>	<u>\$ 1,345,500</u>
	June 30, 2024	June 30, 2023	
Beginning of year	\$ 1,145,486	\$ 10,608,750	
Unrealized loss on equity investment	(359,921)	(9,263,250)	
End of period	<u>\$ 785,565</u>	<u>\$ 1,345,500</u>	

The net unrealized loss on securities from the Company's investment in SeaStar Medical's common stock and warrants for the three and six months ended June 30, 2024 and 2023 totaled \$

1.9
million and \$

0.5
million, respectively, for 2024 and \$

3.7
million and \$

9.5
million, respectively, for 2023.

Note 6. Debt and Other Financing Arrangements

On May 13, 2024, the Company entered into a \$

1.5 million secured loan ("Secured Note") with Brown Family Enterprises LLC which pays ten percent (10%) interest per annum, simple interest on a monthly basis until the Secured Note is paid in full. The note matures on May 14, 2025. The Company granted to the holders of the Secured Note a secured interest in substantially all of the Company's assets and interests.

Debt of the Company consisted of the following at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Financing agreement with Imperial PFS that is unsecured. Down payment of \$		
3,438 was required upfront and equal installment payments of \$		
3,658 to be made over a		
11 month period. The note matures on		
July 1, 2024 . Annualized interest is		
12.05 %.	21,945	-
Financing agreement with Imperial PFS that is unsecured. Down payment of \$		
36,544 was required upfront and equal installment payments of \$		
41,879 to be made over an		
10 month period. The note matures on		
August 1, 2024 . Annualized interest is		
9.6 %.	83,753	335,022
Financing agreement with Imperial PFS that is unsecured. Down payment of \$		
30,000 was required upfront and equal installment payments of \$		
35,103 to be made over a		
6 month period. The note matured on		
June 1, 2024 . Annualized interest is		
12.05 %.	210,619	-
Secured loan with Brown Family Enterprises LLC. The note matures on		
May 14, 2025 . Interest is		
10 % per annum.	1,500,000	-
	\$ 1,583,753	\$ 567,586
	<hr/> <hr/>	<hr/> <hr/>

Minimum required principal payments on the Company's debt as of June 30, 2024 are as follows:

Maturity	Amount
----------	--------

		83,753
2024	\$	
2025		1,500,000
		1,583,753
	\$	<hr/>

Note 7. Commitments and Contingencies

Leases

The Company leases certain office space and office equipment under non-cancelable operating leases. Leases with an initial term of one year or less are not recorded on the balance sheet, and the Company generally recognizes lease expense for these leases on a straight-line basis over the lease term. As of June 30, 2024, the Company's long term operating leases have remaining lease terms of 14 - 23 months and include options to renew the lease. The Company's leases do not contain any material residual value guarantees or material restrictive covenants. The Company does not have any material financing leases.

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

The Company's office lease began July 15, 2019 and is due to expire on July 31, 2025. This office space is in a building owned by a board member. The Company shares this space and the related costs associated with this operating lease with a related party (see Note 10 - Related Party Transactions) that also performs legal services associated with the collection of delinquent assessments. The related party has a sub-lease for approximately \$

2,500
per month plus operating expenses.

On February 27, 2023, the Company executed a lease for office equipment which has been classified as an operating lease. The lease term is 39 months. As of the effective date of the lease, the Company recorded an adjustment to the right-of-use asset and lease liability in the amount of \$

22
thousand based on the net present value of lease payments discounted using an estimated incremental borrowing rate of

7.35
%.

Lease expense recognized for the three and six months ended June 30, 2024 and 2023 was approximately \$

40
thousand and \$

79
thousand, respectively for 2024 and approximately \$

28
thousand and \$

57
thousand, respectively for 2023. Sub-lease income for the three and six months ended June 30, 2024 and 2023 was approximately \$

7
thousand and \$

15
thousand, respectively for 2024 and approximately \$

15
thousand and \$

29
thousand, respectively for 2023.

The following table presents supplemental balance sheet information related to operating leases as of June 30, 2024 and December 31, 2023:

	Balance Sheet Line Item	June 30, 2024	December 31, 2023
Assets			
ROU assets			
	Right of use asset, net	\$ 136,430	\$ 189,009
Total lease assets		\$ 136,430	\$ 189,009
Liabilities			
Current lease liabilities			
	Lease liability	\$ 117,153	\$ 110,384

Long-term lease liabilities	25,962	85,775
Lease liability		
Total lease liabilities		
	\$ 143,115	\$ 196,159
<hr/>		
Weighted-average remaining lease term (in years)	1.2	1.7
Weighted-average discount rate	7.49	7.49
	%	%

The following table presents supplemental cash flow information and non-cash activity related to operating leases for the three and six months ended June 30, 2024 and 2023:

	June 30, 2024	2023
Operating cash flow information		
Cash paid for amounts included in the measurement of lease liabilities	(53,044)	(45,913)
	\$)	\$)
Non-cashflow information		
ROU assets and operating lease obligation recognized	21,887	-
	\$	\$

The following table presents maturities of operating lease liabilities on an undiscounted basis as of June 30, 2024:

Lease Maturity Table

	Operating Leases
2024	61,812
2025	85,324
2026	3,163
(less: imputed interest)	(7,184)
	\$ 143,115

Legal Proceedings

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

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

In October 2021, we entered into a sale and purchase agreement (the "Uptime Purchase Agreement") with Uptime Armory LLC ("Uptime") pursuant to which US Digital agreed to purchase, and Uptime agreed to supply to US Digital, an aggregate of

18 modified 40-foot cargo containers ("POD5ive containers") that will be designed to hold and operate 280 S19 Pro Antminers manufactured by Bitmain. The purchase price of the POD5ive containers totals \$

3.15 million, of which \$

2.4 million or

75 % was paid in 2021 as a non-refundable down payment and the remaining

25 % was paid after Uptime delivered a "notice of completion" of the equipment in 2022. However, no containers have been delivered as of June 30, 2024.

On November 8, 2022, LMFA filed an action in Florida circuit court against Uptime Armory, LLC and Bit5ive, LLC in a case styled US Digital Mining and Hosting Co. LLC v. Uptime Amory, LLC and Bit5ive, LLC (Fla. 11th Cir. Ct., November 8, 2022). In that action, we alleged breach of contract and violation of the Florida Deceptive and Unfair Trade Practices Act and are seeking, among other things, damages of \$

3.15 million for non-delivery of the

18 POD5ive containers. The Defendants in this action filed a motion to compel confidential arbitration action. The court has now stayed the action in the Florida Circuit Court, and ordered the parties to confidential arbitration governed by the American Arbitration Association and the case is proceeding to arbitration. We recorded an impairment charge of \$

3.15

million on our mining machine deposit in the fourth quarter of 2022 and is reported on our Consolidated Statements of Operations as Impairment loss on prepaid mining machine deposits. The arbitrator has ruled in favor of US Digital's dispositive motions against Uptime Armory and Bit5ive. Entities Uptime Armory, LLC, Uptime Hosting, LLC, and Bit5ive, LLC have filed for Assignment for the Benefit of Creditors. LMFA US Digital's Proof of Claim against entities was filed in the Circuit Court of the eleventh Judicial Circuit, in and for Miami-Dade County, Florida in the amount of Arbitrator's award of \$

3.2

million (owed joint and several with Bit5ive, LLC).

In October 2021, US Digital also entered into a hosting agreement with Uptime Hosting LLC (the "Hosting Agreement") to host the Company's

18

POD5ive containers at a secure location and provide power, maintenance and other services specified in the contract for 6 cents per kilowatt with a term of one year. Under the Hosting Agreement we paid a deposit of \$

0.8

million in 2021 and were required to pay an additional deposit for each container three and six months prior to delivery at the hosting site of \$

44

thousand and a final deposit for each container one month prior to arrival at the hosting site of \$

44

thousand. The deposits paid for hosting services under the Hosting Agreement are refundable. On June 29, 2022, the Company and Uptime Hosting LLC entered into a Release and Termination Agreement in which the Hosting Agreement was terminated and Uptime Hosting LLC agreed to pay the \$

0.8

million. We recorded an impairment charge of \$

0.8

million on our prepaid hosting deposit in the fourth quarter of 2022.

On September 2, 2022, LMFA filed in Florida circuit court a legal action against Uptime Hosting LLC in an action styled US Digital Mining and Hosting Co., LLC v. Uptime Hosting, LLC (Fla. 13th Cir. Ct. Sept. 2, 2022) for the return of the deposit and other damages, alleging breach of contract and violation of the Florida Deceptive and Unfair Trade Practices Act. LMFA has amended its complaint.

This is now an action for (i) breach of contract against Uptime and Bit5ive, (ii) violation of Florida's Uniform Fraudulent Transfer Act against Uptime; (iii) violation of Florida's Uniform Fraudulent Transfer Act against Bit5ive; (iv) violation of Florida's Uniform Fraudulent Transfer Act against Block Consulting and Robert Collazo (v) violation of Florida Fraudulent Asset Conversion against Block Consulting Services, 6301 Southwest Ranches, LLC, Robert D Collazo, Jr. and Elyam Moral-Collazo; (vi) violation of Florida Deceptive and Unfair Trade Practices Act against all Defendants, (vii) equitable lien against Robert D Collazo, Jr., Elyam Moral-Collazo and 6301 Southwest Ranches, LLC., and (viii) equitable lien against Defendants Robert D Collazo, Jr., Elyam Moral-Collazo and 6301 Southwest Ranches, LLC. Currently the proceedings have been stayed by the court while defendants seek new counsel.

Note 8. Stockholders' Equity

Reverse Stock Split

On February 23, 2024, the Board approved a one-for-six (1:6) reverse split of the Company's issued and outstanding common stock, par value \$

0.001

per share, pursuant to which every six outstanding shares of common stock was converted into one share of common stock (the "Reverse Stock Split"). The Reverse Stock Split was effected by the filing of an amendment to our Certificate of Incorporation on March 7, 2024 which provided that the Reverse Stock Split become effective at 12:01 a.m. eastern time on March 12, 2024. The amendment provided that no fractional shares shall be issued and, in lieu thereof, any person who would otherwise be entitled to a fractional share of common stock as a result of the Reverse Stock Split would be entitled to receive one share of common stock. The Company's common stock began trading on The Nasdaq Capital Market on a split-adjusted basis on March 12, 2024. The Company has retroactively adjusted all share amounts and per share data herein to give effect to the Reverse Stock Split.

