

# LM FUNDING AMERICA, INC.

## CORPORATE GOVERNANCE GUIDELINES

(Effective September 2015)

The following guidelines have been adopted by the Board of Directors (the “**Board**”) of LM Funding America, Inc. (together with its subsidiaries, the “**Company**”) and, along with the charters of the Board committees, provide the framework for the governance of the Company. These guidelines are subject to revisions and changes as the Board may find necessary or advisable for the Company in order to achieve these objectives.

### **Board Composition and Selection; Independent Directors**

1. **Board Size.** The Board believes that seven (7) members is an appropriate size based on the Company’s present circumstances. The Board shall periodically evaluate whether a larger or smaller slate of directors would be preferable.
2. **Selection of Board Members.** In accordance with the Company’s Certificate of Incorporation and Bylaws, the Board will be divided into three classes (designated as “Class I,” “Class II,” and “Class III”), each of which will generally serve for a term of three (3) years with only one class of directors being elected in each year by the shareholders of the Company at the annual meeting of stockholders.

The Board nominates director candidates for election by the shareholders. The Board’s Nominating and Corporate Governance Committee is responsible for recommending to the Board director candidates for nomination and election. The Nominating and Corporate Governance Committee annually reviews with the Board the applicable skills and characteristics required of Board nominees in the context of the size, composition and needs of the Board and Company circumstances.

The Nominating and Corporate Governance Committee will consider candidates recommended by shareholders. Shareholders wishing to suggest director candidates should submit their suggestions in writing to the attention of the chairperson of the Nominating and Corporate Governance Committee.

Upon the recommendation of the Nominating and Corporate Governance Committee, the Board may appoint a director to the Board during the course of the year to fill vacancies on the Board and newly created directorships to serve until the next annual meeting of shareholders.

3. **Board Membership Criteria.** The Nominating and Corporate Governance Committee works with the Board to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience. Characteristics expected of all directors include independence, integrity, high personal and professional ethics, sound business judgment, and the ability and willingness to commit sufficient time to the Board. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance, and other disciplines relevant to the success of a large publicly traded company in today’s business environment, understanding of the Company’s business, educational and professional background, personal accomplishment, and other factors that the Board considers relevant. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of the Company’s business and represent shareholder interests through the exercise of sound judgment, using its diversity of experience.

In making its recommendations to the Board for an incumbent, replacement or additional director, the Nominating and Corporate Governance Committee reviews his or her qualifications, including capability, availability to serve, conflicts of interest and other relevant factors. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings, participation in and contributions to the activities of the Board, and the results of the most recent Board self-evaluation.

4. Board Composition. The Board intends that, except during periods of temporary vacancies, a majority of its directors will be independent. In determining the independence of a director, the Board will apply the definition of "independent director" in the listing standards of the NASDAQ Stock Market and applicable laws and regulations.
5. Directors with Significant Job Changes. The Board believes that any director who retires from his or her present employment, or who materially changes his or her position, should tender a letter of resignation to the Board. The Board, and specifically the Nominating and Corporate Governance Committee, would then evaluate whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board's membership criteria in light of his or her new occupational status.
6. Advisory Directors. The Board may, from time to time, appoint one or more advisory directors to act solely in an advisory capacity. Advisory directors shall not be counted in determining the size of the Board.
7. Selection of CEO and Chairman. The Board selects the Company's chief executive officer ("**CEO**") and chairman of the Board ("**Chairman**") in the manner that it determines to be in the best interests of the Company's shareholders. The Board does not have a policy as to whether the Chairman should be a non-management director or a member of management. Instead, the Board selects the Company's CEO and Chairman in the manner that it determines to be in the best interests of the Company's shareholders. When the Chairman is a member of Company management, the lead independent director ("**Lead Independent Director**") of the Board (and if no Lead Independent Director exists, then a non-management member of the Nominating and Corporate Governance Committee selected by such committee) shall have responsibility for coordinating the activities of the other non-management directors and for performing the duties specified in these guidelines and such other duties as are assigned from time to time by the Board.
8. Other Boards and Committees. Without specific approval from the Board, no director may serve on more than four (4) public company boards (including the Company's Board) and the CEO and Chairman shall serve on no more than one (1) other public company board. In calculating service on a public company board, service on a board of a parent and its substantially owned subsidiary counts as service on a single board. The Nominating and Corporate Governance Committee and the Board will take into account the nature of, and time involved in, a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to Company shareholders. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies.
9. Majority Voting. In an election of directors that is determined by the Board to be an uncontested election, any nominee for director who receives a greater number of votes "against" his or her election than votes "for" such election (a "**Majority Against Vote**") shall promptly tender his or her resignation following certification of the shareholder vote.

