

**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: 001-39445

MSP Recovery, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
3150 SW 38th Avenue, Suite 1100
Miami, Florida
(Address of principal executive offices)

84-4117825
(I.R.S. Employer
Identification No.)

33146
(Zip Code)

2701 Le Jeune Road, Floor 10, Coral Gables, Florida 33134

(Former name, former address and former fiscal year, if changed since last report)

Registrant's telephone number, including area code: (305) 614-2222

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	LIFW	The Nasdaq Global Market
Redeemable warrants, each lot of 25 warrants is exercisable for one share of Class A common stock at an exercise price of \$287.50 per share	LIFWW	The Nasdaq Global Market
Redeemable warrants, each lot of 25 warrants is exercisable for one share of Class A common stock at an exercise price of \$0.0025 per share	LIFWZ	The Nasdaq Global Market

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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

As of August 9, 2024, the registrant had 21,645,092 shares of Class A Common Stock, \$0.0001 par value per share, and 124,067,498 shares of Class V Common Stock, \$0.0001 par value per share, outstanding.

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DEFINITIONS

Unless otherwise stated or unless the context otherwise requires, the terms “we,” “us,” “our,” the “Company,” and “LifeWallet” refer to MSP Recovery, Inc. d/b/a LifeWallet. As used in this Quarterly Report on Form 10-Q, unless otherwise noted or the context otherwise requires, the terms below are defined as follows:

“2023 Form 10-K” means the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, which was filed by the Company with the SEC on April 15, 2024;

“Algorithm” refers to a set of instructions that perform a particular action. Our team of data scientists and medical professionals create proprietary instruction sets, or “Algorithms,” to identify recovery opportunities within our Assignors’ data sets. Our proprietary Algorithms incorporate various data points within our Assignors’ data sets, which may include, but are not limited to, medical coding classification systems such as diagnosis codes (e.g., ICD-8/ICD-9/ICD-10 codes), procedure codes (e.g., CPT codes), and drug codes (e.g., NDC codes); non-medical data such as demographics and date ranges; and data from public sources such as crash reports, offense incident reports, and other reports that provide details as to an occurrence. These Algorithms are then applied to aggregated Assignor data sets, filtering through the billions of lines of data from our Assignors to identify recoverable opportunities consistent with a given Algorithm’s criteria. Identified potential recoveries are then further quality reviewed by our medical team;

“Assignor” means a healthcare payer, provider, or other entity that irrevocably assigned Claims to the Company or a subsidiary thereof;

“ASC” means Accounting Standards Codification;

“Billed Amount” (a/k/a the charged amount or retail price) is the full commercial value of services billed by the provider, or the full charge that the provider would ordinarily bill for the service provided. The Billed Amount for a specific procedure code is based on the provider and may vary from location to location. Where a Billed Amount is not provided in the data received from the Assignor, the Company uses paid amount or paid adjusted values, where available, to extrapolate an approximate Billed Amount value. Where we have to extrapolate a Billed Amount to establish damages, the calculated amount may be contested by opposing parties.

“Board of Directors” or “Board” means the board of directors of the Company;

“Business Combination” means the transactions consummated on May 23, 2022, pursuant to the MIPA (as defined below), as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“CCRA” means Claims Cost Recovery Agreement; those agreements pursuant to which Claims are irrevocably assigned to the Company or affiliated entities;

“Claim” means the right, title to, and/or interest in, any and all claims or potential claims, including all related reimbursement and recovery rights, which the Company has, may have had, or may have in the future assigned to it (whether or not asserted), including all rights to causes of action and remedies against any third-party, whether a primary payer or responsible party, at law or in equity. The term “Claim” typically includes but is not limited to: (i) claims arising under consumer protection statutes and laws; (ii) claims arising under the Medicare and Medicare Advantage secondary payer statutes, whether based in contract, tort, statutory right, or otherwise, in connection with the payment to provide healthcare services or supplies; (iii) claims arising under any state statutes and common laws, irrespective of the rights that are conferred to the Company through assignment or otherwise; and (iv) all right, title, and interest to any recovery rights that may exist for any potential cause of action where a responsible party or primary payer is liable, even where it has not been established because liability is not yet proven as of the date that the Claim is identified or discovered, together with all receivables, general intangibles, payment intangibles, and other rights to payment now existing or hereafter arising and all products and proceeds of the foregoing;

“Class A Common Stock” means the shares of the Company’s Class A common stock, par value \$0.0001 per share, traded on the Nasdaq Global Market under symbol “LIFW,” as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“Class B Unit” means the non-voting economic Class B Units of Opco, as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“Class V Common Stock” means the shares of the Company’s Class V common stock, par value \$0.0001 per share, as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“Closing” means the closing of the Business Combination, as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“Closing Date” means May 23, 2022, the closing date of the Business Combination, as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“*Common Stock*” means shares of the Company’s Class A Common Stock and Class V Common Stock;

“*Company*” means MSP Recovery, Inc. d/b/a LifeWallet, a Delaware corporation;

“*CPIA Warrant*” means that warrant agreement dated September 30, 2022, whereby the Company granted to Brickell Key Investments, LP (“BKI”) the right to purchase 2,666,667 shares of Class A Common Stock for the purchase price of \$0.0025 per share.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended;

“*Existing Warrant Agreement*” means the Warrant Agreement dated as of August 13, 2020, by and between the Company and Continental Stock Transfer & Trust Company;

“*GAAP*” or “*U.S. GAAP*” means generally accepted accounting principles in the United States, as applied on a consistent basis;

“*HMO*” means health maintenance organization;

“*Hazel*” means Hazel Holdings I LLC, a Delaware limited liability company, together with its affiliates;

“*HPH*” means Hazel Partners Holdings, LLC, a Delaware limited liability company;

“*Law Firm*” means La Ley con John H. Ruiz P.A. d/b/a MSP Recovery Law Firm and MSP Law Firm PLLC;

“*Legacy MSP*” means MSP Recovery as it was organized in 2014 as a Medicaid and Medicare Secondary Pay Act recovery specialist;

“*LCAP*” means Lionheart Acquisition Corporation II, the Company prior to the Closing;

“*LLC Agreement*” means the first amended and restated limited liability company agreement of Opco;

“*MAO*” means Medicare Advantage organization;

“*Members*” means members of the MSP Purchased Companies, as defined in the MIPA (as defined below);

“*Members’ Representative*” means John H. Ruiz, solely in his capacity as the representative of the Members;

“*MIPA*” means the Membership Interest Purchase Agreement, dated as of July 11, 2021, as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“*MSO*” means Management Service Organization;

“*MSP Act*” means Medicare Secondary Payer Act;

“*MSP Laws*” means the MSP Act and associated federal regulations;

“*MSP Principals*” means the Chairman of the Board and Chief Executive Officer, John H. Ruiz, and the Director and Chief Legal Officer, Frank C. Quesada;

“*MSP Recovery*” means MSP Recovery, LLC, a Florida limited liability company;

“*MSP RH Series 01*” means MSP Recovery Holdings Series 01, LLC, a Delaware limited liability company;

“*MSP RH Series 01 Recovery Services Agreement*” means the Recovery Services Agreement dated as of October 23, 2020, by and between MSP RH Series 01 and MSP Recovery;

“*New Warrants*” means approximately 1,028 million warrants, each exercisable to purchase 1/25 of one share of Class A Common Stock (but only exercisable in lots of 25 to purchase whole shares), which were issued as a dividend to the holders of record of Class A Common Stock as of the close of business on the date of Closing;

“*Nomura*” means Nomura Securities International, Inc.;

“*Nomura Note*” refers to the promissory note issued to Nomura on May 27, 2022, as amended and restated from time to time.

“*Opco*” means Lionheart II Holdings, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company;

“*Paid Amount*” (a/k/a Medicare Paid Rate or wholesale price) means the amount paid to the provider from the health plan or insurer. This amount varies based on the party making payment. For example, Medicare typically pays a lower fee for service rate than commercial insurers. The Paid Amount is derived from the Claims data we receive from our Assignors. In the limited instances where the data received lacks a paid value, our team calculates the Paid Amount with a formula. The formula used provides rates for outpatient services and is derived from the customary rate at the 95th percentile as it appears from standard industry commercial rates or, where that data is unavailable, the Billed Amount if present in the data. These amounts are then adjusted to account for the customary Medicare adjustment to arrive at the calculated Paid Amount. Management believes that this formula provides a conservative estimate for the Medicare paid amount rate, based on industry studies which show the range of differences between private insurers and Medicare rates for outpatient services. We periodically update this formula to enhance the calculated paid amount where that information is not provided

in the data received from our Assignors. Management believes this measure provides a useful baseline for potential recoveries, but it is not a measure of the total amount that may be recovered in respect of potentially recoverable Claims, which in turn may be influenced by any applicable potential statutory recoveries such as double damages or fines, as described below. This calculation accounts for an approximate 7.07% increase in the total Paid Amount. Where we have to extrapolate a Paid Amount to establish damages, the calculated amount may be contested by opposing parties;

“*Palantir*” means Palantir Technologies, Inc., a Delaware corporation.

“*Public Warrants*” means warrants exercisable on a cashless basis only to purchase 1/25 of one share of Class A Common Stock (but only exercisable in lots of 25 to purchase whole shares), in accordance with its terms, as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“*PVPRC*” means the cumulative Paid Amount value of potentially recoverable Claims. We analyze our Claims portfolio and identify potentially recoverable Claims using Algorithms. PVPRC is a measure of the Paid Amount in respect of those potentially recoverable Claims. In the limited instances where the data received from our Assignors lacks a paid value, the adjustment formula described in the definition of Paid Amount is applied and increases PVPRC by approximately 6.46%;

“*Recovery Proceeds*” means, with respect to any Claim, any and all gross proceeds recovered, including compensation, interest, penalties, and fees which may be paid or payable with respect to such Claim (including any and all cash, securities, instruments or other property which may be paid or issued by defendants or third parties in litigation proceedings in satisfaction of such Claim);

“*SEC*” means the U.S. Securities and Exchange Commission;

“*Securities Act*” means the Securities Act of 1933, as amended;

“*Series*” means series of Delaware series limited liability companies, formed pursuant to the Delaware law, that are used by the Company to own and segregate assets, including CCRAs;

“*Series MRCS*” means Series MRCS, a series of MDA, Series LLC, a Delaware series limited liability company;

“*Subrogation Holdings*” means Subrogation Holdings, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company;

“*Up-C Unit*” means each pair consisting of one share of Class V Common Stock and one Class B Unit, as described in more detail in Note 3, *Business Combination*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“*Virage*” means Virage Capital Management LP, a Delaware limited partnership;

“*VWAP*” is defined as the daily volume-weighted average price of the shares of common stock for such trading day on the Nasdaq Stock Market during regular trading hours as reported by Bloomberg L.P.