Stock Options

The following is a summary of the stock option plan activity during the six months ended June 30, 2024 and 2023:

	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding at beginning of the year	599,597	\$ 9.00	186,877	\$ 19.56
Granted	-	-	414,417	4.50
Forfeited	-	-	(1,697)	72.18
Exercised	-	-	-	-
Options outstanding at June 30,	<u>599,597</u>	<u>\$ 9.01</u>	<u>599,597</u>	<u>\$ 9.01</u>
Options exercisable at June 30,	<u>387,110</u>	<u>\$ 11.06</u>	<u>307,574</u>	<u>\$ 11.34</u>

Stock compensation expense recognized for the three and six months ended June 30, 2024 and 2023 related to stock options was approximately \$

0.1 million and \$

0.2 million, respectively for 2024 and approximately \$

1.1 million and \$

1.3 million, respectively for 2023. There was \$

0.4 million of unrecognized compensation cost associated with unvested stock options remaining as of June 30, 2024.

The aggregate intrinsic value of the outstanding common stock options as of June 30, 2024 and December 31, 2023 was

nil

. The remaining weighted average life of the options as of June 30, 2024 was approximately 8.6 years.

Stock Issuance

The following is a summary of the restricted share activity during the six months ended June 30, 2024 and 2023:

	2024		2023	
	Number of Restricted Shares	Weighted Average Award Price	Number of Restricted Shares	Weighted Average Award Price
Restricted Shares outstanding at beginning of the year	86,667	\$ 4.51	-	\$ -
Granted	-	-	260,000	\$ 4.51
	()	()
Vested	86,667	\$ 4.51	43,333	\$ 4.51
)	\$)	\$
Restricted Shares outstanding at June 30,	-	\$ -	216,667	\$ 4.51
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Stock compensation expense for restricted stock for the three and six months ended June 30, 2024 and 2023 was approximately \$

5
thousand and \$

76
thousand, respectively, for 2024 and \$

565
thousand and \$

565
thousand, respectively, for 2023. There was

nil
unrecognized compensation cost associated with unvested restricted stock remaining as of June 30, 2024.

Warrants

The following is a summary of the warrant activity during the six months ended June 30, 2024 and 2023:

	2024		2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at beginning of the year	1,274,807	\$ 30.04	1,279,573	\$ 30.00
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Warrants outstanding and exercisable at June 30,	1,274,807	\$ 30.04	1,279,573	\$ 30.00
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The aggregate intrinsic value of the outstanding common stock warrants as of June 30, 2024 and 2023 was

nil

. The remaining weighted average life of the warrants as of June 30, 2024 was 2.25 years.

At the Market Program

On June 26, 2023, the Company entered into an Equity Distribution Agreement (the "Distribution Agreement") with Maxim Group LLC (the "Agent"), pursuant to which the Company may, from time to time, at the Company's discretion, offer and sell shares of the Company's common stock, having an aggregate offering price of up to \$

4.7 million (the "Shares"), through the Agent, acting as sales agent. The Shares to be sold under the Distribution Agreement, if any, will be issued and sold pursuant to the Company's shelf registration statement which was filed with the Securities and Exchange Commission ("SEC") on July 30, 2021 (the "Registration Statement") and was declared effective on August 16, 2021. A prospectus supplement related to the Company's at the market offering ("ATM") program with the Agent under the Distribution Agreement was filed with the SEC on June 26, 2023. The ATM program was expected to remain into effect until August 15, 2024. As of June 30, 2024,

no sales have been made under the ATM program, and an aggregate gross sales limit of \$

4.2 million remains available for issuance under the ATM program. Approximately \$

119 thousand of legal and professional fees incurred related to the establishment of the ATM program were deferred and recorded within "Prepaid

expenses and other assets" on the Consolidated Balance Sheets. These deferred costs were expensed in June 2024 due to the nonuse of the ATM.

Note 9. Segment Information

The Company applies ASC 280, Segment Reporting, in determining its reportable segments. The Company has

two

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

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

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

	Three Months Ended June 30, 2024			
	Specialty Finance	Mining Operations	All Other	Total
Revenue, net	\$ 89,037	\$ 2,893,073	\$ 29,237	\$ 3,011,347
Depreciation and amortization	1,306	2,336,795	1,601	2,339,702
Operating loss	232,247	3,276,910	1,234,323	4,743,480
Unrealized loss on investment and equity securities	-	-	1,856,737	1,856,737
Unrealized gain on marketable securities	-	-	6,440	6,440
Loss on disposal of assets	-	33,887	-	33,887
Interest income	-	-	17,228	17,228
Interest expense	-	18,400	18,493	36,893
Loss before income taxes	232,247	3,329,197	3,085,885	6,647,329
Fixed Asset Additions	-	1,226,602	-	1,226,602
	Six Months Ended June 30, 2024			
	Specialty Finance	Mining Operations	All Other	Total
Revenue, net	\$ 267,970	\$ 7,490,981	\$ -	\$ 7,758,951
Depreciation and amortization	2,672	4,759,857	3,241	4,765,770

	()	()
Operating loss	539,331)	1,004,073)
Unrealized gain on marketable securities	-	-	4,280	4,280
Unrealized loss on investment and equity securities	-	-	505,758)
Gain on fair value of purchased Bitcoin, net	-	-	57,926	57,926
Loss on disposal of assets	-	42,057)	42,057
Other income - coupon sales	-	4,490	-	4,490
Interest income, net	-	-	26,353	26,353
Interest expense	-	89,226)	18,493
Loss before income taxes	539,331)	1,130,866)
			3,073,166)
			4,743,363)

Fixed Asset Additions

	Specialty Finance	Mining Operations	All Other	Total
	Three Months Ended June 30, 2023			
Revenue, net	\$ 227,328	\$ 2,968,322	\$ -	\$ 3,195,650
Depreciation and amortization	441	1,168,242	1,319	1,169,120
Operating loss	196,900	429,493	2,529,941	3,156,334
Unrealized loss on investment and equity securities	-	-	3,716,681	3,716,681
Unrealized loss on marketable securities	-	-	1,412	1,412
Symbiont credit reserve reversal	-	-	1,052,543	1,052,543
Other income - coupon sales	-	25,721	-	25,721
Other income - financing revenue	-	-	37,660	37,660
Interest income	-	-	116,147	116,147
Loss before income taxes	196,900	403,772	5,041,684	5,642,356
Fixed Asset Additions	1,228	1,662,218	5,741	1,669,187
	Specialty Finance	Mining Operations	All Other	Total
Revenue, net	\$ 449,995	\$ 5,059,173	\$ -	\$ 5,509,168
Depreciation and amortization	2,525	1,966,111	2,357	1,970,993
Operating loss	408,569	886,295	3,830,896	5,125,760
Unrealized loss on marketable securities	-	-	4,378	4,378

	((
	36,691	36,691
Impairment loss on prepaid machine deposits))
Symbiont credit reserve reversal	-	1,052,543
	((
Unrealized gain on investment and equity securities	-	9,539,535
))
Realized gain on sale of purchased digital assets	-	1,917
		1,917
Other income - coupon sales	-	629,312
		629,312
Other income - financing revenue	-	37,660
		37,660
Interest income, net	-	171,224
	((
Income (loss) before income taxes	408,569)	293,674)
		12,102,709)
		12,804,952)
Fixed Asset Additions	1,228	1,731,374
		12,008
		1,744,610

Note 10. Related Party Transactions

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

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. Bruce M. Rodgers is a

50
% owner of BLGAL.

Under the agreement, the Company paid BLG a fixed monthly fee of \$

53
thousand per month for services rendered during the three and six months ended June 30, 2023. The Company pays BLG a minimum per unit fee of \$

700
in any case where there is a collection event and BLG received no payment from the property owner, including 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 March 28, 2024, BLGAL and the Company reduced the monthly compensation payable to the law firm from \$

53
thousand to \$

43
thousand effective January 1, 2024.

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 a Director of the Company, worked as the General Manager of BLG and works as the General Manager of BLGAL.

Amounts paid to BLGAL for the three and six months ended June 30, 2024 and 2023 were approximately \$

129
thousand and \$

258
thousand, respectively, for 2024 and approximately \$

159
thousand and \$

318
thousand, respectively, for 2023.

Under the Services Agreement in effect during the three and six months ended June 30, 2024 and 2023, the Company pays all costs (lien filing fees, process and serve costs) incurred in connection with the collection of amounts due from property owners. Any recovery of these collection costs is accounted for as a reduction in expense incurred. The Company incurred expenses related to collection costs for the three and six months ended June 30, 2024 and 2023 in the amounts of approximately \$

25
thousand and \$

40
thousand, respectively for 2024 and approximately \$

17
thousand and \$

30
thousand, respectively for 2023. Recoveries during the three and six months ended June 30, 2024 and 2023 were approximately \$

5
thousand and \$

19
thousand, respectively for 2024 and approximately \$

17
thousand and \$

21
thousand, respectively for 2023.

The Company also shares office space, personnel and related common expenses with BLGAL. All shared expenses, including rent, are charged to BLGAL based on an estimate of actual usage. Any expenses of BLGAL paid by the Company that have not been reimbursed or settled against other amounts are reflected as due from related parties in the accompanying consolidated balance sheet. BLGAL was charged for office sub-lease for three and six months ended June 30, 2024 and 2023 for a total of approximately \$

7
thousand and \$

15
thousand, respectively for 2024 and approximately \$

15
thousand and \$

30
thousand, respectively for 2023.

Amounts payable to BLGAL as of June 30, 2024 and December 31, 2023 were approximately \$

54
thousand and \$

24
thousand, respectively.

Note 11. Subsequent Events

On August 6, 2024, the Company entered into a \$

5
million secured loan with SE & AJ Liebel Limited Partnership, a Nevada limited partnership, which accrues twelve percent (

12
%) interest per annum. Payments of \$

50
thousand per month are required to be made until the loan is paid in full, beginning on September 6, 2024. The note matures on August 6, 2026. The loan is secured by \$

5
M of Bitcoin and other assets.

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

This Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the three and six months ended June 30, 2024, and with the Annual Report on Form 10-K for the year ended December 31, 2023.