The Nominating and Corporate Governance Committee shall promptly consider the resignation offer, and a range of possible responses based on the circumstances that led to the Majority Against Vote, if known, and make a recommendation to the Board whether to accept the resignation offer. The Board will act on the Nominating and Corporate Governance Committee's recommendation within ninety (90) days following certification of the shareholder vote.

Any director who tenders his or her resignation pursuant to this provision shall not participate in the Nominating and Corporate Governance Committee recommendation or Board action regarding whether to accept the resignation offer.

However, if each member of the Nominating and Corporate Governance Committee received a Majority Against Vote at the same election, then the independent directors who did not receive a Majority Against Vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them.

However, if the only directors who did not receive a Majority Against Vote in the same election constitute three (3) or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers.

### **Board Meetings; Involvement of Senior Management and Independent Advisors**

1. Board Responsibility. The business of the Company is managed under the direction of its Board, the primary responsibility of which is to provide oversight, counseling and direction to the Company's management team in the long-term interests of the Company and its shareholders. Responsibility for the everyday affairs lies with the CEO and other members of management. The CEO and management are responsible for seeking the advice and, in appropriate situations, the approval of the Board with respect to certain extraordinary corporate actions. Directors should exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders, and to conduct themselves in accordance with their duties of care and loyalty.
2. Board Meetings – Frequency. The Board will generally have at least four (4) regularly scheduled meetings per year and hold additional special meetings as necessary. Each director is expected to attend both scheduled and special meetings, except if unusual circumstances make attendance impractical.
3. Board Meetings – Agenda. The Chairman of the Board will set the agenda for each Board meeting, taking into account suggestions from other members of the Board. The agenda will be distributed in advance to each director.
4. Advance Distribution of Materials. All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed physically or electronically to all members in advance, whenever feasible and appropriate. Each director is expected to review this information in advance of the meeting to facilitate the efficient use of meeting time. In preparing this information, management should ensure that the materials distributed are as concise as possible, yet give directors sufficient information to make informed decisions. The Board recognizes that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.
5. Access to Employees. The Board should have access to Company employees in order to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. Management

is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters being considered.

6. Access to Independent Advisors. The Board and its committees have the right at any time to retain independent outside auditors and financial, legal or other advisors, and the Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.
7. Executive Sessions of Non-Management Directors. The non-management directors of the Company will meet regularly in executive session. Executive sessions of the independent directors will be called and chaired by the Chairman of the Board, if the Chairman is a non-management director, or otherwise by the Lead Independent Director of the Board (and if no Lead Independent Director exists, then a non-management member of the Nominating and Corporate Governance Committee selected by such committee). The executive session discussions may include such topics as the non-management directors determine.

### **Communications with Shareholders**

1. Shareholder Communications to the Board. Shareholders may contact an individual director, the Board as a group or a specified Board committee or group, including the independent directors as a group, by the following means:

LM Funding America, Inc.  
302 Knights Run Avenue, Suite 1000  
Tampa, Florida 33602

Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee. The Company generally will not forward to the directors a shareholder communication that it determines to be primarily commercial in nature or relate to an improper or irrelevant topic, or that requests general information about the Company.

Concerns about questionable accounting or auditing matters or possible violations of the Company's Code of Ethics and Business Conduct should be reported pursuant to the procedures outlined in the Company's Code of Ethics and Business Conduct, which is available on the Company's Web site at [www.lmfunding.com](http://www.lmfunding.com).

2. Attendance at Annual Meeting. Each director is encouraged to attend the Company's annual meeting of shareholders.

### **Performance Evaluation; Succession Planning**

1. Annual CEO Evaluation. The Chairman of the Board, if the Chairman is a non-management director, or otherwise the Lead Independent Director of the Board (and if no Lead Independent Director exists, then a non-management member of the Nominating and Corporate Governance Committee selected by such committee), conducts a review of the performance of the CEO at least annually and communicates the results of the review to the CEO. The Nominating and Corporate Governance Committee establishes the evaluation process and determines the specific criteria on which the performance of the CEO is evaluated.