“*VRM*” means Virage Recovery Master LP, a Delaware limited partnership and affiliate of Virage;

“*VRM MSP*” means VRM MSP Recovery Partners LLC, a Delaware limited liability company and joint investment vehicle of VRM, Series MRCS, and MSP Recovery;

“*VRM Warrants*” refers to those warrant agreements issued pursuant the Virage MTA Amendment (as defined herein), including an initial warrant (the “Initial Virage Warrant”) and monthly warrants (the “Monthly Virage Warrants”), to purchase Class A Common Stock at \$0.0001 per share, each of which will expire two years from the date of issuance.

The Initial Virage Warrant, as amended, was issued effective January 1, 2024 in an amount equal to the quotient of 1% of each calendar month end balance of the Unpaid Base Amount (calculated on a cumulative basis) and the VWAP of a share of Class A Common Stock for the five-day period prior to the issuance, beginning with May 24, 2023 and ending December 31, 2023, thus entitling Virage to purchase 28,298,329 shares of Class A Common Stock, with an expiration date of January 1, 2026.

The Monthly Virage Warrants may be issued each calendar month, beginning with January 31, 2024 until the obligations to Virage are paid in full, in an amount equal to the quotient of 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and the volume weighted average price of a share of our Class A Common Stock. Until our obligations to Virage are paid in full, the Company has the option every month to pay Virage in one or a combination of: (a) cash, in an amount equal to 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and/or (b) the issuance of subsequent Monthly Virage Warrants.

“*Working Capital Credit Facility*” means the credit agreement as described in more detail in Note 10, *Claims Financing Obligations and Notes Payable*, to the condensed consolidated financial statements included elsewhere in this Quarterly Report;

“*Yorkville*” means YA II PN, Ltd., a Cayman Islands exempt limited partnership fund managed by Yorkville Advisors Global, LP; and

“*Yorkville SEPA*” means that certain Standby Equity Purchase Agreement by and among the Company and Yorkville, dated November 14, 2023, as amended from time to time.

Unless specified otherwise, amounts in this Quarterly Report are presented in U.S. dollars.

Defined terms in the financial statements contained in this Quarterly Report on Form 10-Q have the meanings ascribed to them in the financial statements or our 2023 Form 10-K.

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Part I – Financial Information
Item 1. Financial Statements

MSP RECOVERY, INC. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

<i>(In thousands except per share amounts)</i>	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash	\$ 7,113	\$ 11,633
Accounts receivable	—	217
Affiliate receivable (1)	1,242	1,188
Prepaid expenses and other current assets (1)	4,739	8,908
Total current assets	13,094	21,946
Property and equipment, net	4,918	4,911
Intangible assets, net (2)	2,890,976	3,132,796
Right-of-use assets	286	342
Total assets	\$ 2,909,274	\$ 3,159,995
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 13,052	\$ 6,244
Affiliate payable (1)	19,822	19,822
Commission payable	930	821
Derivative liability	128	37
Warrant liability (1)	40,961	268
Other current liabilities (1)	15,595	19,314
Total current liabilities	90,488	46,506
Guaranty obligation (1)	1,029,893	941,301
Claims financing obligation and notes payable (1)	602,570	548,276
Lease liabilities	172	235
Loan from related parties (1)	130,328	130,709
Interest payable (1)	21,818	73,839
Total liabilities	\$ 1,875,269	\$ 1,740,866
Commitments and contingencies (Note 13)		
Stockholders' Equity (Deficit):		
Class A common stock, \$0.0001 par value; 5,500,000,000 shares authorized; 18,630,980 and 14,659,794 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	\$ 2	\$ 1
Class V common stock, \$0.0001 par value; 3,250,000,000 shares authorized; 124,067,498 and 124,132,398 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	12	12
Additional paid-in capital	390,756	357,928
Accumulated deficit	(129,569)	(85,551)
Total Stockholders' Equity	\$ 261,201	\$ 272,390
Non-controlling interest	772,804	1,146,739
Total equity	\$ 1,034,005	\$ 1,419,129
Total liabilities and equity	\$ 2,909,274	\$ 3,159,995

- (1) As of June 30, 2024 and December 31, 2023, the total affiliate receivable, prepaid expenses and other current assets, affiliate payable, warrant liability, other current liabilities, guaranty obligation and loan from related parties balances are with related parties. In addition, the prepaid expenses and other current assets, claims financing obligation and notes payable, and interest payable include balances with related parties. See Note 15, *Related Party Transactions*, for further details.
- (2) As of June 30, 2024 and December 31, 2023, intangible assets, net included \$2.1 billion and \$2.2 billion, respectively, related to a consolidated VIE. See Note 9, *Variable Interest Entities*, for further details.

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

MSP RECOVERY, INC. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>(In thousands except per share amounts)</i>				
Claims recovery income	\$ 301	\$ 2,542	\$ 6,302	\$ 6,039
Claims recovery service income	—	—	—	498
Other	36	—	36	—
Total Revenues	\$ 337	\$ 2,542	\$ 6,338	\$ 6,537
Operating expenses				
Cost of revenues	109	377	1,782	1,398
Claims amortization expense	121,006	121,004	242,020	234,473
General and administrative (1)	6,250	7,706	11,816	14,561
Professional fees	4,362	3,417	8,782	13,145
Professional fees – legal (2)	3,466	10,467	6,933	19,018
Allowance for credit losses	—	—	—	5,000
Depreciation and amortization	68	88	135	97
Total operating expenses	135,261	143,059	271,468	287,692
Operating Loss	\$ (134,924)	\$ (140,517)	\$ (265,130)	\$ (281,155)
Interest expense (3)	(101,990)	(73,618)	(199,943)	(116,008)
Other income (expense), net	89	1,662	341	8,289
Change in fair value of warrant and derivative liabilities	24,977	1,644	76,284	3,899
Net loss before provision for income taxes	\$ (211,848)	\$ (210,829)	\$ (388,448)	\$ (384,975)
Provision for income tax expense	—	—	—	—
Net loss	\$ (211,848)	\$ (210,829)	\$ (388,448)	\$ (384,975)
Less: Net loss attributable to non-controlling interests	186,712	202,609	344,430	371,839
Net loss attributable to MSP Recovery, Inc.	\$ (25,136)	\$ (8,220)	\$ (44,018)	\$ (13,136)
Basic and diluted weighted average shares outstanding, Class A Common Stock				
	16,924,213	4,942,592	15,969,047	4,247,349
Basic and diluted net loss per share, Class A Common Stock	\$ (1.49)	\$ (1.66)	\$ (2.76)	\$ (3.09)

- (1) For the three and six months ended June 30, 2024, general and administrative expenses included \$46.6 thousand and \$91.7 thousand of related party expenses, respectively. See Note 15, *Related Party Transactions*, for further details. No such related party expenses were present for the three and six months ended June 30, 2023.
- (2) For the three and six months ended June 30, 2024 and 2023, Professional Fees—legal included \$3.0 million and \$6.0 million, and \$4.7 million and \$8.9 million, respectively, of related party expenses related to the Law Firm. See Note 15, *Related Party Transactions*, for further details.
- (3) For the three and six months ended June 30, 2024 and 2023, interest expense included \$77.7 million and \$152.5 million, and \$55.6 million and \$94.0 million, respectively, related to interest expense due to related parties. See Note 15, *Related Party Transactions*, for further details.

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

MSP RECOVERY, INC. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Three Months Ended June 30, 2024 and 2023

	Class A Common Stock		Class V Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount				
<i>(In thousands except shares)</i>								
Balance at March 31, 2024	15,636,062	\$ 2	124,067,498	\$ 12	\$ 367,079	\$ (104,433)	\$ 980,839	\$ 1,243,499
Class A Issuances	2,994,918	—	—	—	23,677	—	(21,323)	2,354
Net loss	—	—	—	—	—	(25,136)	(186,712)	(211,848)
Balance at June 30, 2024	18,630,980	\$ 2	124,067,498	\$ 12	\$ 390,756	\$ (129,569)	\$ 772,804	\$ 1,034,005

	Class A Common Stock		Class V Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount				
<i>(In thousands except shares)</i>								
Balance at March 31, 2023	3,840,116	\$ —	125,124,861	\$ 13	\$ 153,641	\$ (34,119)	\$ 1,894,008	\$ 2,013,543
Conversion of Warrants	5,233	—	—	—	53	—	—	53
Class A Issuances	1,444,085	—	(860,216)	(1)	22,949	—	(22,230)	718
Net loss	—	—	—	—	—	(8,220)	(202,609)	(210,829)
Balance at June 30, 2023	5,289,434	\$ —	124,264,645	\$ 12	\$ 176,643	\$ (42,339)	\$ 1,669,169	\$ 1,803,485

Six Months Ended June 30, 2024 and 2023

	Class A Common Stock		Class V Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount				
<i>(In thousands except shares)</i>								
Balance at December 31, 2023	14,659,794	\$ 1	124,132,398	\$ 12	\$ 357,928	\$ (85,551)	\$ 1,146,739	\$ 1,419,129
Class A Issuances	3,971,186	1	(64,900)	—	32,828	—	(29,505)	3,324
Net loss	—	—	—	—	—	(44,018)	(344,430)	(388,448)
Balance at June 30, 2024	18,630,980	\$ 2	124,067,498	\$ 12	\$ 390,756	\$ (129,569)	\$ 772,804	\$ 1,034,005

	Class A Common Stock		Class V Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount				
<i>(In thousands except shares)</i>								
Balance at December 31, 2022	2,984,212	\$ —	125,919,180	\$ 13	\$ 137,069	\$ (29,203)	\$ 2,077,586	\$ 2,185,465
Conversion of Warrants	9,400	—	—	—	389	—	(170)	219
Class A Issuances	2,295,822	—	(1,654,535)	(1)	39,185	—	(36,408)	2,776
Net loss	—	—	—	—	—	(13,136)	(371,839)	(384,975)
Balance at June 30, 2023	5,289,434	\$ —	124,264,645	\$ 12	\$ 176,643	\$ (42,339)	\$ 1,669,169	\$ 1,803,485