Forward-Looking Statements

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

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

- our ability to retain the listing of our securities on the Nasdaq Capital Market,
- the early stage of our cryptocurrency mining business and our lack of operating history in such business,
- volatility surrounding the value of Bitcoin and other cryptocurrencies,
- the uncertainty surrounding the cryptocurrency mining business in general,
- bankruptcy or financial problems of our hosting vendors in our mining business,
- reliance to date on a single model of Bitcoin miner,
- the ability to scale our mining business,
- our ability to obtain funds to purchase receivables,
- our ability to purchase defaulted consumer receivables at appropriate prices,
- competition to acquire such receivables,
- our dependence upon third party law firms to service our accounts,
- our ability to manage growth or declines in the business,
- changes in government regulations that affect our ability to collect sufficient amounts on our defaulted consumer Association 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,
- 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, 2023 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

The Company currently operates two lines of business: our cryptocurrency mining business and our specialty finance business.

The Bitcoin mining operation deploys our computing power to mine Bitcoin on the Bitcoin network. We conduct this business through our wholly owned subsidiary, US Digital, a Florida limited liability company, which we formed in 2021 to develop and operate our cryptocurrency mining business.

With respect to our specialty finance business, the Company has historically engaged in the business of providing funding to nonprofit community associations primarily located in the state of Florida. We offer incorporated nonprofit community associations, which we refer to as "Associations," a variety of financial products customized to each Association's financial needs. Our original product offering consists of providing funding to Associations by purchasing their rights under delinquent accounts that are selected by the Associations arising from unpaid Association assessments. Historically, we provided funding against such delinquent accounts, which we refer to as "Accounts," in exchange for a portion of the proceeds collected by the Associations from the account debtors on the Accounts. In addition to our original product offering, we also purchase Accounts on varying terms tailored to suit each Association's financial needs, including under our New Neighbor Guaranty™ program.

Corporate History

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

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

Cryptocurrency Mining Business

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

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

Factors such as access to computer processing capacity, interconnectivity, electricity cost, environmental factors (such as cooling capacity) and location play important roles in mining. In Bitcoin mining, "hashrate" is a measure of the computing and processing power and speed by which a mining computer mines and processes transactions on the Bitcoin network. A company's computing power measured in hashrate is generally considered to be one of the most important metrics for evaluating Bitcoin mining companies.

As of June 30, 2024 and 2023, the Company owned approximately 5,900 and 5,900 machines, respectively, which translated into our operating mining units being capable of producing over 639 petahash and 615 petahash per second ("EH/s") of computing power, respectively. There were approximately 1,878 and 5,200 miners online as of June 30, 2024 and 2023, respectively. We had an

additional 3,000 miners go online in late July 2024 while moving approximately 1,000 miners from a GIGA hosting site in July 2024 to a third-party warehouse for redeployment. We expect to continue increasing our computing power through 2024 and beyond as we expand the number of active mining machines.

The Company currently uses three companies to host its miners: Core Scientific Inc. ("Core"), Giga Energy Inc ("GIGA") and Tech Infrastructure JV I LLC ("Tech Infrastructure").

On September 5, 2022, the Company, through its wholly-owned subsidiary US Digital, entered into a hosting agreement (the "Core Hosting Agreement") with Core pursuant to which Core, under various additional orders, agreed to host approximately 3,000 of the Company's Bitcoin miner machines at a secure location and provide power, maintenance and other services specified in the contract with a term of one year, with automatic renewals unless either party notifies the other party in writing not less than ninety (90) calendar days before such renewal of its desire for the order not to renew unless terminated sooner pursuant to the terms of the Core Hosting Agreement. The Company entered into a number of amendments in 2023 and 2024 that resulted in Core hosting a total of approximately 4,870 miners. The amended Hosting Agreement results in the terms of the hosting arrangement expiring with respect to approximately 4,000 miners on May 31, 2024 while allowing the terms of the hosting arrangement to continue with respect to approximately 800 miners through December 31, 2024. Approximately 4,000 miners were shipped from Core in June and July 2024 to a third-party warehouse in Oklahoma with 3,000 miners being placed into service in late July 2024.

As required under the Core Hosting Agreement, the Company paid a \$2.2 million deposit as of December 31, 2023. Under the terms of the amended Hosting Agreement, the deposit related to the 4,000 miners that were removed was applied to our invoices. As of June 30, 2024 and December 31, 2023, the Company had nil and \$2.1 million of the prepaid deposit remaining with Core, respectively. In December 2022, Core filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of Texas. Core's bankruptcy filing has not negatively impacted our mining ability at their sites as of the date of this filing.

On May 5, 2023, the Company entered into a hosting agreement (the "GIGA Hosting Agreement") with GIGA, pursuant to which GIGA agreed to host 1,080 of the Company's Bitcoin Miner S19J Pro machines at a secure location and provide power, maintenance and other services specified in the contract with a term of one year. On April 12, 2024, the Company amended the contract to allow for an extension of the contract with a 60 day termination notice. As required under the GIGA Hosting Agreement, the Company paid \$173 thousand as a pre-payment in May 2023 and paid a refundable deposit of \$173 thousand in August 2023. As of June 30, 2024 and December 31, 2023, respectively, the Company had approximately \$88 thousand and \$117 thousand of prepaid deposits remaining with GIGA, respectively. All of the miner machines hosted with GIGA were moved in July to a third-party warehouse awaiting a new hosting site.

On May 6, 2024, the Company entered into a hosting agreement (the "Arthur Hosting Agreement") with Tech Infrastructure pursuant to which Tech Infrastructure agreed to host approximately 3,000 of the Company's Bitcoin Miner S19J Pro machines at a secure location and provide power, maintenance and other services specified in the contract with a term of nine months. On July 17, 2024, the Company amended the contract to allow for an extension of the contract of one month.

Results of Operations

Summarized Consolidated Statements of Operations

	Six Months Ended June 30,	
	2024	2023
Revenue	\$ 7,758,951	\$ 5,509,168
Operating costs and expenses	11,939,829	10,634,928
Operating loss	(4,180,878)	(5,125,760)
Other loss	(562,485)	(7,679,192)
Loss before income taxes	(4,743,363)	(12,804,952)
Income tax expense	-	-
Net loss	(4,743,363)	(12,804,952)
Less: loss attributable to non-controlling interest	160,253	2,869,441
Net loss attributable to LM Funding America Inc.	\$ (4,583,110)	\$ (9,935,511)

Range of intraday Bitcoin prices
Quarterly Reporting Periods Ended

		Minimum Price		Maximum Price
December 31, 2022	\$	15,486	\$	21,474
March 31, 2023	\$	16,489	\$	29,178
June 30, 2023	\$	24,750	\$	31,422
September 30, 2023	\$	24,915	\$	31,838
December 31, 2023	\$	26,544	\$	44,800
March 31, 2024	\$	38,512	\$	73,798
June 30, 2024	\$	56,500	\$	72,777

Effective January 1, 2024, we adopted ASC 350-60 which required Bitcoin to be measured at fair value. See Note 1 - Summary of Significant Accounting Policies for more details on impact of implementation to the financial statements. As a result, the carrying value of each Bitcoin we held at the end of June 30, 2024 and each subsequent reporting period reflects the price of one Bitcoin quoted on the active exchange at the end of the reporting period. Therefore, negative swings in the market price of Bitcoin could have a material impact on our earnings and on the carrying value of our Bitcoin.

The following reflects the financial summary of Bitcoin holdings:

Bitcoin

	June 30, 2024		December 31, 2023		June 30, 2023
Number of Bitcoin held	160.4		95.1		79.1
Carrying basis - per Bitcoin	\$ 54,479	\$	35,816	\$	25,190
Fair value - per Bitcoin	\$ 62,668	\$	42,273	\$	30,469
Carrying basis of Bitcoin	\$ 8,738,376	\$	3,406,096	\$	1,992,557
Fair value of Bitcoin	\$ 10,020,457	\$	4,020,202	\$	2,410,098

The following is a summary of the average cost of revenues for mining each Bitcoin during the three and six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,	
	2024	2023
Cost of Revenues - Analysis of costs to mine one Bitcoin (per Bitcoin amounts are actual)		
Digital mining revenues	\$ 7,490,981	\$ 5,059,173
Average revenue of each Bitcoin mined (1)	\$ 57,446	\$ 25,513
Cost of mining - hosted facilities	\$ 5,012,057	\$ 4,029,498
Hosting fees expense per one Bitcoin	\$ 38,436	\$ 20,320
Bitcoin Mined	130.40	198.30
Cost of mining one Bitcoin as % of average Bitcoin mining revenue	66.91%	79.65%

(1) Average revenue of each Bitcoin mined is calculated by dividing the sum of Bitcoin mining revenue for both owned and hosted facilities by the total number of Bitcoin mined during the respective periods. See the table "Range of intraday Bitcoin prices" for information on the range of intraday Bitcoin prices for quarterly periods.

The Company's Bitcoin unit activity during the six months ended June 30, 2024 and 2023 was as follows:

	June 30, 2024		June 30, 2023
Beginning of Year	95.1		54.9
Production of Bitcoin	130.4		198.3
Purchase of Bitcoin	-		2.0
Sale of Bitcoin	(65.0)		(175.9)
Fees	(0.1)		(0.2)
End of Period	<u>160.4</u>		<u>79.1</u>

The Three Months Ended June 30, 2024 compared with the Three Months Ended June 30, 2023

Revenues

During the three months ended June 30, 2024, total revenues decreased by \$0.2 million, to \$3.0 million from \$3.2 million for the three months ended June 30, 2023.

Digital mining revenue decreased in the three months ended June 30, 2024 by \$0.1 million to \$2.9 million from \$3.0 million for the three months ended June 30, 2023.

Bitcoin mining revenues are determined by two main drivers: quantity of Bitcoin mined and the price of Bitcoin on the date the Bitcoin is mined. During the three months ended June 30, 2024, we mined 44.1 Bitcoin with an average Bitcoin price of approximately \$66 thousand as compared to 106.5 Bitcoin with an average Bitcoin price of approximately \$28 thousand during the three months ended June 30, 2023. The decrease in Bitcoin mining revenue for the three months ended June 30, 2024 was attributable to the reduction in the number of Bitcoins mined during the period due to the increased difficulty rate, which reduced our share of the global hashrate, offset in part by the increase in Bitcoin prices.

Specialty finance revenue decreased in the three months ended June 30, 2024 by \$101 thousand to \$89 thousand from \$190 thousand for the three months ended June 30, 2023.