2. Succession Planning. As part of the annual officer evaluation process, the Nominating and Corporate Governance Committee works with the Chairman and CEO to plan for Chairman and CEO succession, as well as to develop plans for interim succession for the Chairman and CEO in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.
3. Board and Committee Self-Evaluation. The Board and each committee will perform an annual self-evaluation. The Nominating and Corporate Governance Committee develops and recommends to the Board an annual performance evaluation process for the Board and its committees. The Nominating and Corporate Governance Committee oversees the process that the Board and its committees use to conduct annual performance evaluations.

## Compensation

1. Board Compensation Review. Generally, the Board believes that the level of director compensation should be based on time spent carrying out Board and committee responsibilities and be competitive with comparable companies. In addition, the Board believes that a significant portion of director compensation should align director interests with the long-term interests of shareholders. Company management should report to the Compensation Committee of the Board on an annual basis how the Company's director compensation practices compare with those of other peer companies. The Compensation Committee makes recommendation to the Board relating thereto. The Board should make changes in its director compensation practices only upon the recommendation of the Compensation Committee, following discussion and a majority vote in favor thereof by the Board.
2. Stock Ownership Guidelines. To further align director interests with the long-term interests of shareholders, the Board has adopted stock ownership guidelines for directors. All non-employee directors shall receive options to purchase 5,000 shares of the Company's common stock which will vest in equal portions on the first, second and third anniversaries of the grant date.

## Committees

1. Number and Type of Committees. The Board has three (3) committees – an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its primary responsibilities. Each committee will perform its duties as assigned by the Board in compliance with the Company's Bylaws and the committee's charter. Committee duties are described briefly as follows:

**Audit Committee.** The Audit Committee oversees the accounting, reporting, and financial practices of the Company, the surveillance of administration and financial controls, the Company's compliance with legal and regulatory requirements, the Company's monitoring and enforcement of its Code of Conduct and Ethics, the principal outside auditing firm's engagement, qualifications and independence, and the performance of the Company's internal audit function and the Company's principal outside auditing firm. A complete list of the Audit Committee's duties and responsibilities are outlined in the Audit Committee's charter, which is available on the Company's website.

**Compensation Committee.** The Compensation Committee reviews and makes recommendations to the Board regarding the compensation of executive officers and directors and administers the Company's equity plans. The compensation of the CEO is recommended by the Compensation Committee and approved by the Board. A complete list of the Compensation Committee's duties and

responsibilities are outlined in the Compensation Committee's charter, which is available on the Company's website.

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee is responsible for identifying qualified individuals for membership on the Board, recommending to the Board the director nominees for the annual meeting of shareholders, developing and recommending to the Board a set of corporate governance guidelines for the Board, and overseeing the corporate governance affairs of the Board and the Company. A complete list of the Nominating and Corporate Governance Committee's duties and responsibilities are outlined in the Nominating and Corporate Governance Committee's charter, which is available on the Company's website.

2. Composition of Committees; Committee Chairpersons. The Audit Committee will consist solely of independent directors. The Compensation and Nominating and Corporate Governance Committees may consist of both independent and non-independent directors. The Board is responsible for the appointment of committee members and committee chairpersons according to criteria that it determines to be in the best interest of the Company and its shareholders.
3. Committee Meetings and Agenda. The chairperson of each committee is responsible for developing, together with relevant Company managers, the committee's general agenda and objectives and for setting the specific agenda for committee meetings. The chairperson and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

#### **Miscellaneous**

1. Director Orientation and Continuing Education. The chairperson of the Nominating and Corporate Governance Committee and management are responsible for new-director orientation programs and for director continuing education programs to assist directors in maintaining skills necessary or appropriate for the performance of their responsibilities.

Orientation programs will be designed to familiarize new directors with the Company's businesses, strategies and policies and to assist new directors in developing the skills and knowledge required for their service.

Continuing education programs for Board members may include a combination of internally developed materials and presentations, programs presented by third parties at the Company, and financial and administrative support for attendance at qualifying university or other independent programs.

2. Review of Governance Guidelines. The Board will review and revise these guidelines as appropriate.