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

MSP RECOVERY, INC. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Six months ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss (1)	\$ (388,448)	\$ (384,975)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	135	97
Claims amortization expense	242,020	234,473
Paid-in-kind interest (1)	199,920	115,996
Allowance for credit losses	—	5,000
Change in fair value of warrant liability	(76,362)	(4,058)
Gain on sale of intangibles	—	(4,599)
Mark-to-market gain on liability payable in stock	(289)	(3,625)
Professional fees settled in shares	1,068	—
Change in fair value of derivatives	78	158
Non-cash lease expense	3	—
Change in operating assets and liabilities:		
Accounts receivable	217	(3,415)
Prepaid expenses and other assets	4,169	8,547
Affiliate receivable (1)	(54)	1,593
Affiliate payable (1)	—	—
Accounts payable, commission payable and accrued liabilities	6,288	10,207
Deferred revenue	91	—
Net cash used in operating activities	(11,164)	(24,601)
Cash flows from investing activities:		
Purchases of property and equipment	(143)	(1,377)
Purchases of intangible assets	(200)	(500)
Proceeds from sale of intangible assets	—	10,000
Net cash (used in) provided by investing activities	(343)	8,123
Cash flows from financing activities:		
Proceeds from debt financing	9,250	15,000
Deferred financing costs	—	(250)
Debt issuance costs	—	(450)
(Payments) Proceeds on related party loan (1)	(382)	4,950
Release of temporary equity	—	(11,420)
Repayment of the Claims financing obligation	(2,503)	—
Proceeds from the issuance of common stock	622	—
Net provided by financing activities	6,987	7,830
Net decrease in cash	(4,520)	(8,648)
Cash at beginning of year	11,633	15,081
Cash at end of period	\$ 7,113	\$ 6,433
Supplemental disclosure of non-cash investing and financing activities:		
Sale of intangible assets	\$ —	\$ 30,987
Purchase of intangible asset financed by note payable	\$ —	\$ 250,000
Release of temporary equity	\$ —	\$ 1,807
Original issue discount	\$ 3,250	\$ 10,000
Issuance of shares in settlement of debt	\$ 622	\$ —
Payment of professional fees through issuance of Class A common stock	\$ 1,068	\$ 845
Cash paid during the period for:		
Interest	\$ 1,178	\$ —

(1) Balances include related party transactions. See Note 15, *Related Party Transactions*, for further details.

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

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Note 1. DESCRIPTION OF THE BUSINESS

On May 23, 2022 (the “Closing Date”), MSP Recovery, Inc. d/b/a LifeWallet, a Delaware corporation (formerly known as Lionheart Acquisition Corporation II (“LCAP”)) consummated the previously announced business combination pursuant to that certain Membership Interest Purchase Agreement, dated as of July 11, 2021, as amended (the “MIPA”), by and among the Company, Lionheart II Holdings, LLC, a wholly owned subsidiary of the Company, MSP Recovery, LLC, and combined and consolidated subsidiaries (“Legacy MSP”), the members of Legacy MSP (the “Members”), and John H. Ruiz, in his capacity as the representative of the Members (the “Members’ Representative”). Pursuant to the MIPA, the Members sold and assigned all of their membership interests in Legacy MSP to the Company in exchange for non-economic voting shares of Class V common stock, par value \$0.0001, of the Company (“Class V Common Stock”) and non-voting economic Class B Units of Opco (“Class B Units,” and each pair consisting of one share of Class V Common Stock and one Class B Unit, an “Up-C Unit”) (such transaction, the “Business Combination”). The Up-C Units are convertible into Class A Common Stock of the Company at the discretion of the holder of the Up-C Unit. See Note 3, *Business Combination*, for details. Subsequent to the Closing Date, the Company’s sole asset is its equity interest in MSP Recovery, LLC. The Company is the managing member and therefore consolidates Legacy MSP.

Legacy MSP was organized in 2014 as a Medicaid and Medicare Secondary Payer Act recovery specialist. The Company utilizes its proprietary internal data analytics platform to review health Claims assigned by secondary payers such as health plans, MSOs, providers of medical services, and independent physicians associations. This platform allows the Company to identify Claims cost recovery rights with potential recovery paths where Claims either should not have been paid by the secondary payers or should have been reimbursed by third-party entities.

MSP Recovery is assigned recovery rights to Claims by secondary payers via CCRAs. Prior to executing a CCRAs, MSP Recovery utilizes its proprietary internal data analytics platform to review the set of Claims of a prospective Assignor to identify Claims with probable recovery paths. MSP Recovery’s assets are these irrevocable broad assignments of health Claims recovery rights that are supported by federal and state laws and regulations. MSP Recovery’s offices are located in the U.S. and Puerto Rico.

Amendments to the Working Capital Credit Facility

On August 2, 2024, Subrogation Holdings entered into a letter agreement where the parties have set out the terms to amend the Working Capital Credit Facility (the “HPH Letter Agreement”) with HPH, which: (i) extended the period to draw up to \$23.3 million (with a 40% original issue discount) for working capital, accessible in eight tranches of \$1.75 million, that can be drawn at least one month apart, until September 2025; and (ii) provides for a \$3.3 million loan (with a 40% original issue discount) to be funded by August 31, 2024 for the purpose of acquiring additional Claims (the “New Claims”) that will further collateralize the Working Capital Credit Facility (collectively, (i) and (ii) the “Operational Collection Floor”). The parties have agreed that such amendment to the Working Capital Credit Facility shall be agreed and entered into at a later date, based on the terms outlined in the HPH Letter.

In addition, the Company will retain the right to monetize the New Claims with a third party sale only if the aggregate consideration is greater than an amount agreed to by HPH (the “Hazel Floor Price”), and such proceeds to be used to: (1) pay down the Operational Collection Floor, (2) to the extent proceeds are in excess of Hazel Floor Price, 50% to the Company for operational expenses and 50% to pay down Term Loan A and Term Loan B of the Working Capital Credit Facility, and (3) in the event only 50% of New Claims are monetized, then such proceeds to be used to pay down the Operational Collection Floor and to the extent any proceeds in excess of 50% of the Hazel Floor Price are available, 50% of such excess shall be made available to the Company for operational expenses and 50% of such excess shall be used to further pay down the Operational Collection Floor, and then to pay down Term Loan A and Term Loan B of the Working Capital Credit Facility.

Amounts borrowed and obligations under the Working Capital Credit Facility are secured by a pledge of proceeds from certain Claims in the Company’s Claims portfolio, with the lien securing the Purchase Money Loan being subordinated and junior to the lien securing the Working Capital Credit Facility. Pursuant to the Second Amended and Restated First Lien Credit Agreement, and in order to secure those additional advances of Term Loan B beginning in January 2024, the following was provided as additional collateral: (i) a pledge of proceeds from certain Claims in the Company’s Claims portfolio, up to \$14 million; (ii) a pledge of the equity interests in an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada; (iii) a mortgage on real property owned by an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada (the “Mortgage”); and (iv) a personal guaranty by Messrs. John H. Ruiz and Frank C. Quesada, as primary obligors, guaranteeing those additional advances of Term Loan B beginning in January 2024 (the “Personal Guaranty”). Pursuant to the HPH Letter Agreement, Term Loan A and Term Loan B of the Working Capital Credit Facility are subordinated to the Operational Collection Floor and collateralized by the New Claims. Once: (x) the principal amount of the Operational Collection Floor has been repaid in full (including any original issue discount), or (y) the drawn amounts under the Operation Collection Floor as of December 31, 2024 are repaid in full (on a drawn and funded basis) on a dollar per dollar basis by such date, HPH shall fully release the Mortgage and the Personal Guarantee.

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On August 2, 2024, the Company received funding of \$3.5 million under the Operational Collection Floor for July and August 2024, leaving another \$10.5 million of capacity under the Operational Collection Floor.

Virage Recovery Participation, LP Warrant

In partial satisfaction of amounts owed by the Company pursuant to that certain Services Agreement dated May 20, 2022 between Virage and the Company, on May 23, 2024, the Company issued the following unregistered equity securities to Virage Recovery Participation, LP (“VRP”): (i) 500,000 shares of the Company’s Class A Common Stock, par value \$0.0001 per share to VRP; and (ii) a warrant to purchase 2,500,000 shares of the Company’s Class A Common Stock, par value \$0.0001 per share at a purchase price of \$0.0001 per share (the “VRP Warrant”) to Virage Recovery Participation LP. The VRP Warrant is exercisable for two years from the date of issuance.

Notice of Non-Compliance with Nasdaq Listing Requirements

On June 7, 2024, the Company was notified by Nasdaq Listing Qualifications staff (the “Staff”) that the Company was non-compliant with Nasdaq’s Bid Price Requirement as the closing bid price for the Company’s Class A Common Stock had fallen below \$1.00 per share for 30 consecutive business days (April 25, 2024 through June 6, 2024). Pursuant to Nasdaq Marketplace Rule 5810(c)(3)(A), the Company is provided with a compliance cure period of 180 calendar days, or until December 4, 2024, to regain compliance with the Bid Price Requirement.

If the Company does not regain compliance during such 180-day compliance period, the Company may be eligible to transfer its listing to the Nasdaq Capital Market, so as to take advantage of the additional 180-day compliance period offered on that market, provided that the Company meets the continued listing requirement for market value of publicly held shares and all other applicable initial listing standards for Nasdaq, and provides a written notice of its intention to cure this deficiency during the second compliance period, including by effecting a reverse stock split, if necessary. If it appears to Nasdaq that the Company will not be able to cure the deficiency, or if the Company is otherwise not eligible, it will receive written notification that its securities are subject to delisting. At that time, the Company may appeal the delisting determination to a hearings panel pursuant to the procedures set forth in the applicable Nasdaq Listing Rules.

The Company intends to actively monitor its bid price and will consider available options to resolve the deficiency and regain compliance with the Nasdaq Listing Rules, including by effecting a reverse stock split, if necessary.

In 2023, the Staff notified the Company of non-compliance with Nasdaq’s Bid Price Requirement and Nasdaq’s Listing Rules as a result of having not timely filed periodic reports; however, by October 27, 2023, the Company had regained compliance with all applicable listing standards.