Operating Expenses

During the three months ended June 30, 2024, operating expenses increased \$1.4 million to \$7.8 million from \$6.4 million for the three months ended June 30, 2023. The increase in operating expenses is primarily due to the following factors:

Staff costs and payroll

Compensation costs for three months ended June 30, 2024 decreased by \$1.6 million to \$0.8 million from \$2.5 million for the three months ended June 30, 2023 primarily due to the reduction of stock based compensation associated with employee stock options.

Depreciation and amortization

Depreciation and amortization increased by \$1.2 million to \$2.3 million for the three months ended June 30, 2024 primarily due to the increased number of Bitcoin mining machines placed into service earning Bitcoins as well as the change in useful life of mining machines from 5 years to 4 years.

Loss (gain) on fair value of Bitcoin, net

The loss on fair value of Bitcoin, net for the three months ended June 30, 2024 was \$1.3 million. As discussed in Note 2 above, the Company adopted the amendments per ASC 350-60 as of January 1, 2024, accordingly, we measured crypto assets within the scope of ASC Topic 350-60 - Intangibles - Goodwill and Other - Crypto Assets at fair value in accordance with ASC Topic 820 - Fair Value Measurement and included the gains and losses from remeasurement in net income. The loss pertains to the change in Bitcoin's fair value from April 1, 2024, through June 30, 2024. The fair value of Bitcoin was approximately \$62 thousand per Bitcoin at June 30, 2024 and \$71 thousand per Bitcoin at March 31, 2024.

Impairment loss on mined digital assets

Impairment loss on mined digital assets was nil and \$0.2 million for the three months ended June 30, 2024 and 2023, respectively with no impairment recognized in 2024 due to the implementation of ASC 350-60 effective January 1, 2024.

Realized gain on sale of mined digital assets

Realized gain on sale of mined digital assets for the three months ended June 30, 2024 and 2023 was nil and \$0.6 million, respectively.

Prior to adoption of ASC 350-60 - Crypto Assets, Bitcoin was classified as indefinite-lived intangible assets and were measured at cost less impairment. Additionally, in the previous guidance, subsequent increases in Bitcoin prices are not allowed to be recorded unrealized gains unless the Bitcoin is sold, at which point the gain is recognized. Accordingly, (gains) losses recognized on fair value of Bitcoin in fiscal year 2024 are not comparable to fiscal year 2023.

The Company sold 47 Bitcoins during the three months ended June 30, 2024 and 111 Bitcoins during the three months ended June 30, 2023.

Other operating costs

The Company's other operating costs which includes professional fees, selling, general and administrative costs, real estate management costs, collections costs and other operating costs increased by \$0.2 million to \$1.0 million for the three months ended

June 30, 2024 as compared to \$0.8 million for the three months ended June 30, 2023 primarily due to the amortization of deferred financing costs associated with the ATM program.

Other Income (Expense)

The Company recognized an unrealized loss on securities of \$1.9 million for the three months ended June 30, 2024 as compared to an unrealized loss of \$3.7 million for the three months ended June 30, 2023 from the revaluation of Seastar's common stock and private placement warrants.

Income Tax Expense

During the three months ended June 30, 2024, the Company generated a \$6.7 million net loss before income taxes and the Company increased its income tax valuation allowance by \$2.2 million, which offset the Company's incurred net income tax benefit of \$2.2 million which resulted in no income tax expense being recognized for the three months ended June 30, 2024. During the three months ended June 30, 2023, the Company generated a \$5.6 million net loss before income taxes and the Company increased its income tax valuation allowance by \$1.3 million, which offset the Company's incurred net income tax expense of \$1.3 million, resulting in no income tax expense being recognized during the period.

Net Loss

During the three months ended June 30, 2024, net loss was \$6.7 million as compared to net loss of \$5.6 million for the three months ended June 30, 2023.

Net Loss Attributable to Non-Controlling Interest

The Company owns 69.5% of Sponsor. As such, there is a \$0.6 million net gain for the three months ended June 30, 2024 attributable to the Non-Controlling Interest as compared to a \$1.1 million net gain for the three months ended June 30, 2023.

Net Loss Attributable to LM Funding America, Inc.

During the three months ended June 30, 2024, net loss was \$6.1 million as compared to net loss of \$4.5 million for the three months ended June 30, 2023.

The Six Months Ended June 30, 2024 compared with the Six Months Ended June 30, 2023

Revenues

During the six months ended June 30, 2024, total revenues increased by \$2.2 million, to \$7.8 million from \$5.5 million for the six months ended June 30, 2023.

Digital mining revenue increased in the six months ended June 30, 2024 by \$2.4 million to \$7.5 million from \$5.1 million for the six months ended June 30, 2023.

Bitcoin mining revenues are determined by two main drivers: quantity of Bitcoin mined and the price of Bitcoin on the date the Bitcoin is mined. During the six months ended June 30, 2024, we mined 130.5 Bitcoin with an average Bitcoin price of approximately \$57 thousand as compared to 198.3 Bitcoin with an average Bitcoin price of approximately \$26 thousand during the six months ended June 30, 2023. The increase in Bitcoin mining revenue for the six months ended June 30, 2024 was attributable to the increase in Bitcoin prices offset in part by the reduction in the number of Bitcoins mined during the period due to the increased difficulty rate, which reduced our share of the global hashrate.

Specialty finance revenue decreased in the six months ended June 30, 2024 by \$167 thousand to \$205 thousand from \$373 thousand for the six months ended June 30, 2023.

Operating Expenses

During the six months ended June 30, 2024, operating expenses increased \$1.3 million to \$12.0 million from \$10.6 million for the six months ended June 30, 2023. The increase in operating expenses is primarily due to the following factors:

Digital mining cost of revenues

Bitcoin mining costs increased by \$1.0 million to \$5.0 million for the six months ended June 30, 2024 from \$4.0 million for the six months ended June 30, 2023 due to the increased number of Bitcoin mining machines that were active during the period.

Staff costs and payroll

Compensation costs for six months ended June 30, 2024 decreased by \$1.3 million to \$2.1 million from \$3.4 million for the six months ended June 30, 2023 primarily due to the reduction of stock based compensation associated with employee stock options.

Depreciation and amortization

Depreciation and amortization increased by \$2.8 million to \$4.8 million for the six months ended June 30, 2024 from \$2.0 million for the six months ended June 30, 2023 primarily due to the increased number of Bitcoin mining machines placed into service earning Bitcoins as well as the change in useful life of mining machines from 5 years to 4 years.

Loss (gain) on fair value of Bitcoin, net

The gain on fair value of Bitcoin, net for the six months ended June 30, 2024 was \$3.0 million. As discussed in Note 2 above, the Company adopted the amendments per ASC 350-60 as of January 1, 2024, accordingly, we measured crypto assets within the scope of ASC Topic 350-60 - Intangibles - Goodwill and Other - Crypto Assets at fair value in accordance with ASC Topic 820 - Fair Value Measurement and included the gains and losses from remeasurement in net income. The gain pertains to the change in Bitcoin's fair value from January 1, 2024, through June 30, 2024. The fair value of Bitcoin was approximately \$62 thousand per Bitcoin at June 30, 2024 and \$42 thousand per Bitcoin at December 31, 2023.

Impairment loss on mining equipment

The Company incurred a \$1.2 million impairment loss on mining equipment related to machines disposed of in April 2024.

Impairment loss on mined digital assets

Impairment loss on mined digital assets was nil and \$0.4 million for the six months ended June 30, 2024 and 2023, respectively with no impairment recognized in 2024 due to the implementation of ASC 350-60 effective January 1, 2024.

Realized gain on sale of mined digital assets

Realized gain on sale of mined digital assets for the six months ended June 30, 2024 and 2023 was nil and \$1.1 million respectively.

Prior to adoption of ASC 350-60 - Crypto Assets, Bitcoin was classified as indefinite-lived intangible assets and were measured at cost less impairment. Additionally, in the previous guidance, subsequent increases in Bitcoin prices are not allowed to be recorded (unrealized gains) unless the Bitcoin is sold, at which point the gain is recognized. Accordingly, gains (losses) recognized on fair value of Bitcoin in fiscal year 2024 are not comparable to fiscal year 2023.

The Company sold 65.0 Bitcoins during the six months ended June 30, 2024 and 175.9 Bitcoins during the six months ended June 30, 2023.

Other Income (Expense)

The Company recognized an unrealized loss on securities of \$0.5 million for the six months ended June 30, 2024 as compared to an unrealized loss of \$9.6 million for the six months ended June 30, 2023 from the revaluation of Seastar's common stock and private placement warrants.

The Company recognized \$4 thousand on the sale of Bitmain coupons received from the purchase of Bitcoin mining equipment for the six months ended June 30, 2024 compared to \$0.6 million for the six months ended June 30, 2023.

The Company recognized a reversal of a valuation allowance of nil and \$1.1 million for the six months ended June 30, 2024 and 2023, respectively, from the revaluation of the Symbiont note receivable and subsequent acquisition of the Symbiont assets.

The Company recognized \$26 thousand of interest income for the six months ended June 30, 2024 as compared to \$171 thousand of interest income for the six months ended June 30, 2023 due to the payoff of a note payable by Seastar Medical in January 2024.

Income Tax Expense

During the six months ended June 30, 2024, the Company generated a \$4.7 million net loss before income taxes and the Company increased its income tax valuation allowance by \$1.2 million, which offset the Company's incurred net income tax benefit of \$1.2 million which resulted in no income tax expense being recognized during this period. This net activity resulted in no recognized income tax expense for the six months ended June 30, 2024. During the six months ended June 30, 2023, the Company generated a \$12.8 million net loss before income taxes and the Company increased its income tax valuation allowance by \$3.4 million, which offset the Company's incurred net income tax expense of \$3.4 million, resulting in no income tax expense being recognized during the period.

Net Loss

During the six months ended June 30, 2024, net loss was \$4.7 million as compared to net loss of \$12.8 million for the six months ended June 30, 2023.

Net Loss Attributable to Non-Controlling Interest

The Company owns 69.5% of Sponsor. As such, there is a \$0.2 million net loss for the six months ended June 30, 2024 attributable to the Non-Controlling Interest as compared to a \$2.9 million net loss for the six months ended June 30, 2023.

Net Loss Attributable to LM Funding America, Inc.

During the six months ended June 30, 2024, net loss was \$4.6 million as compared to net loss of \$9.9 million for the six months ended June 30, 2023.