Recent Settlements

On March 1, 2024, the Company reached a comprehensive settlement (the “March 2024 Settlement”) with 28 affiliated property and casualty insurers (“P&C Insurers”). On April 18, 2024, the Company reached a comprehensive settlement (the “April 2024 Settlement”) with a separate group of affiliated P&C Insurers. On July 16, 2024, the Company reached a comprehensive settlement (the “July 2024 Settlement”) with five affiliated P&C Insurers. The terms of the confidential settlement agreements include:

- The P&C Insurers’ agreement to provide historical data for claimants and also assist the Company in reconciling its relevant current and future assigned Medicare claims;
- An agreement to resolve cooperatively, or through binding mediation, relevant Medicare Claims (liens) that the Company owns today and/or in the future;
- The P&C Insurers’ agreement that they are primary payers for any unreimbursed Medicare lien that the Company identifies from data sharing, and the P&C Insurers’ agreement to assign all rights to collect against other third parties that either failed to pay liens or collected twice from Medicare funds and the P&C Insurers; and
- A confidential cash payment to settle historical Claims.

Under the March 2024 Settlement and July 2024 Settlement, the settling P&C Insurers also agreed to implement the Company’s MSP Recovery Clearinghouse solution.

The revenue generated from the March 2024 Settlement and April 2024 Settlement is included within the Claims recovery income in the condensed consolidated statement of operations for the six months ended June 30, 2024.

Yorkville Purchase Agreement and Yorkville Standby Equity Purchase Agreement

On January 6, 2023, the Company entered into a Company Common Stock Purchase Agreement (the “Yorkville Purchase Agreement”) with YA II PN, Ltd., a Cayman Island exempted company (“Yorkville”). Pursuant to the Yorkville Purchase Agreement,

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the Company has the right to sell to Yorkville from time to time at its option up to \$1 billion in shares of the Company's Class A Common Stock, subject to the terms, conditions, and limitations set forth in the Yorkville Purchase Agreement.

On November 14, 2023, the Company entered into the Standby Equity Purchase Agreement (as amended, the "Yorkville SEPA") with Yorkville, which fully amended and restated the Yorkville Purchase Agreement described above. Pursuant to the Yorkville SEPA, the Company has the right to sell to Yorkville up to \$250.0 million of its shares of common stock, subject to certain limitations and conditions set forth in the Yorkville SEPA, from time to time during the term of the Yorkville SEPA. Sales of the shares of common stock to Yorkville under the Yorkville SEPA, and the timing of any such sales, are at the Company's option, and the Company is under no obligation to sell any shares of common stock to Yorkville under the Yorkville SEPA except in connection with notices that may be submitted by Yorkville, in certain circumstances as described below.

Convertible Notes

In connection with the Yorkville SEPA, and subject to the condition set forth therein, Yorkville agreed to advance to the Company in the form of convertible promissory notes (the "Convertible Notes") an aggregate principal amount of \$15.0 million. On November 14, 2023, the Company issued a Convertible Note to Yorkville ("Note #1") in the principal amount of \$5.0 million, resulting in proceeds to us of \$4.73 million. On December 11, 2023, we issued a Convertible Note to Yorkville in the principal amount of \$5.0 million, resulting in proceeds to us of \$4.75 million. On April 8, 2024, we issued a third Convertible Note to Yorkville in the principal amount of \$5.0 million, resulting in net proceeds to us of \$4.75 million.

Interest shall accrue on the outstanding balance of any Convertible Notes at an annual rate equal to 5.0%, subject to an increase to 18% upon an event of default as described in the Convertible Notes, and is payable upon maturity or upon the occurrence of a Trigger Event. The maturity date of each Convertible Note will be September 30, 2025, and may be extended at the option of Yorkville. Yorkville may convert the Convertible Notes into shares of the Company's common stock at a conversion price equal to the lower of 120% of VWAP the day prior to the date of the closing of each tranche (the "Fixed Price") or 95% of the lowest daily VWAP during the seven consecutive trading days immediately preceding the conversion (the "Conversion Price"), which in no event may the Conversion Price be lower than 20% of the closing price the trading day immediately prior to the signing of the definitive documents.

Sales of Common Stock

Pursuant to the terms and conditions set forth in the Yorkville SEPA, the Company has the right, but not the obligation, from time to time at its discretion until the Yorkville SEPA is terminated to direct Yorkville to purchase a specified number of shares of common stock ("Advance") by delivering written notice to Yorkville ("Advance Notice"). While there is no mandatory minimum amount for any Advance, it may not exceed an amount equal to 100% of the average of the daily traded amount during the five consecutive trading days immediately preceding an Advance Notice.

The shares of common stock purchased pursuant to an Advance delivered by the Company will be purchased at a price equal to (i) 98% of the VWAP of the shares of common stock on the applicable date of delivery of the Advance Notice during regular trading hours on such date or (ii) 97% of the lowest daily VWAP of the shares of common stock during the three consecutive trading days commencing on the date of the delivery of the Advance Notice, other than the daily VWAP on a day in which the daily VWAP is less than a minimum acceptable price as stated by the Company in the Advance Notice or there is no VWAP on the subject trading day. The Company may establish a minimum acceptable price in each Advance Notice below which the Company will not be obligated to make any sales to Yorkville.

During both the three and six months ended June 30, 2024, the Company sold 1,809,102 shares to Yorkville pursuant to Investor Notices delivered under the Yorkville SEPA at prices between \$0.58 and \$0.84 per share, and the proceeds were used to: (i) reduce amounts owing under Yorkville Note #1 by \$0.5 million and \$0.1 million of principal and interest, respectively, and (ii) \$0.6 million of payment to reduce amounts owing under the Third Amended and Restated Nomura Promissory Note.

The Company has the right to sell to Yorkville up to \$250 million of its Class A Common Stock until the termination of the Yorkville SEPA. As of the date of this filing, approximately 4.5 million shares have been sold to Yorkville under the Yorkville SEPA. As the Company has registered 50 million shares for resale by Yorkville, and based on the closing price of \$0.30 on August 9, 2024 of the Class A Common Stock, the Company estimates its current additional capacity under the Yorkville SEPA to be approximately \$13.6 million, subject to, among other things, the liquidity and price fluctuation of our Class A Common Stock, Trigger events and events of default under the Yorkville SEPA. As described below, currently proceeds from Yorkville SEPA are being used to pay down the Third Amended and Restated Nomura Note and the Yorkville Convertible Notes.

Use of Proceeds of SEPA – Nomura Note, Third Virage MTA Amendment

As required pursuant to the Second Amended and Restated Nomura Note (defined in Note 3, *Business Combination*), 50% of the aggregate proceeds under the Yorkville SEPA will be used to pay amounts outstanding thereunder (first towards accrued and unpaid interest, if any, then towards principal) and the remaining 50% of such proceeds will be used to pay amounts due under the Convertible

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Notes, if any, or be paid to the Company after the Convertible Notes are fully repaid. Pursuant to the Third Virage MTA Amendment, 25% of the Company's portion of any net proceeds from the Yorkville SEPA would be used to pay down the VRM Full Return after the Convertible Notes are fully satisfied.

In addition, upon the occurrence and during the continuation of an event of default, the Convertible Notes shall become immediately due and payable and the Company shall pay to Yorkville the principal and interest due thereunder. Events of default include, among others: (i) the Class A Common Stock shall cease to be quoted or listed for trading, as applicable, on any primary market for a period of ten (10) consecutive Trading Days (the Company is currently quoted and listed for trading on the NASDAQ) and (ii) failure to timely file with the SEC any periodic report on or before the due date of such filing as established by the SEC, including extensions under Rule 12b-25 under the Exchange Act. In no event shall Yorkville be allowed to effect a conversion if such conversion, along with all other shares of common stock beneficially owned by Yorkville and its affiliates would exceed 9.99% of the outstanding shares of the common stock of the Company. If any time on or after November 14, 2023: (i) the daily VWAP is less than \$0.15 (the "Floor Price" as lowered pursuant to the Yorkville Letter Agreement) for ten consecutive trading days ("Floor Price Trigger"), or (ii) the Company has issued substantially all of the shares available under the Exchange Cap (as defined below) ("Exchange Cap Trigger") or (iii) the Parent is in material breach of the Registration Rights Agreement, dated November 14, 2023, by and between Yorkville and the Company (the "Registration Rights Agreement") and such breach remains uncured for a period of twenty trading days, or (iv) the occurrence of an "Event" (as defined in the Registration Rights Agreement) ("Registration Event Trigger" and collectively with the Floor Price Trigger and the Exchange Cap Trigger, the "Trigger"), then the Company shall make monthly payments to Yorkville beginning on the seventh trading day after the Trigger and continuing monthly in the amount of \$1.5 million plus a 5.0% premium and accrued and unpaid interest. The Exchange Cap Trigger will not apply in the event the Company has obtained the approval from its stockholders in accordance with the rules of Nasdaq Stock Market for the issuance of shares of common stock pursuant to the transactions contemplated in the Convertible Note and the Yorkville SEPA in excess of 19.99% of the aggregate number of shares of common stock issued and outstanding as of the effective date of the Yorkville SEPA (the "Exchange Cap").

Yorkville, at its discretion and providing that there is a balance remaining outstanding under the Convertible Notes, may deliver a notice under the Yorkville SEPA requiring the issuance and sale of shares of common stock to Yorkville at the Conversion Price in consideration of an offset of the Convertible Notes ("Yorkville Advance"). Yorkville, in its sole discretion, may select the amount of any Yorkville Advance, provided that the number of shares issued does not cause Yorkville to exceed the 9.99% ownership limitation and does not exceed the Exchange Cap or the amount of shares of common stock that are registered. As a result of a Yorkville Advance, the amounts payable under the Convertible Notes will be offset by such amount subject to each Yorkville Advance.

The Company will control the timing and amount of any sales of shares of common stock to Yorkville, except with respect to Yorkville Advances. Actual sales of shares of common stock to Yorkville as an Advance under the Yorkville SEPA will depend on a variety of factors to be determined by the Company from time to time, which may include, among other things, market conditions, the trading price of the Company's common stock and determinations by the Company as to the appropriate sources of funding for our business and operations.