Liquidity and Capital Resources

General

Our primary sources of liquidity are our cash and cash equivalents, Bitcoin generated from our digital mining operations, proceeds from borrowings and cash from our note receivables. At June 30, 2024, we had cash, cash equivalents and Bitcoin of \$10.2 million compared to cash, cash equivalents and Bitcoin of \$5.8 million at December 31, 2023. As of June 30, 2024, we had working capital of \$8.4 million reflecting an increase of \$1.0 million since December 31, 2023. We have access to equity financing through our At-the-Market offering facility. Refer to Note 8 - Stockholders' Equity. Cash management continues to be a top priority. We expect to incur negative operating cash flows as we work to increase our digital mining revenue and maintain operational efficiencies.

Our working capital needs may increase in the future as we continue to expand and enhance our operations. Our ability to raise additional funds for working capital through equity or debt financings or other sources may depend on the financial success of our then current business and successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at a reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on shareholders and any debt financing, if available, may require restrictions to be placed on our future financing and operating activities. If we require additional capital and are unsuccessful in raising that capital, we may not be able to continue our business operations in the cryptocurrency mining industry which could adversely impact our business, financial condition and results of operations.

As of June 30, 2024 and December 31, 2023, our liquidity was comprised of:

	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 145,648	\$ 2,401,831
Bitcoin	10,032,104	3,416,256
Marketable securities	22,140	17,860
End of Period	<hr/> \$ 10,199,892	<hr/> \$ 5,835,947

The Company's cash flow summary for the six months ended June 30, 2024 and 2023 are as follows:

	2024	2023
	Six Months Ended June 30,	
Cash Flows used in Operating Activities	\$ (5,988,264)	\$ (1,463,224)
Cash Flows provided by (used in) Investing Activities	2,715,914	(464,571)
Cash Flows provided by (used in) Financing Activities	1,016,167	(462,972)
Net Decrease in Cash	(2,256,183)	(2,390,767)
Cash - Beginning of Year	2,401,831	4,238,006
Cash - End of Period	<hr/> \$ 145,648	<hr/> \$ 1,847,239

Contractual Obligations

The Company has digital mining hosting contracts that expire between December 2024 and April 2025. These contracts currently require total monthly payments of approximately \$200 thousand to \$500 thousand monthly.

Cash from Operations

Net cash used in operations was \$6.0 million during the six months ended June 30, 2024 compared with net cash used in operations of \$1.5 million during the six months ended June 30, 2023. This change in cash used in operating activities was primarily driven by the classification of \$4.5 million in Bitcoin proceeds from mining (i.e. Bitcoin) as investing activities during the six months ended June 30, 2024 due to the adoption of ASU 350-60 as compared to the classification of mining revenues as operating activities for the six months ended June 30, 2023. The mining of Bitcoin is considered a non cash item for operating purposes which totaled \$7.5 million and \$5.1 million for the six months ended June 30, 2024 and 2023, respectively.

Cash from Investing Activities

For the six months ended June 30, 2024 net cash provided by investing activities was \$2.7 million as compared to net cash used in investing activities of \$0.5 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, the Company received net payments of approximately \$1.4 million from SeaStar Medical related to the payment of outstanding notes receivable, and received proceeds of \$4.5 million from the sale of digital assets while investing \$1.2 million for capital expenditures including Bitcoin mining equipment which was offset in part by a \$2.1 million investment in the Tech Infrastructure JV I LLC note receivable. For the six months ended June 30, 2023 the Company received \$1.7 million from SeaStar Medical related to the payment of outstanding notes receivable while investing \$1.7 million for Bitcoin mining equipment.

Cash from Financing Activities

Net cash provided by financing activities was \$1.0 million for the six months ended June 30, 2024 compared to \$0.5 million used in financing activities for the six months ended June 30, 2023. During the six months ended June 30, 2024 and 2023, the Company received proceeds from borrowings of \$1.5 million and nil, respectively.

Stockholders' Equity

The Company had no cash infusion from equity financing transactions during the six months ended June 30, 2024 or 2023.

Debt

On May 13, 2024, the Company entered into a \$1.5 million secured loan ("Secured Note") with Brown Family Enterprises LLC which pays ten percent (10%) interest per annum, simple interest on a monthly basis until the Secured Note is paid in full. The note matures on May 14, 2025. The Company granted to the holders of the Secured Note a secured interest in substantially all of the Company's assets and interests.

Debt of the Company consisted of the following at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Financing agreement with Imperial PFS that is unsecured. Down payment of \$3,438 was required upfront and equal installment payments of \$3,658 to be made over a 11 month period. The note matures on July 1, 2024. Annualized interest is 12.05%.	-	21,945
Financing agreement with Imperial PFS that is unsecured. Down payment of \$36,544 was required upfront and equal installment payments of \$41,879 to be made over an 10 month period. The note matures on August 1, 2024. Annualized interest is 9.6%.	83,753	335,022
Financing agreement with Imperial PFS that is unsecured. Down payment of \$30,000 was required upfront and equal installment payments of \$35,103 to be made over a 6 month period. The note matured on June 1, 2024. Annualized interest is 12.05%.	-	210,619
Secured loan with Brown Family Enterprises LLC. The note matures on May 14, 2025. Interest is 10% per annum.	1,500,000	-
	<hr/> <u>\$ 1,583,753</u>	<hr/> <u>\$ 567,586</u>

The following table presents maturities of debt on an undiscounted basis as of June 30, 2024:

Maturity	Amount
2024	\$ 83,753
2025	1,500,000
	<hr/> <u>\$ 1,583,753</u>

ATM Program

On June 26, 2023, the Company entered into an Equity Distribution Agreement (the "Distribution Agreement") with Maxim Group LLC (the "Agent"), pursuant to which the Company may, from time to time, at the Company's discretion, offer and sell shares of the Company's common stock, having an aggregate offering price of up to \$4.7 million (the "Shares"), through the Agent, acting as sales agent. The Shares to be sold under the Distribution Agreement, if any, will be issued and sold pursuant to the Company's shelf registration statement which was filed with the Securities and Exchange Commission ("SEC") on July 30, 2021 (the "Registration Statement") and was declared effective on August 16, 2021. A prospectus supplement related to the Company's at the market offering ("ATM") program with the Agent under the Distribution Agreement was filed with the SEC on June 26, 2023. The ATM program was expected to remain in effect until August 15, 2024. As of June 30, 2024, no sales have been made under the ATM program, and an aggregate gross sales limit of \$4.2 million remains available for issuance under the ATM program. Approximately \$119 thousand of legal and professional fees incurred related to the establishment of the ATM program were deferred and recorded within "Prepaid expenses and other assets" on the consolidated balance sheets. These deferred costs were expensed in June 2024 due to the nonuse of the ATM.

Non-GAAP Financial Measures

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	\$ (6,647,329)	\$ (5,642,356)	\$ (4,743,363)	\$ (12,804,952)
Interest expense	36,893	-	107,719	-
Depreciation and amortization	2,339,702	1,169,120	4,765,770	1,970,993
Income (loss) before interest, taxes & depreciation	\$ (4,270,734)	\$ (4,473,236)	\$ 130,126	\$ (10,833,959)
Unrealized loss on investment and equity securities	1,856,737	3,716,681	505,758	9,539,535
Gain on adjustment of note receivable allowance	-	(1,052,543)	-	(1,052,543)
Impairment loss on prepaid hosting deposits	-	-	-	36,691
Costs associated with At-the-Market Equity program	119,050	-	119,050	-
Impairment loss on mining equipment	-	-	1,188,058	-
Stock compensation and option expense	116,080	1,712,669	297,931	1,907,025
Core income (loss) before interest, taxes & depreciation	<u>\$ (2,178,867)</u>	<u>\$ (96,429)</u>	<u>\$ 2,240,923</u>	<u>\$ (403,251)</u>

Critical Accounting Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of the consolidated financial statements in conformity with GAAP requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure or inclusion of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period.

Our critical accounting policies include revenue recognition, digital assets, and policies related to long-lived assets. We consider our critical accounting estimates to be those related to long-lived asset impairment assessments.

There have been no material changes to our critical accounting policies and estimates as compared to those disclosed in our Annual Report on Form 10-K. For a description of our critical accounting policies and estimates, see Part I, Item 1, Note 1, "Summary of Significant Accounting Policies" in our notes to the consolidated financial statements in this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

Please refer to Note 1 in our unaudited consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2024.

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 that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2024.

(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 June 30, 2024 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 7 "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, 2023.

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

a) The Company is providing an updated table of Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters to reflect certain changes in the beneficial ownership of our common stock.

The following table sets forth information regarding the beneficial ownership of our common stock as of August 12, 2024 by:

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

The number and percentage of shares beneficially owned are based on 2,528,857 common shares outstanding as of August 8, 2024. Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC, which generally require that the individual have voting or investment power with respect to the shares. In computing the number of shares beneficially owned by an individual listed below and the percentage ownership of that individual, shares underlying options, warrants and convertible securities held by each individual that are exercisable or convertible within 60 days of August 8, 2024, are deemed owned and outstanding, but are not deemed outstanding for computing the percentage ownership of any other individual. Except as otherwise indicated in the footnotes to this table, or as required by applicable community property laws, all individuals listed have sole voting and investment power for all shares shown as beneficially owned by them. Unless otherwise indicated in the footnotes, the address for each principal shareholder is LM Funding America, Inc., 1200 West Platt Street, Suite 100, Tampa, Florida 33606.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage
5% Stockholders:		
None		
Named Executive Officers and Directors		
Bruce M. Rodgers (1)	1,071,402	30.82%
Carollinn Gould (2)	35,885	1.41%
Andrew L. Graham (3)	37,387	1.46%
Douglas I. McCree (4)	30,986	1.21%
Fred Mills (5)	30,154	1.18%
Frank Silcox (6)	20,349	*
Martin Traber (7)	5,037	*
Richard Russell (8)	1,040,046	30.09%
Ryan Duran (9)	85,502	3.23%
All Executive Officers and Directors as a Group (9 individuals)	1,477,030	39.51%

* Represents less than 1% of beneficial ownership

(1) Includes 108,334 shares of common stock; 83,333 shares of common stock issuable upon the exercise of options held by Mr. Rodgers; 843,833 shares issuable upon the exercise of warrants held by BRRR, LLC, an entity over which Mr. Rodgers and Mr. Russell each have beneficial ownership; 15,415 shares and 20,325 shares issuable upon the exercise of options held by CGR LLC which is owned 50% by Bruce M. Rodgers Revocable Trust and 50% by Carol Linn Gould Revocable Trust, 138 shares beneficially owned by BRR Holding, LLC, 20 shares beneficially owned by Bruce M. Rodgers IRA, and 7 shares beneficially owned by Carollinn Gould IRA. Bruce M. Rodgers is the sole Trustee of the Bruce M. Rodgers Revocable Trust and Carollinn Gould is the sole Trustee of the Carol Linn Gould Revocable Trust. Bruce M. Rodgers, Carollinn Gould and their family, including trusts or custodial accounts of minor children of each of Mr. Rodgers and Ms. Gould owns 100% of the outstanding membership interests of BRR Holding, LLC and CGR LLC, and therefore Mr. Rodgers and Ms. Gould may be deemed to have shared voting and investment power for all 15,553 shares and 20,325 shares issuable upon the exercise of options held by both Trusts, CGR and BRR Holding, LLC. This amount excludes 83,333 options that are not exercisable within 60 days after August 8, 2024.