Amendment to SEPA and Convertible Notes – Yorkville Letter Agreement

On April 8, 2024, the Company and Yorkville agreed to an amendment to the Yorkville SEPA and Convertible Notes (the "Yorkville Letter Agreement") in which: (i) the Floor Price Trigger (as defined below) was reduced from \$1.28 to \$1.00; (ii) the Floor Price Trigger (as defined below) for the 10-day period ending February 5, 2024 has been cured and the monthly payment of \$1.5 million that would have been due, was waived; and (iii) the maturity date of the Convertible Notes was extended to September 30, 2025 and may be extended at the option of Yorkville. On April 12, 2024, Yorkville further agreed that, to the extent that it holds Class A Common Stock in such quantities that would prevent the Company from utilizing the SEPA solely due to the Ownership Limitation, Yorkville commits to fund an additional advance in the principal amount of \$13.0 million on the same terms and conditions as the previous advances pursuant to the Yorkville SEPA. On May 2, 2024, the Company and Yorkville reached an agreement to reduce the Floor Price (as defined below) under the Yorkville SEPA from \$1.00 to \$0.50. On July 11, 2024, the daily VWAP for our Class A Common Stock had been below the Floor Price for ten consecutive trading days, resulting in a Floor Price Trigger. On July 12, 2024, Yorkville agreed to extend the due date for the first Monthly Payment, due as a result of the Floor Price Trigger, to September 11, 2024. On August 13, 2024, the Company and Yorkville reached an agreement to reduce the Floor Price under the Yorkville SEPA from \$0.50 to \$0.15, thereby curing the Floor Price Trigger pursuant to the terms of the Yorkville SEPA.

Yorkville SEPA Termination

The Yorkville SEPA will automatically terminate on the earliest to occur of: (i) the first day of the month following the 36-month anniversary of the date of the Yorkville SEPA or (ii) the date on which Yorkville shall have made payment of Advances pursuant to the Yorkville SEPA for shares of common stock equal to \$250.0 million. The Company has the right to terminate the Yorkville SEPA at no cost or penalty upon five (5) trading days' prior written notice to Yorkville, provided that there are no outstanding Advance Notices for which shares of common stock need to be issued and the Company has paid all amounts owed to Yorkville pursuant to the Convertible

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Notes. The Company and Yorkville may also agree to terminate the Yorkville SEPA by mutual written consent. Neither the Company nor Yorkville may assign or transfer the Company's respective rights and obligations under the Yorkville SEPA, and no provision of the Yorkville SEPA may be modified or waived by the Company or Yorkville other than by an instrument in writing signed by both parties.

The Yorkville SEPA contains customary representations, warranties, conditions, and indemnification obligations of the parties. The representations, warranties, and covenants contained in such agreements were made only for purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements and may be subject to limitations agreed upon by the contracting parties.

The net proceeds under the Yorkville SEPA to the Company will depend on the frequency and prices at which the Company sells its shares of Class A Common Stock to Yorkville. The Company expects that any proceeds received from such sales to Yorkville will be used for working capital and general corporate purposes.

Yorkville SEPA – Embedded Derivative

Certain features of the Yorkville SEPA have been identified and classified as an embedded derivative, which are classified as a liability in accordance with ASC 815 and valued in accordance with ASC 470, Debt. These features classified as an embedded derivative include payment and redemption premiums, increase in interest rate in the event of default and accelerated payments as a result of Trigger events. Per ASC 815, in circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, combined derivative instrument. The fair value of the combined embedded derivative was \$128.0 thousand as of June 30, 2024. For the three months ended June 30, 2024, the fair value of the embedded derivative decreased resulting in other income of \$75.0 thousand and for the six months ended June 30, 2024, the fair value of the embedded derivative increased resulting in other loss of \$78.0 thousand.

Liquidity - Going Concern Analysis

As an early-stage growth company, the Company has incurred substantial net losses since inception. As of June 30, 2024, the Company had unrestricted cash totaling \$7.1 million. The Company has incurred recurring losses and negative cash flows since inception and has an accumulated deficit of \$129.6 million as of June 30, 2024. For the six months ended June 30, 2024, the Company used approximately \$11.2 million of cash in operations. The Company's liquidity will depend on the ability to generate substantial Claims recovery income and Claims recovery services income in the near future, the timing and amount of which is uncertain, as well as its ability to secure funding from additional third-party capital sources. The Company's principal liquidity needs have been working capital, debt service, and Claims financing obligations.

The Company anticipates sources of liquidity to include the Working Capital Credit Facility and the Yorkville SEPA as disclosed in Note 10, *Claims Financing Obligations and Notes Payable*, and has taken several actions to address liquidity concerns, including actions enumerated below. However, as discussed further below, the Company has concluded management's plans were not sufficient to alleviate the substantial doubt:

1. On March 29, 2023, the Company's subsidiary, Subrogation Holdings and its parent, MSP Recovery, entered into the Working Capital Credit Facility consisting of commitments to fund up to \$48 million in proceeds. Certain terms were amended to the Working Capital Credit Facility, which were memorialized in the Second Amended and Restated First Lien Credit Agreement dated November 10, 2023. See summary in "*Hazel Working Capital Credit Facility and Hazel Purchase Money Loan*" in Note 10, *Claims Financing Obligations and Notes Payable*. On August 2, 2024, HPH agreed to, among other things, (i) extend the period for the Company draw up to \$14 million for working capital, accessible in eight tranches of \$1.75 million, that can be drawn at least one month apart, until September 2025 and (ii) provide for a \$2.0 million loan to be funded by August 31, 2024 for the purpose of acquiring the New Claims.
2. On November 13, 2023, the Company entered into the MTA Amendment No. 2 and Amendment to the Amended and Restated Security Agreement ("Second Virage MTA Amendment"), which extended the due date for the payment obligations to Virage to December 31, 2024. See summary in Note 4, *Asset Acquisitions*. On April 1, 2024, the Company entered into the MTA Amendment No. 3 and Amendment No. 2 to the Amended and Restated Security Agreement ("Third Virage MTA Amendment"), which: (i) extended the VRM Full Return payment due date to September 30, 2025, subject to acceleration upon certain triggering events; (ii) the Company agreed that, after the Convertible Notes are fully satisfied, 25% of the Company's portion of any net proceeds from the Yorkville SEPA would be used to pay down the VRM Full Return; and (iii) commence the sale of certain reserved shares of Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM.
3. On November 13, 2023, the Company entered into the Second Amended and Restated Nomura Note, which extended the maturity date of the Nomura Note to December 31, 2024. See summary in Note 10, *Claims Financing Obligations and*

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Notes Payable. On March 26, 2024, the Company entered into the Third Amended and Restated Nomura Note (defined in Note 3, *Business Combination*), which extended the maturity date of the Nomura Note to September 30, 2025.

4. On November 14, 2023, the Company entered into the Yorkville SEPA, which included the issuance of Convertible Notes to Yorkville having aggregate principal amounts of up to \$15.0 million in connection with the purchase of Class A Common Stock. See summary in “*Committed Equity Facility*” within Note 10, *Claims Financing Obligations and Notes Payable*. On April 8, 2024, the maturity date of the Convertible Notes was extended to September 30, 2025.

The Company has concluded that, despite the aforementioned financing arrangements, there is substantial doubt about its ability to continue as a going concern. Unless we are successful in raising additional funds through the offering of debt or equity securities, we have concluded it is probable we will be unable to continue to operate as a going concern beyond the next twelve months. In the event that the Company receives an audit report from its independent registered public accounting firm with an emphasis of matter paragraph as to going concern in connection with the Company’s audited annual financial statements, such event would result in an event of default in the aforementioned debt agreements, which would result in the debt becoming immediately due.

Note 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

Basis of Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, the unaudited condensed consolidated interim financial statements (the “Financial Statements”) reflect all adjustments, which consist only of normal recurring adjustments, necessary to state fairly the results of operations, financial condition and cash flows for the interim periods presented herein.

These Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in the 2023 Form 10-K. The year-end condensed consolidated balance sheet data included in this Quarterly Report on Form 10-Q was derived from the audited financial statements but does not include all disclosures required by GAAP. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

All intercompany transactions and balances are eliminated from the Financial Statements.

Principles of Consolidation

The Company consolidates all entities that it controls through a majority voting interest or otherwise and the accompanying financial statements include the accounts of the Company’s wholly owned subsidiaries and those entities for which the Company has a controlling interest in. The Company also consolidates all entities that it controls as the primary beneficiary of a variable interest entity (“VIE”). Under the VIE model, management first assesses whether the Company has a variable interest in an entity, which would include an equity interest. If the Company has a variable interest in an entity, management further assesses whether that entity is a VIE, and if so, whether the Company is the primary beneficiary under the VIE model. Generally, entities that are organized similar to a limited partnership, in which a general partner (or managing member) make the most relevant decisions that affect the entity’s economic performance, are considered to be VIEs which would require consolidation, unless the limited partners have substantive kickout or participating rights. Entities that do not qualify as VIEs are assessed for consolidation under the voting interest model.

Under the VIE model, an entity is deemed to be the primary beneficiary of a VIE if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly affect the entity’s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Management determines whether the Company is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion at each reporting date. This analysis includes an evaluation of the Company’s control rights, as well as the economic interests that the Company holds in the VIE, including indirectly through related parties. As a result of the Business Combination, the Company consolidates MSP Recovery under the VIE model.

Estimates and Assumptions

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the Company’s estimates. Estimates are periodically reviewed considering changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Significant estimates and assumptions

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reflected in these consolidated financial statements include but are not limited to Claims recovery income and Claims recovery service income recognition, recoverability of long-lived assets and cost of Claims recoveries (included in cost of revenue).

Concentration of Credit Risk and Off-Balance Sheet Risk

Cash and affiliate receivable are financial instruments that are potentially subject to concentrations of credit risk. See Note 15, *Related Party Transactions*, for disclosure of affiliate receivables. The Company's cash is deposited in accounts at large financial institutions, and amounts may exceed federally insured limits. The Company believes it is not exposed to significant credit risk due to the financial strength of the depository institutions where cash is held. The Company has no other financial instruments with off-balance-sheet risk of loss.

Non-Controlling Interests

As part of the Business Combination and described in Note 3, *Business Combination*, the Company became the managing member of MSP Recovery, which is consolidated as the Company controls the operating decisions of MSP Recovery. The non-controlling interest relates to the Up-C Units that are convertible into Class A Common Stock of the Company at the discretion of the holder of the Up-C Unit. The Up-C Unit holders retained approximately 99.76% of the economic ownership percentage of the Company as of the Closing Date. The non-controlling interest is classified as permanent equity within the condensed consolidated balance sheet of the Company. As of June 30, 2024, based on the Class A Common Stock issuances during the period, the non-controlling interest of Class V shareholders was 86.9%.

Changes in the Company's ownership interest in MSP Recovery, due to holders of Class V Common Stock converting their shares to Class A Common Stock, are accounted for as equity transactions. Each issuance of the Company's Class A Common Stock requires a corresponding issuance of MSP Recovery units to the Company. The issuance would result in a change in ownership and would reduce the balance of non-controlling interest and increase the balance of additional paid-in capital.

Recent Accounting Pronouncements

New Accounting Pronouncements Issued but Not Yet Adopted

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. Among other requirements, this update adds specific disclosure requirements for income taxes, including: (1) disclosing specific categories in the rate reconciliation and (2) providing additional information for reconciling items that meet quantitative thresholds. The guidance is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effect that implementation of this standard will have on the Company's consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company operates in one reportable segment; however, it is currently evaluating the effect that implementation of this standard will have on the Company's consolidated financial statements and disclosures.

In March 2024, the SEC adopted the final rule under SEC Release No. 33-11275, *The Enhancement and Standardization of Climate Related Disclosures for Investors*, which requires registrants to disclose climate-related information in registration statements and annual reports. The new rules would be effective for annual reporting periods beginning in fiscal year 2025. However, in April 2024, the SEC exercised its discretion to stay these rules pending the completion of judicial review of certain consolidated petitions with the United States Court of Appeals for the Eighth Circuit in connection with these rules. The Company is evaluating the impact of this rule on its consolidated financial statements and disclosures.

Note 3. BUSINESS COMBINATION

On May 23, 2022 (the "Closing Date"), MSP Recovery, Inc. d/b/a LifeWallet, a Delaware corporation (formerly known as Lionheart Acquisition Corporation II ("LCAP")) consummated the Business Combination pursuant to that certain Membership Interest Purchase Agreement, dated as of July 11, 2021, as amended (the "MIPA"), by and among the Company, Lionheart II Holdings, LLC, a wholly owned subsidiary of the Company, MSP Recovery, LLC, and combined and consolidated subsidiaries ("Legacy MSP"), the members of Legacy MSP (the "Members"), and John H. Ruiz, in his capacity as the representative of the Members (the "Members' Representative"). Pursuant to the MIPA, the Members sold and assigned all of their membership interests in Legacy MSP to the Company in exchange for non-economic voting shares of Class V common stock, par value \$0.0001, of the Company ("Class V Common Stock") and non-voting economic Class B Units of Opco ("Class B Units," and each pair consisting of one share of Class V Common Stock and one Class B Unit, an "Up-C Unit") (such transaction, the "Business Combination"). The Up-C Units are convertible into

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Class A Common Stock of the Company at the discretion of the holder of the Up-C Unit. Subsequent to the Closing Date, the Company's sole asset is its equity interest in MSP Recovery, LLC. The Company is the managing member and therefore consolidates Legacy MSP.

As a result of the closing of the Business Combination (the "Closing"), the Company is organized in an "Up-C" structure in which all of the business of Legacy MSP and its subsidiaries is held directly or indirectly by the Company, the Company is the managing member, consolidates Legacy MSP and the Company owns all of the voting economic Class A Units and the Members and their designees own all of the non-voting economic Class B Units in accordance with the terms of the first amended and restated limited liability company agreement of the Company. Each Up-C Unit may be exchanged for either, at the Company's option, (a) cash or (b) one share of Class A Common Stock, subject to the provisions set forth in the LLC Agreement. The aggregate consideration paid to the Members (or their designees) at the Closing consisted of: (i) 130,000,000 Units and (ii) rights to receive payments under the Tax Receivable Agreement ("TRA"). Of the 130,000,000 Units, 126,178,932 Units were issued in connection with the Closing and 3,821,068 Units were designated to the Company and Opco for cancellation ("Canceled Units"). Since the Closing, the Company has issued 2,000,880 Up-C Units to certain designated persons and intends to further issue shares of Class A Common Stock in respect of transaction-related bonuses or certain other designated persons, which together with the 2,000,880 Up-C Units, would be equivalent in number to the Canceled Units.

In connection with the Closing, the Company changed its name from "Lionheart Acquisition Corporation II" to "MSP Recovery, Inc." The Business Combination is accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, the Company is treated as the acquired for financial statement reporting purposes. The reverse recapitalization was treated as the equivalent of Legacy MSP issuing stock for the net assets of LCAP, accompanied by a recapitalization. The net assets of LCAP are stated at historical cost, with no goodwill or other intangible assets recorded.

The Company received net proceeds in the Business Combination transaction of approximately \$23.4 million. The Company incurred direct and incremental costs of approximately \$79.2 million related to the Business Combination, which consisted primarily of investment banking, legal, accounting, and other professional fees. These transaction-related costs were recorded as a reduction of additional paid-in capital in the condensed consolidated balance sheets.

Warrants

As part of the Business Combination, the Company assumed the liability related to the LCAP public warrants ("Public Warrants") of \$12.5 million. Pursuant to the terms of the Existing Warrant Agreement, and after giving effect to the issuance of the New Warrants, as defined below, the exercise price of the Public Warrants decreased to \$0.0025 per share of Class A Common Stock. During the period from the Closing Date to June 30, 2024, approximately 8.9 million warrants of the original 11.8 million warrants had been exercised. For the three and six months ended June 30, 2024, the fair value of the remaining unexercised warrants decreased resulting in other income of \$26.6 thousand and \$213.6 thousand, respectively, which is recorded within change in fair value of warrant and derivative liabilities in the condensed consolidated statements of operations. Following anti-dilution adjustments made in connection with the Business Combination, the Public Warrants have an exercise price of \$0.0025 per share, which are exercisable on a cashless basis in lots of 25.

Additionally, in connection with the Business Combination, the Company declared a dividend of approximately 1,028 million New Warrants payable to the holders of record of the Class A Common Stock as of the close of business on the Closing Date, after giving effect to the waiver of the right, title, and interest in, to or under, participation in any such dividend by the Members, on behalf of themselves and any of their designees. The New Warrants are exercisable until their expiration date, which will be the fifth anniversary of the Closing Date or earlier redemption. The record date for the determination of the holders of record of the outstanding shares of Class A Common Stock entitled to receive the New Warrant Dividend was the close of business on the Closing Date. Pursuant to the terms of the LLC Agreement, at least twice a month, to the extent any New Warrants have been exercised in accordance with their terms, the Company is required to purchase from the MSP Principals, proportionately, the number of Up-C Units or shares of Class A Common Stock owned by such MSP Principal equal to the Aggregate Exercise Price divided by the Warrant Exercise price in exchange for the Aggregate Exercise Price. The Company determined that the New Warrants instruments meet the equity scope exception in ASC 815 to be classified in stockholders' equity, and as the repurchase right noted above has a mirrored value designed to offset the New Warrants, if exercised would be an equity only transaction. The New Warrants are each exercisable in lots of 25 for one whole share of Class A Common Stock at an exercise price of \$287.50 per whole share. The New Warrants must be exercised in lots of 25, as no fractional shares will be issued as a result of their exercise. The New Warrants are subject to certain anti-dilution adjustments.

Public Warrants and New Warrants are currently listed on Nasdaq under the symbols "LIFWZ" and "LIFWW," respectively.

Tax Receivable Agreement

In connection with the Business Combination, the Company also entered into a Tax Receivable Agreement (the "TRA"). Pursuant to the TRA, the Company is required to pay the sellers 85% of the amount of tax benefits that the Company actually realizes as a result of: (i) the Company's direct and indirect allocable share of existing tax basis acquired in the Business Combination, (ii) increases in the

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Company's allocable share of existing tax basis and tax basis adjustments that will increase the tax basis of the tangible and intangible assets of the Company as a result of the Business Combination and as a result of sales or exchanges of Up-C Units for cash or shares of Class A Common Stock, and (iii) certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA.

During the six months ended June 30, 2024, the Company's TRA liability associated with the allocable share of existing tax basis acquired in the Business Combination would give rise to a TRA liability of \$12.4 million. The Company has not recognized such liabilities under the TRA after concluding it was not probable that the Company will be able to realize the tax benefits based on estimates of future taxable income. No payments were made to the Continuing Equity Owners and Blocker Shareholders (as defined in the TRA) pursuant to the TRA during the three and six months ended June 30, 2024 and 2023. The estimation of liability under the TRA is, by its nature, imprecise and subject to significant assumptions regarding the amount, character, and timing of the taxable income of MSP Recovery, Inc. in the future. We may incur additional liabilities under the TRA when Class B Units are exchanged in the future. If the valuation allowance recorded against the deferred tax assets applicable to the tax attributes subject to the TRA is released in a future period, the relating TRA liability may be considered probable at that time and recorded within earnings.

The Company has assessed the realizability of the net deferred tax assets and in that analysis, has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The Company has recorded a full valuation allowance against the deferred tax assets as of June 30, 2024, which will be maintained until there is sufficient evidence to support the reversal of all or some portion of these allowances. As the tax benefits associated with the TRA have not been recognized, based on estimates of future taxable income, the Company has concluded it is not probable to recognize any tax receivable agreement liability. If the valuation allowance recorded against the deferred tax assets is released in a future period, the TRA liability may be considered probable at that time and recorded within earnings.

Non-Controlling Interest

As a result of the Business Combination, the Company reflects non-controlling interests due to the Up-C structure. The Company holds all of the voting Class A Units of Opco, whereas the Members (or their designees) hold all of the non-voting economic Class B Units of Opco (these Class B Units represent the non-controlling interest in the Company). The ownership percentage of Class V Common Stock held in the Company by the Members (or their designees) will be equivalent to the number of Class B Units held in the Company, and as such, reflects non-controlling interest in the Company, which is equivalent to the Class V Common Stock ownership percentage. See Note 12, *Noncontrolling Interest*, for more information on ownership interests in the Company.