(2) Includes 20,325 shares of common stock held by the two revocable trusts. Bruce M. Rodgers, Carollinn Gould and their family, including trusts or custodial accounts of minor children of each of Mr. Rodgers and Ms. Gould, own 100% of the outstanding membership interests of each trust, 1,681 shares of common stock issuable upon the exercise of options at an exercise price of \$35.70 that are currently exercisable and 18,644 shares of common stock issuable upon the exercise of options at an exercise price of \$3.54 that are currently exercisable.

(3) Includes 7,303 shares of common stock, 17 shares of common stock issuable upon the exercise of options at an exercise price of \$3,750 that are currently exercisable, 2,101 shares of common stock issuable upon the exercise of options at an exercise price of \$35.70 that are currently exercisable and 27,966 shares of common stock issuable upon the exercise of options at an exercise price of \$3.54 that are currently exercisable.

(4) Includes 902 shares of common stock, 17 shares of common stock issuable upon the exercise of options at an exercise price of \$3,750 that are currently exercisable, 2,101 shares of common stock issuable upon the exercise of options at an exercise price of \$35.70 that are currently exercisable and 27,966 shares of common stock issuable upon the exercise of options at an exercise price of \$3.54 that are currently exercisable.

(5) Includes 870 shares of common stock, 2,101 shares of common stock issuable upon the exercise of options at an exercise price of \$35.70 that are currently exercisable and 27,966 shares of common stock issuable upon the exercise of options at an exercise price of \$3.54 that are currently exercisable.

(6) Includes 1,681 shares of common stock issuable upon the exercise of options at an exercise price of \$35.70 that are currently exercisable and 18,644 shares of common stock issuable upon the exercise of options at an exercise price of \$3.54 that are currently exercisable.

(7) Includes 5,037 shares of common stock.

(8) Includes 112,546 shares of common stock; 83,333 shares of common stock issuable upon the exercise of options at an exercise price of \$4.51 that are currently exercisable or become exercisable within 60 days after August 8, 2024; 83 shares of common stock issuable upon the exercise of options at an exercise price of \$3,750.00 that are currently exercisable or become exercisable within 60 days after August 8, 2024; 250 shares of common stock issuable upon the exercise of options at an exercise price of \$300.00

that are currently exercisable or become exercisable within 60 days after August 8, 2024; and 843,833 shares issuable upon the exercise of warrants held by BRRR, LLC, an entity over which Mr. Rodgers and Mr. Russell each have beneficial ownership. This amount excludes 83,333 options that are not exercisable within 60 days after August 8, 2024.

(9) Includes 17,818 shares of common stock; 83 shares of common stock issuable upon the exercise of options at an exercise price of \$300.00 that are currently exercisable or become exercisable within 60 days after August 8, 2024; 14 shares of common stock issuable upon the exercise of options at an exercise price of \$3,000.00 that are currently exercisable or become exercisable within 60 days after August 8, 2024; 29,167 shares of common stock issuable upon the exercise of options at an exercise price of \$35.70 that are currently exercisable or become exercisable within 60 days after August 8, 2024; and 41,667 shares of common stock issuable upon the exercise of options at an exercise price of \$4.51. This amount excludes 3,247 options that are not exercisable within 60 days of August 8, 2024.

b) None.

c) During the six months ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified, or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in the Securities and Exchange Commission's rules).

Item 6. Exhibits

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

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Incorporation of LM Funding America, Inc., as amended
3.2	Restated By-Laws of LM Funding America, Inc. (incorporated by reference to Exhibit 3.2 to the Form 10-Q filed on November 17, 2022)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (Amendment No. 2) filed on August 27, 2015 (Registration No. 333-205232))
4.2	Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to Form 8-K filed on August 18, 2020)
4.3	Form of Representative's Warrant (incorporated by reference to Exhibit 4.1 to the Form 8-K filed on October 20, 2021)
4.4	Form of Common Warrant (incorporated by reference to Exhibit 4.2 to the Form 8-K filed on October 20, 2021)
4.5	Secured Promissory Note, dated May 13, 2024, between LM Funding America, Inc. and Brown Family Enterprises LLC (incorporated by reference to Exhibit 4.5 to the Form 10-Q filed on May 15, 2024)
10.1	Loan Agreement, dated June 6, 2024, between LMFA Financing, LLC and Tech Infrastructure JV I LLC (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on June 12, 2024)
10.2	Promissory Note, dated June 6, 2024, issued by Tech Infrastructure JV I LLC to LMFA Financing, LLC (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on June 12, 2024)
10.3	Security Agreement, dated June 6, 2024, between LMFA Financing, LLC and Tech Infrastructure JV I LLC (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on June 12, 2024)
10.4	Pledge Agreement, dated June 6, 2024, between LMFA Financing, LLC and Arthur Group Inc. (incorporated by reference to Exhibit 10.4 to the Form 8-K filed on June 12, 2024)
31.1*	Rule 13a – 14(a) Certification of the Principal Executive Officer
31.2*	Rule 13a – 14(a) Certification of the Principal Financial Officer
32.1*	Written Statement of the Principal Executive Officer, Pursuant to 18 U.S.C. § 1350
32.2*	Written Statement of the Principal Financial Officer, Pursuant to 18 U.S.C. § 1350
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

LM FUNDING AMERICA, INC.

Date: August 13, 2024

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

Date: August 13, 2024

By: /s/ Richard Russell
Richard Russell
Chief Financial Officer
(Principal Accounting Officer)

**CERTIFICATE OF INCORPORATION
OF
LM FUNDING AMERICA, INC.
A Stock Corporation**

LM Funding America, Inc. files this Certificate of Incorporation (the "Certificate of Incorporation") pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Corporation's corporate existence shall commence upon the filing of this Certificate of Incorporation with the office of the Secretary of State of the State of Delaware in accordance with the DGCL (the "Effective Time") and the Certificate of Incorporation of LM Funding America, Inc. shall be as follows.

**ARTICLE I
NAME**

The name of the Corporation is LM Funding America, Inc. (the "Corporation").

**ARTICLE II
REGISTERED OFFICE AND AGENT**

The address of the Corporation's registered office in the State of Delaware is The Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, Zip Code 19801. The name of its registered agent at such address is The Corporation Trust Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors.

**ARTICLE III
PURPOSE**

The purpose of the Corporation shall be to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV
CAPITAL STOCK**

SECTION 1. The aggregate number of shares of all classes of capital stock which the Corporation shall have the authority to issue is One Hundred Million (100,000,000) shares, consisting of Twenty Million (20,000,000) shares of preferred stock, par value \$0.001 per share (the "Preferred Stock"), and Eighty Million (80,000,000) shares of common stock, par value \$0.001 per share (the "Common Stock").

SECTION 2. The preferences, limitations, designations and relative rights of the shares of each class and the qualifications, limitations or restrictions thereof shall be as follows:

A. Preferred Stock.

1. Authorization; Series; Provisions. The Board of Directors of the Corporation is hereby expressly authorized, subject to limitations prescribed by law and the provisions of this Article IV, to provide for the issuance of shares of the Preferred Stock in series, and by filing a certificate pursuant to the DGCL, to establish from time to time the number of shares to be included in each such series and to fix the designations, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The Preferred Stock may be issued from time to time in one or more series, the shares of each series to have such powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions

thereof, as are stated and expressed herein or in a resolution or resolutions providing for the issuance of such series, adopted by the Board of Directors.

2. Reacquired Shares. Shares of Preferred Stock which shall be issued and thereafter acquired by the Corporation through purchase, redemption, exchange, conversion or otherwise shall return to the status of authorized but unissued Preferred Stock, undesignated as to series, unless otherwise provided in the resolution or resolutions of the Board of Directors.

B. Common Stock.

Except as shall otherwise be stated herein or as otherwise required by applicable law, all shares of Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions. The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of the Preferred Stock as set forth in the resolution or resolutions providing for the respective series of Preferred Stock.

1. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

2. Dividends. Subject to the rights of each series of the Preferred Stock, dividends, or other distributions in cash, securities or other property of the Corporation may be declared and paid or set apart for payment upon the Common Stock by the Board of Directors from time to time out of any assets or funds of the Corporation legally available for the payment of dividends, and all holders of Common Stock shall be entitled to participate in such dividends ratably on a per share basis.

3. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after the holders of the Preferred Stock of each series shall have been paid in full the amounts to which they respectively shall be entitled in preference to the Common Stock in accordance with the terms of any outstanding Preferred Stock and applicable law, the remaining net assets and funds of the Corporation shall be distributed pro rata to the holders of the Common Stock and the holders of any Preferred Stock, but only to the extent that the holders of any Preferred Stock shall be entitled to participate in such distributions in accordance with the terms of any outstanding Preferred Stock or applicable law. A consolidation or merger of the Corporation with or into another corporation or corporations or a sale, whether for cash, shares of stock, securities or properties, or any combination thereof, of all or substantially all of the assets of the Corporation shall not be deemed or construed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this paragraph.

4. No Preemptive Rights. No holder of Common Stock of the Corporation shall be entitled, as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class or series whatsoever or of securities convertible into stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration, or by way of dividend.

5. Ownership. The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

**ARTICLE V
EXISTENCE**

The Corporation is to have perpetual existence.

ARTICLE VI BOARD OF DIRECTORS

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, and the directors need not be elected by written ballot unless required by the By-laws of the Corporation. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter, amend, change, add to or repeal the By-laws of the Corporation.