Amended and Restated Nomura Promissory Note

On May 27, 2022, the Company issued an unsecured promissory note to Nomura in a principal amount of approximately \$24.5 million related to advisory fees and deferred underwriting fees and expenses that became due and payable by the Company to Nomura, in connection with the consummation of the Business Combination. On April 12, 2023, the Company amended and restated the promissory note (the "First Amended and Restated Nomura Note"), increasing the principal amount to approximately \$26.3 million, increasing the interest rate from 8.0% to 16.0% per annum, and extending the maturity date of the Nomura Note to September 30, 2024. On November 13, 2023, the Company amended and restated the First Amended and Restated Nomura Note (the "Second Amended and Restated Nomura Note") to: (a) increase the principal amount to approximately \$28.9 million, (b) extend the maturity date to December 31, 2024, and (c) permit the Company to use the proceeds of an at-the-market offering to repay indebtedness incurred by the Company for which the proceeds are used for operating expenses, subject to certain enumerated restrictions. On March 26, 2024, the Company amended and restated the Second Amended and Restated Nomura Note (the "Third Amended and Restated Nomura Note") to: (a) increase the principal amount to approximately \$30.0 million, and (b) extend the maturity date to September 30, 2025. The Third Amended and Restated Nomura Note carries an interest rate of 16% per annum and is payable in kind or in cash, at the Company's discretion, every 30 calendar days after March 26, 2024. Upon two days prior written notice to Nomura, the Company may prepay all or any portion of the then outstanding principal amount under the Nomura Note together with all accrued and unpaid interest thereon. The balance of the unsecured Nomura Note and related interest are included within Claims financing obligations and notes payable in the condensed consolidated balance sheet.

Note 4. ASSET ACQUISITIONS

On May 23, 2022, as part of the Closing of the Business Combination, the Company acquired assets through the issuance of Up-C Units. In exchange for approximately 7.9 million Up-C Units, the Company acquired Claims previously held by Series MRCS, an affiliate of the Company. The Claims are included as Intangible Assets, net in the condensed consolidated balance sheet.

The Claims are held at cost, which was determined using the opening market price of the Company's Class A Common Stock as of the day subsequent to the Closing Date discounted by 4.5% for lack of marketability due to timing before shares are sellable. The Company determined the appropriate measurement date was the opening of the first trading day of the Class A Common Stock after the Closing Date as this reflects the equivalent value of the Up-C Units provided to the sellers. The Up-C Units provided to the sellers did

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not include New Warrants, and as such, the Class A Common Stock value excluding the New Warrants was reflected at the Close of the first trading day after the Closing Date. The Claims are treated as finite life intangible assets similar to other Claims that the Company has acquired, and have a useful life of eight years. For further details on the intangible assets resulting from Claims acquisitions, see Note 7, *Intangible Assets, Net*.

VRM

The Company acquired the rights to receive the distributable net proceeds (the “Proceeds”) of a portfolio of Claims owned by VRM MSP, a Delaware limited liability company and joint investment vehicle of VRM and Series MRCS, in exchange for approximately 14.3 million Up-C Units. Under this asset acquisition structure, the Company determined that the arrangements to acquire the rights to proceeds from certain Claims recovery rights along with the guarantee of the VRM Full Return (noted and defined below) result in the Company consolidating the Series. Upon consolidation, the Company included the value of the Up-C Units provided and the value of the guarantee as Intangible Assets, net in the condensed consolidated balance sheet. These are held at cost and treated as finite life intangible assets similar to other CCRAs that the Company has acquired, and have a useful life of eight years.

In connection with such transaction, the Company agreed to pay Virage an amount equal to the contributions by Virage to VRM MSP plus an annual rate of return of 20% (the “VRM Full Return”). Pursuant to the terms of the agreement with Virage, such amount is payable exclusively by any of the following means (or any combination thereof): (a) the Proceeds, net of expenses related to claim settlement, (b) a sale of certain reserved shares of Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM, or (c) a sale of shares by the Company and delivery of the net cash proceeds thereof to VRM. The amount of the VRM Full Return was \$1,029.9 million as of June 30, 2024.

As the Company incurred debt related to the VRM Full Return as included in the guaranty obligation within the condensed consolidated balance sheet, this value was included in the purchase price and is included in Intangible Assets, net, in the condensed consolidated balance sheet for the full value of the VRM Full Return at the acquisition date. Any subsequent interest accrual is reflected within interest expense in the condensed consolidated statement of operations.

On April 12, 2023, the Company and Messrs. Quesada and Ruiz entered into an amendment (the “Virage MTA Amendment”) to the agreement with Virage and the related Guaranty pursuant to which the payment date for the VRM Full Return was extended from May 23, 2023 until September 30, 2024, subject to acceleration upon certain triggering events. On November 14, 2023, the maturity date was extended to December 31, 2024. In addition, the Virage MTA Amendment changed the payment methods to Virage to exclusively be, in the following order of priority: (a) the Proceeds and any other sources of revenue or liquidity of the Company (and its subsidiaries) that are not encumbered by a lien of a party other than Virage and to the extent such revenues and liquidity exceed the amount of net of revenues necessary to establish and maintain an operating reserve of \$70.0 million (reduced to \$47.5 million on July 24, 2023) for certain Company expenses, (b) a sale of certain reserved shares of Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM, (c) Parent’s sale of additional shares and delivery of proceeds to Virage, subject to certain anti-dilution provisions, (d) if not satisfied by the foregoing, a sale of other shares of the Company by Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM; provided that if the VRM Full Return is not fully paid by September 30, 2024 the VRM Full Return shall be payable by any of such payment methods in any order of priority.

On November 13, 2023, the Company entered into the Second Virage MTA Amendment that extended the final payment date of the VRM Full Return to December 31, 2024, subject to acceleration upon certain triggering events. In addition, the Second Virage MTA Amendment (a) changed the minimum operating reserve from \$47.5 million to the budget of the Company (plus applicable taxes) plus 10% and (b) required Virage and the Company negotiate and agree on a form of initial warrant and monthly warrant by no later than December 1, 2023. Pursuant to the Second Virage MTA Amendment, on January 1, 2024, the Company was required to make a one-time, lump sum payment to Virage for the period starting May 24, 2023 and ending December 31, 2023, in one or a combination of: (a) cash, in an amount equal to 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and/or (b) warrants to purchase Class A common stock at \$0.0001 per share, in an amount equal to the quotient of 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and the volume weighted average price of a share of our Class A common stock for the five day period prior to the issuance, each expiring two years from the date of issuance.

Accordingly, the Company issued the VRM Warrants. The Initial Virage Warrant, as amended, was issued effective January 1, 2024 and entitles Virage to purchase 28,298,329 shares of Class A Common Stock, with an expiration date of January 1, 2026. The Virage Warrants are recorded as warrant liability in the condensed consolidated balance sheet. Prior to April 1, 2024, Monthly Virage Warrants were issued, entitling Virage to purchase 20,219,488 shares of Class A Common Stock. During the quarter ending June 30, 2024, Monthly Virage Warrants were issued entitling Virage to purchase 37,909,524 shares to settle interest payable for the months of March, April, and May, 2024. On August 14, 2024, Monthly Virage Warrants were issued entitling Virage to purchase 47,653,840

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shares to settle interest payable due to Virage as of June 30, 2024 and July 31, 2024. For the three and six months ending June 30, 2024, the issuance of Virage Monthly Warrants settled \$30.0 million and \$114.5 million of interest, respectively.

Until our obligations to Virage are paid in full, the Company has the option every month to continue to pay Virage in one or a combination of: (a) cash, in an amount equal to 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and/or (b) the issuance of subsequent Monthly Virage Warrants.

On April 1, 2024, the Company entered into the Third Virage MTA Amendment which: (i) extended the VRM Full Return payment due date to September 30, 2025, subject to acceleration upon certain triggering events, including the receipt of a going concern opinion by the Company's independent auditor; (ii) the Company agreed that, after the Convertible Notes are fully satisfied, 25% of the Company's portion of any net proceeds from the Yorkville SEPA would be used to pay down the VRM Full Return; and (iii) commence the sale of certain reserved shares of Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM.

VRM Swap

On July 28, 2023, VRM exercised its option to exchange Claims with service dates prior to January 1, 2014 for more recent Claims. To do so, the VRM MSP agreement was amended to reflect that: (a) rights to Recovery Proceeds arising from Claims held by VRM MSP, with dates of service before January 1, 2014, were transferred to MSP Recovery; (b) MSP Recovery contributed to VRM MSP in the form of in-kind ownership interests to certain Series entities holding Claims; and (c) as a result of such capital contributions, MSP Recovery was admitted as a member of VRM MSP.

The contribution of certain Series (holding certain CCRAs) by MSP Recovery into VRM MSP is considered a common control transaction, given that the Company consolidates Series before and after such transfers. In addition, the Company analyzed being admitted as a member of VRM MSP and concluded to apply Investments in Equity Method guidance under ASC 323. The Company initially measured and recorded its equity method investment in VRM MSP using a cost accumulation model; however, in consolidation, the investment in VRM MSP is eliminated, with the CCRA intangible assets remaining on the balance sheet under the "Intangible assets" line item. The investment in VRM MSP will reflect a zero balance. In addition, given VRM MSP's primary assets are the CCRAs, VRM MSP's ability to generate any earnings (not already reported via MSP Recovery consolidation of Series), is negligible; therefore, MSP Recovery does not expect any significant earnings from VRM MSP.

Hazel Transactions

Claims Transactions and Purchase Money Loan

On March 29, 2023, the Company acquired a controlling interest in nine legal entities, whose sole assets are CCRAs, from Hazel. This is referred to as the "Claims Purchase." The purchase price for the Claims Purchase was funded by: (i) a purchase money loan between Hazel, as a lender, and the Company, as a borrower, in the amount of \$250.0 million (the "Purchase Money Loan") and (ii) proceeds from the sale of certain, separate CCRAs in the Claims Sale (as defined below).

Also, on March 29, 2023, the Company sold a controlling interest in three legal entities whose sole assets are CCRAs to Hazel. The agreement provided that the Company and Hazel would share in the Recovery Proceeds therefrom, in accordance with an agreed waterfall after Hazel had realized the first \$150 million in Claim recoveries. This transaction is referred to as the "Claims Sale," and together with the Claims Purchase, the "Claims Transactions."