ARTICLE VII NUMBER, ELECTION AND TERMS OF DIRECTORS

SECTION 1. Number of Directors. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors of the Corporation shall be fixed in such manner as prescribed in the By-laws of the Corporation, or from time to time by action of a majority of the members of the Board of Directors then in office, but in no event shall such number of directors be less than one nor more than fifteen. Elections of members of the Board of Directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be held at the annual meeting of stockholders, and each member of the Board of Directors shall hold office until such director's successor is elected and qualified, subject to such director's earlier death, resignation, disqualification or removal.

SECTION 2. Director Class and Term Expiration. The Board of Directors shall be divided into three classes, as nearly equal in numbers as possible, designated Class I, Class II and Class III. The initial Class I Directors shall serve for a term expiring at the first annual meeting of stockholders of the Corporation following the effective time of this Certificate of Incorporation; the initial Class II Directors shall serve for a term expiring at the second annual meeting of stockholders following the effective time of this Certificate of Incorporation; and the initial Class III Directors shall serve for a term expiring at the third annual meeting of stockholders following the effective time of this Certificate of Incorporation. At each annual meeting of stockholders, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the third annual meeting of stockholders to be held following their election, with each Director in each such class to hold office until his or her successor is duly elected and qualified. The provisions of this Section 2 of Article VII are subject to the rights of the holders of any class or series of Preferred Stock to elect directors. The provisions of this Section 2 of Article VII shall not become effective until the Company's Common Stock becomes registered under Section 12 of the Exchange Act.

SECTION 3. Stockholder Nominations and Introduction of Business. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the By-laws of the Corporation.

SECTION 4. Newly Created Directorships and Vacancies. Subject to the rights of the holders of any series of Preferred Stock, and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and any director so chosen shall hold office for a term expiring at the succeeding annual meeting of stockholders and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the entire Board of Directors shall shorten the term of any incumbent director.

SECTION 5. Removal. Subject to the rights of the holders of any series of Preferred Stock, any director, or the entire Board of Directors, may be removed, with or without cause, by the affirmative vote of the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that this Section 5 of Article VII shall apply, in respect of the removal without cause of a director or directors elected by the holders of a class or series of stock pursuant to this Certificate of Incorporation, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole.

SECTION 6. Rights and Powers. Except to the extent prohibited by law, the Board of Directors shall have the right (which, to the extent exercised, shall be exclusive) to establish the rights, powers, duties, rules and procedures that from time to time shall govern the Board of Directors and each of its members, including, without limitation, the vote required for any action by the Board of Directors, and that from time to time shall affect the directors' power to manage the business and affairs of the Corporation; and no by-law shall be adopted by stockholders which shall impair or impede the implementation of the foregoing.

SECTION 7. By-laws. The Corporation may in its By-laws confer powers upon the Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

ARTICLE VIII BOOKS AND RECORDS

The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-laws of the Corporation. The Board of Directors shall from time to time decide whether and to what extent and at what times and under what conditions and requirements the accounts and books of the Corporation, or any of them, except the stock book, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any books or documents of the Corporation, except as conferred by the laws of the State of Delaware or as authorized by the Board of Directors.

ARTICLE IX STOCKHOLDER ACTION

Meetings of stockholders may be held within or without the State of Delaware as the By-laws of the Corporation may provide. Subject to the rights of the holders of any series of Preferred Stock, for so long as either the Corporation's Common Stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the Corporation is required to file periodic reports with the Securities and Exchange Commission pursuant to Section 15(d) of the Exchange Act with respect to the Corporation's Common Stock, (A) any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected in lieu thereof by any consent in writing by such stockholders unless the action to be effected by written consent of the stockholders and the taking of such action by written consent have been approved in advance by a resolution adopted by the Board of Directors, and (B) special meetings of stockholders of the Corporation may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary pursuant to a resolution adopted by a majority of the directors then in office, or by stockholders holding at least a majority of the issued and outstanding voting stock of the Corporation.

ARTICLE X STOCKHOLDER VOTE REQUIRED

Sections 2, 3, 4 and 5 of Article III, as well as Article V and Article VIII, of the By-laws of the Corporation shall not be altered, amended or repealed by, and no provision inconsistent therewith shall be adopted by, the stockholders without the affirmative vote of the holders of at least a majority of the issued and outstanding voting stock of the Corporation entitled to vote generally for the election of directors at a meeting of stockholders at which a quorum is present (as provided in the By-laws of the Corporation).

ARTICLE XI INDEMNIFICATION

SECTION 1. Each person who is or was a director or officer of the Corporation shall be indemnified by the Corporation to the fullest extent permitted from time to time by the DGCL as the same exists or may hereafter be amended (but, if permitted by applicable law, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) or any other applicable laws as presently or hereafter in effect. The indemnification rights and protections existing hereunder shall be a contract right and shall be provided to each person who is or was a director or officer of the Corporation at any time this Article XI is or was in effect, regardless of whether or not such person continues to serve in his or her capacity as a director or officer of the Corporation at the time such indemnification rights and protections are sought. The Corporation may, by action of the Board of Directors, provide indemnification to employees and agents (other than a director or officer) of the Corporation, to directors, officers, employees or agents of a subsidiary of the Corporation, and to each person serving as a director, officer, partner, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, at the request of the Corporation, with the same scope and effect as the foregoing indemnification of directors and officers of the Corporation. The Corporation shall be required to indemnify any person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors or is a proceeding to enforce such person's claim to indemnification pursuant to the rights granted by this Certificate of Incorporation or otherwise by the Corporation. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this Article XI. Any amendment or repeal of this Article XI shall not adversely affect any right or protection existing hereunder in respect of any act, omission, fact or circumstance occurring prior to such amendment or repeal.

SECTION 2. By action of its Board of Directors, notwithstanding any interest of the directors in the action, the Corporation may purchase and maintain insurance, in such amounts as the Board of Directors deems appropriate, to protect any director, officer, employee and agent of the Corporation, any director, officer, employee or agent of a subsidiary of the Corporation, and any person serving as a director, officer, partner, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against any liability asserted against such person or incurred by such person in any such capacity or arising out of the person's status as such (including, without limitation, expenses, judgments, fines and amounts paid in settlement) to the fullest extent permitted by the DGCL as it exists on the date hereof or as it may hereafter be amended, and whether or not the Corporation would have the power or would be required to indemnify any such person under the terms of any agreement or by-law or the DGCL. For purposes of this Article XI, "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan.

SECTION 3. If this Article XI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person entitled to indemnification under the first paragraph of this Article XI as to all expense, liability and loss (including attorneys' fees and related disbursements, judgments, fines, ERISA excise taxes and penalties, penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this Article XI to the fullest extent permitted by any applicable portion of this Article XI that shall not have been invalidated and to the fullest extent permitted by applicable law.

SECTION 4. Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director, officer or employee of the Corporation existing at the time of such repeal or modification.

ARTICLE XII DIRECTOR LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL or (4) for any transaction from which the director derived an improper personal benefit. Any amendment or repeal of this Article XII shall not adversely affect any right or protection of a director of the Corporation existing hereunder in respect of any act, omission, fact or circumstance occurring prior to such amendment or repeal.

If the DGCL shall be amended to authorize corporate action further eliminating or limiting the liability of directors, then a director of the Corporation, in addition to the circumstances in which he is not liable immediately prior to such amendment, shall be free of liability to the fullest extent permitted by the DGCL, as so amended.

ARTICLE XIII BUSINESS COMBINATIONS

The Corporation expressly elects not to be governed by Section 203 of the DGCL.

ARTICLE XIV AMENDMENTS

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in effect from time to time in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XV INCORPORATOR

The name and mailing address of the incorporator are as follows:

Bruce M. Rodgers, Esq.
301 W. Platt St., #375
Tampa, Florida 33606

I, The Undersigned, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate of Incorporation, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 20th day of April , A.D. 2015.

By:

/s/ Bruce M. Rodgers

(Incorporator)

Name:

BRUCE M. RODGERS

(type or print)

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
LM FUNDING AMERICA, INC.**

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is LM Funding America, Inc..

2. The certificate of incorporation of the Corporation is hereby amended by striking out SECTION 1 of ARTICLE IV thereof and by substituting in lieu of said Section the following new SECTION 1 of ARTICLE IV:

SECTION 1. The aggregate number of shares of all classes of capital stock which the Corporation shall have the authority to issue is Fifteen Million (15,000,000) shares, consisting of Five Million (5,000,000) shares of preferred stock, par value \$0.001 per share (the "Preferred Stock") and Ten Million (10,000,000) shares of common stock, par value \$0.001 per share (the "Common Stock").

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted and authorized by resolution of the board of directors of the Corporation and by the written consent without a meeting of the stockholders of the Corporation in accordance with the provision of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned authorized officer of the Corporation, has executed this Certificate of Amendment this 7th day of August, 2015.

LM FUNDING AMERICA, INC.

/s/ Bruce M. Rodgers

Bruce M. Rodgers, Chief Executive Officer

**CERTIFICATE OF AMENDMENT TO THE
CERTIFICATE OF INCORPORATION OF
LM FUNDING AMERICA, INC.**

LM Funding America, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies that:

1. The name of the Corporation is LM Funding America, Inc. The date of filing of the Corporation's original Certificate of Incorporation with the Secretary of State of the State of Delaware was April 20, 2015, as amended on August 7, 2015.

2. This Certificate of Amendment to the Certificate of Incorporation was duly authorized and adopted by the Corporation's Board of Directors and stockholders in accordance with Section 242 of the General Corporation Law of the State of Delaware and amends the provisions of the Company's Certificate of Incorporation, as amended.

3. The amendment to the existing Certificate of Incorporation being effected hereby is as follows:

a. Delete Section 1 of Article IV in its entirety and to substitute in its place the following:

"SECTION 1. The aggregate number of shares of all classes of capital stock which the Corporation shall have the authority to issue is Thirty-Five Million (35,000,000) shares, consisting of Five Million (5,000,000) shares of preferred stock, par value \$0.001 per share (the "Preferred Stock") and Thirty Million (30,000,000) shares of common stock, par value \$0.001 per share (the "Common Stock")."

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted and authorized by resolution of the board of directors of the Corporation and by the written consent without a meeting of the stockholders of the Corporation in accordance with the provision of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned authorized officer of the Corporation, has executed this Certificate of Amendment this 4th day of September, 2018.

LM FUNDING AMERICA, INC.

/s/ Bruce M. Rodgers
Bruce M. Rodgers, Chief Executive Officer

STATE OF DELAWARE
CERTIFICATE OF CORRECTION

LM Funding America, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY:

1. The name of the corporation is LM Funding America, Inc. (the "Corporation").

2. That a Certificate of Amendment to the Certificate of Incorporation was filed by the Secretary of State of Delaware on September 5, 2018, and that said Certificate of Amendment requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Certificate of Amendment is:

Due to clerical error, the word "shall" was inadvertently misspelled as "shale" in the amendment set forth in paragraph 3 of such Certificate Amendment.

4. The Certificate of Amendment is corrected to read as follows:

a. Delete Section 1 of Article IV in its entirety and to substitute in its place the following:

"SECTION 1. The aggregate number of shares of all classes of capital stock which the Corporation shall have the authority to issue is Thirty-Five Million (35,000,000) shares, consisting of Five Million (5,000,000) shares of preferred stock, par value \$0.001 per share (the "Preferred Stock") and Thirty Million (30,000,000) shares of common stock, par value \$0.001 per share (the "Common Stock")."

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Correction to be executed this 7th day of September, 2018.

By: /s/ Bruce M. Rodgers

Bruce M. Rodgers, Chief Executive Officer

**CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
LM FUNDING AMERICA, INC.**

LM Funding America, Inc. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies that:

1. The name of the Corporation is LM Funding America, Inc. The date of filing of the Corporation's original Certificate of Incorporation with the Secretary of State of the State of Delaware was April 20, 2015, as amended on August 7, 2015 (the "Original Certificate").

2. This Certificate of Amendment to the Certificate of Incorporation of the Corporation (this "Amendment") was duly authorized and adopted by the Corporation's Board of Directors and stockholders in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware ("DGCL").

3. The amendment to the existing Certificate of Incorporation being effected hereby is as follows: Article "FOURTH" of the Original Certificate shall be and is hereby amended by adding the following paragraphs to the end thereof as a new Article IV, Section 3:

"Reverse Stock Split. Without regard to any other provision of this Certificate of Incorporation, effective at 12:01 a.m., eastern time, on Tuesday, October 16, 2018 (the "Effective Time"), the shares of Common Stock issued and outstanding immediately prior to the Effective Time and the shares of Common Stock issued and held in the treasury of the Corporation immediately prior to the Effective Time are reclassified into a smaller number of shares such that each ten (10) shares of issued Common Stock immediately prior to the Effective Time is reclassified into one (1) share of Common Stock. Notwithstanding the immediately preceding sentence, no fractional shares shall be issued and, in lieu thereof, upon surrender after the Effective Time of a certificate which formerly represented shares of Common Stock that were issued and outstanding immediately prior to the Effective Time, any person who would otherwise be entitled to a fractional share of Common Stock as a result of the reclassification, following the Effective Time, shall be entitled to receive a cash payment equal to the product of the closing sales price of the Common Stock on the Nasdaq Capital Market on October 15, 2018 and the amount of the fractional share. Each certificate that immediately prior to the Effective Time represented shares of Common Stock ("Old Certificates"), shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the treatment of fractional shares as described above."

4. Except as specifically set forth herein, the remainder of the Original Certificate will not be amended, modified or otherwise altered.

5. The effective time and date of the amendment herein certified shall be 12:01 a.m., October 16, 2018.

[signature page follows]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation to be executed by the undersigned duly authorized officer of the Corporation this 12th day of October, 2018.

LM FUNDING AMERICA, INC.

By: Is/ Bruce Rodgers

Name: Bruce Rodgers

Title: Chief Executive Officer

**CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
LM FUNDING AMERICA, INC.**

LM Funding America, Inc. (the “Corporation”), a corporation organized and existing under the laws of the State of Delaware, hereby certifies that:

2. The name of the Corporation is LM Funding America, Inc. The date of filing of the Corporation's original Certificate of Incorporation with the Secretary of State of the State of Delaware was April 20, 2015, as amended on August 7, 2015, September 5, 2018, and October 15, 2018.
3. This Certificate of Amendment to the Certificate of Incorporation was duly authorized and adopted by the Corporation's Board of Directors and stockholders in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware and amends the provisions of the Company's Certificate of Incorporation, as amended.
4. The amendment to the existing Certificate of Incorporation being effected hereby is as follows: Article IV of the Certificate of Incorporation, as amended, shall be and is hereby amended by adding the following paragraph to the end thereof as a new Article IV, Section 4:

“SECTION 4. *Reverse Stock Split.* Without regard to any other provision of this Certificate of Incorporation, effective at 12:01 a.m., eastern time, on May 7, 2021 (the “Effective Time”), the shares of Common Stock issued and outstanding immediately prior to the Effective Time and the shares of Common Stock issued and held in the treasury of the Corporation immediately prior to the Effective Time are reclassified into a smaller number of shares such that each five (5) shares of issued Common Stock immediately prior to the Effective Time is reclassified into one (1) share of Common Stock. Notwithstanding the immediately preceding sentence, no fractional shares shall be issued and, in lieu thereof, upon surrender after the Effective Time of a certificate which formerly represented shares of Common Stock that were issued and outstanding immediately prior to the Effective Time, any person who would otherwise be entitled to a fractional share of Common Stock as a result of the reclassification, following the Effective Time, shall be entitled to receive a cash payment equal to the product of the closing sales price of the Common Stock on the Nasdaq Capital Market on May 6, 2021 and the amount of the fractional share. Each certificate that immediately prior to the Effective Time represented shares of Common Stock (“Old Certificates”), shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the treatment of fractional shares as described above.”

5. Except as specifically set forth herein, the remainder of the Certificate of Incorporation will not be amended, modified or otherwise altered.

[signature page follows]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation to be executed by the undersigned duly authorized officer of the Corporation this 5th day of May, 2021.

LM FUNDING AMERICA, INC.

By: *lsl Bruce Rodgers*

Name: Bruce Rodgers

Title: Chief Executive Officer

**CERTIFICATE OF AMENDMENT TO THE
CERTIFICATE OF INCORPORATION OF
LM FUNDING AMERICA, INC.**

LM Funding America, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies that:

1. The name of the Corporation is LM Funding America, Inc. The date of filing of the Corporation's original Certificate of Incorporation with the Secretary of State of the State of Delaware was April 20, 2015, as amended on August 7, 2015, September 5, 2018, October 15, 2018, and May 5, 2021.

2. This Certificate of Amendment to the Certificate of Incorporation was duly authorized and adopted by the Corporation's Board of Directors and stockholders in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware and amends the provisions of the Company's Certificate of Incorporation, as amended.

3. The amendment to the existing Certificate of Incorporation, as amended, being effected hereby is as follows: Delete Section 1 of Article IV in its entirety and substitute in its place the following:

"SECTION 1. The aggregate number of shares of all classes of capital stock which the Corporate shall have the authority to issue is five hundred million (500,000,000) shares, consisting of one hundred fifty million (150,000,000) shares of preferred stock, par value \$0.001 per share ("Preferred Stock") and three hundred fifty million (350,000,000) shares of common stock, par value \$0.001 per share ("Common Stock")."

4. The amendment of the Certificate of Incorporation herein certified has been duly adopted and authorized by the Corporation's Board of Directors and stockholders in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

5. Except as specifically set forth herein, the remainder of the Certificate of Incorporation will not be amended, modified or otherwise altered.

Executed effective as of this 27th day of December, 2021

LM FUNDING AMERICA, INC.

By:

Is/ Bruce M. Rodgers
Bruce M. Rodgers

Chief Executive Officer and Chairman of the Board

**CERTIFICATE OF AMENDMENT TO THE
CERTIFICATE OF INCORPORATION
OF
LM FUNDING AMERICA, INC.**

Adopted in accordance with the provisions
of Section 242 of the General Corporation
Law of the State of Delaware

LM Funding America, Inc., (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, by its duly authorized officer, does hereby certify:

FIRST: This Certificate of Amendment (the "Certificate of Amendment") amends the provisions of the Corporation's original Certificate of Incorporation filed with the Secretary of State of the State of Delaware on April 20, 2015, as amended on August 7, 2015, September 5, 2018, October 15, 2018, May 5, 2021, and December 27, 2021 (the "Certificate of Incorporation").

SECOND: The Certificate of Incorporation is hereby amended by adding the following paragraph to the end of Article IV thereof as a new Article IV, Section 5:

"SECTION 5. Reverse Stock Split. Without regard to any other provision of this Certificate of Incorporation, effective at 12:01, eastern time, on March 12, 2024 (the "Effective Time"), the shares of Common Stock issued and outstanding immediately prior to the Effective Time and the shares of Common Stock issued and held in treasury of the Corporation immediately prior to the Effective Time are reclassified into a smaller number of shares such that each six (6) shares of issued Common Stock immediately prior to the Effective Time is reclassified into one (1) share of Common Stock. Notwithstanding the immediately preceding sentence, no fractional shares shall be issued and, in lieu thereof, upon surrender after the Effective Time of a certificate which formerly represented shares of Common Stock that were issued and outstanding immediately prior to the Effective Time, any person who would otherwise be entitled to a fractional share of Common Stock as a result of the reclassification, following the Effective Time, shall be entitled to receive one (1) share of Common Stock. Each certificate that immediately prior to the Effective Time represented shares of Common Stock ("Old Certificates") shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the treatment of fractional shares as described above."

THIRD: This Certificate of Amendment to the Certificate of Incorporation was duly authorized and adopted by the Corporation's Board of Directors and stockholders in accordance with Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: Except as specifically set forth herein, the remainder of the Certificate of Incorporation will not be amended, modified or otherwise altered.

* * *

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation to be executed by Bruce M. Rodgers, its Chief Executive Officer, this 7th day of March, 2024.

LM FUNDING AMERICA, INC.



By:

Bruce M. Rodgers

Chief Executive Officer

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

I, Bruce Rodgers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LM Funding America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 13, 2024

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

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

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

I, Richard Russell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LM Funding America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 13, 2024

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

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

Written Statement of the Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chief Executive Officer of LM Funding America, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2024 as filed with the Securities and Exchange Commission on August 14, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bruce Rodgers

Bruce Rodgers
Chief Executive Officer
(Principal Executive Officer)
August 13, 2024

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

Written Statement of the Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chief Executive Officer of LM Funding America, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2024 as filed with the Securities and Exchange Commission on August 14, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard Russell

Richard Russell

Chief Financial Officer

(Principal Financial and Accounting Officer)

August 13, 2024

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.