As the Claims Transactions were negotiated together in contemplation of one another, they have been combined for accounting purposes. The Company analyzed the Claims Sale and determined that this transaction would be treated as the sale of in-substance non-financial assets, in exchange for noncash consideration in the form of the CCRAs from the Claims Purchase measured at fair value. The variable consideration related to future recoveries is fully constrained, because, at this time, it is not probable that any amounts will be owed above the \$150 million recovery threshold that would trigger additional payments. The Company analyzed the Claims Purchase and determined it results in the initial consolidation of variable interest entities that are not businesses. The acquired CCRAs held by those entities are recognized at fair value.

The fair value of the assets sold in the Claims Sale was determined to be \$45.5 million. The Company's carrying value of those CCRAs surrendered was \$40.9 million. Because there are no other observable prices for such transactions, the Company determined the fair value by reference to the purchase price for those CCRAs in a recent transaction. The fair value of the acquired CCRAs was determined to be \$285.5 million, and the Company recognized the Purchase Money Loan recognized at \$250.0 million, as any implicit discount or premium to current market rates at the time of issuance were insignificant.

This resulted in a gain on the Claims Transactions of \$4.6 million, which largely corresponds to the previously recognized amortization of the CCRAs that were sold in the Claims Sale.

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Amounts borrowed and obligations under the Purchase Money Loan and the Working Capital Credit Facility (See Note 10, *Claims Financing Obligations and Notes Payable*) are secured by a pledge of proceeds from specific Claims in the Company’s Claims portfolio, with the lien securing the Purchase Money Loan being subordinated and junior to the lien securing the Working Capital Credit Facility. Pursuant to the Purchase Money Loan and the Working Capital Credit Facility, the Company entered into a collateral administrative agreement between the Company and Hazel, which sets forth certain arrangements between the Company and Hazel in relation to Claims owned by the Company, the proceeds of which are due to the Company were pledged to Hazel to secure the Purchase Money Loan and the Working Capital Credit Facility. The Company is responsible for certain fees and expenses related to an independent representative nominated by the Company and Hazel; however, Hazel has agreed to fully reimburse the Company for any such fees and expenses.

Note 5. INVESTMENT IN EQUITY METHOD INVESTEES

The Company holds four investments which are accounted for using the equity method: MAO-MSO Recovery II LLC Series PMPI (“Series PMPI”), MAO-MSO Recovery LLC, MAO-MSO Recovery II LLC (both collectively the “MAO-MSO entities”) and VRM MSP.

Series PMPI is a series of MAO-MSO Recovery II LLC. The Company exercises significant influence over the operating and financial activities of Series PMPI, but does not exercise control of the entity. In accordance with Series PMPI’s operating agreement, the controlling member is entitled to a preferred return of 20% per annum (the “Preferred Return”). Once the Preferred Return has been met, the controlling member is entitled to 50% of Claims recoveries by PMPI. The noncontrolling member is allocated 100% of the costs of PMPI. Since the Preferred Return exceeds the total members’ equity of PMPI as of both June 30, 2024 and December 31, 2023, the value of the equity method investment in the condensed consolidated balance sheet is \$0.

The MAO-MSO entities are Delaware limited liability companies formed as master Series entities whose central operations are to form other Series legal entities that will hold and pursue Claims recovery rights. The MAO-MSO entities are not designed to hold or pursue Claims recoveries themselves. The Company holds a 50% economic interest in both entities, and has significant influence through its equity investment, but does not control either entity. As equity method investments, the Company recognizes its proportionate share of net earnings or losses as equity earnings in Other income. The activity of these entities has been insignificant for the three and six months ended June 30, 2024 and 2023. Since the Company did not make a contribution to the MAO-MSO entities, and the entities have recorded losses, the value of the equity method investment in the condensed consolidated balance sheets is \$0 as of both June 30, 2024 and December 31, 2023.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership of the Company is as follows:

<i>(in thousands)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 0	\$ —	\$ 7	\$ —
Amortization	\$ 500	\$ 500	\$ 1,000	\$ 1,000
Other expenses	\$ 9	\$ —	\$ 19	\$ —
Profit (Loss)	\$ (509)	\$ (500)	\$ (1,012)	\$ (1,000)

<i>(in thousands)</i>	As of	
	June 30, 2024	December 31, 2023
Total Assets	\$ 402	\$ 1,403
Total Liabilities	\$ 410	\$ 399

In 2023, in connection with an amendment to the VRM MSP structure, the Company became a direct investor in VRM MSP, which controls MSP Recovery Claims, Series LLC, and recognizes this investment as an equity method investment. However, the Company previously consolidated and continues to consolidate the underlying Series of MSP Recovery Claims, Series LLC, which hold investments in CCRA that the Company controls as primary beneficiary under the VIE model. As such, other than the Series, which were already consolidated, the investment in VRM MSP includes only administrative activities that are not otherwise consolidated, and any costs are allocable to the other investors. As a result, the Company has no significant equity earnings or exposure to losses or obligations to fund this investment.

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Note 6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

<i>(In thousands)</i>	June 30, 2024	December 31, 2023
Office and computer equipment	\$ 459	\$ 434
Leasehold improvements	139	113
Internally developed software	5,880	5,789
Other software	67	67
Property and equipment, gross	\$ 6,545	\$ 6,403
Less: accumulated depreciation and amortization of software	(1,627)	(1,492)
Property and equipment, net	\$ 4,918	\$ 4,911

For the three and six months ended June 30, 2024 and 2023, depreciation expense and amortization expense was \$68.0 thousand and \$135.0 thousand, and \$88.0 thousand and \$97.0 thousand, respectively.

Note 7. INTANGIBLE ASSETS, NET

The Company records CCRAs at cost and amortizes them as a finite intangible asset with a useful life of eight years. During three and six months ended June 30, 2024, the Company purchased \$0.1 million and \$0.2 million, respectively, of CCRAs included in Intangible assets, net, all of which were paid in cash.

Intangible assets, net consists of the following:

<i>(in thousands)</i>	June 30, 2024	December 31, 2023
Intangible assets, gross	\$ 3,872,556	\$ 3,872,356
Accumulated amortization	(981,580)	(739,560)
Net	\$ 2,890,976	\$ 3,132,796

For the three and six months ended June 30, 2024 and 2023, claims amortization expense was \$121.0 million and \$242.0 million, and \$121.0 million and \$234.5 million, respectively.

Future amortization for CCRAs, for the remainder of 2024 and thereafter is expected to be as follows:

<i>(in thousands)</i>	CCRAs Amortization
2024	\$ 241,972
2025	483,944
2026	483,944
2027	483,944
2028	483,944
Thereafter	713,228
Total	\$ 2,890,976

The Company monitors intangible assets for potential impairment indicators, including, but not limited to, assumptions regarding the amount and timing of future collections derived from its CCRAs. The Company continues to pursue recoveries from various parties under rights held through its CCRAs; however, extended delays may result in future impairment of the Company's intangible assets.

During the three months ended June 30, 2024, the Company updated the recoverability analysis on the definite-lived CCRA intangible assets performed as of December 31, 2023. The Company did not identify any new impairment indicators outside of the ones already disclosed in its evaluation of its definite-lived intangible assets in the 2023 Form 10-K. There are inherent risks in our business which could impact the recoverability analysis. As a result, factors may change in the future that could negatively impact our recoverability of the CCRAs, and may result in an impairment charge. Based on the analysis, the carrying value of the Company's CCRA intangible assets were deemed to be recoverable as of June 30, 2024.

The following table presents the changes in the Company's intangibles assets for the six months ended June 30, 2024:

<i>(in thousands)</i>	Intangible Assets
Balance as of December 31, 2023	\$ 3,132,796
Acquisitions of CCRAs	200
Amortization expense	(242,020)
Total	\$ 2,890,976

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Note 8. LEASES

The Company leases office space in Puerto Rico under a non-cancellable operating lease which commenced in September 2023 and expires August 2026. Prior to this lease, the Company held a short-term lease, therefore the Company recorded an initial right-of-use (“ROU”) asset and lease liability upon signing the new lease agreement. Lease expense for the three and six months ended June 30, 2024 amounted to \$39.5 thousand and \$79.0 thousand.

In addition, the Company rents office space from the Law Firm, which is on a month-to-month basis and therefore is not included within the ROU Asset and Lease liability nor in the future minimum lease payments below. In July 2024, the Law Firm’s lease expired and the Law Firm moved to a new location; as a result, the Company moved its corporate headquarters to the Law Firm’s new location under a new lease, which is also on a month-to-month basis. Short-term rent expense for the three and six months ended June 30, 2024 and 2023 was \$0.2 million and \$0.7 million, and \$0.3 million and \$0.6 million, respectively.

As of June 30, 2024, the weighted-average lease term and weighted-average discount rate were 2.2 years and 15.31%, respectively.

The presentation of right-of-use assets and lease liabilities in the condensed consolidated balance sheet is as follows:

<i>(In thousands)</i>	Classification	June 30, 2024	December 31, 2023
Assets			
Right-of-use asset	Right-of-use assets	\$ 286	\$ 342
Total Leased Assets		\$ 286	\$ 342
Liabilities			
Current			
Operating lease liability	Other current liabilities	\$ (120)	\$ (109)
Non-current			
Operating lease liability	Lease liabilities	\$ (172)	\$ (235)
Total Lease Liability		\$ (292)	\$ (344)

The future minimum lease payments under non-cancellable operating leases as of June 30, 2024 for the next five years and thereafter are as follows:

<i>(in thousands)</i>	
Remainder of 2024	\$ 77
2025	157
2026	107
2027	—
2028	—
Thereafter	—
Total minimum payments required	341
Less: implied interest	(49)
Present value of lease liabilities	\$ 292

Note 9. VARIABLE INTEREST ENTITIES

Investments in Consolidated Variable Interest Entities

The Company evaluates its ownership, contractual, and other interests in entities to determine if they are VIEs, if the Company has a variable interest in those entities, and the nature and extent of those interests. These evaluations are highly complex and involve management judgment and the use of estimates and assumptions based on available historical information, among other factors. Based on its evaluations, if the Company determines it is the primary beneficiary of such VIEs, it consolidates such entities into its financial statements. VIEs information below is presented on an aggregate basis based on similar risk and reward characteristics and the Company’s involvement with the VIEs.

The Company includes a number of entities that are determined to be VIEs and for which the common control group can direct the use of the entities’ assets and resources for other purposes. The Company only consolidates those VIEs for which the Company is the primary beneficiary.

The assets of the consolidated VIEs may only be used to settle obligations of these VIEs and to settle any investors’ ownership liquidation requests. There is no recourse to the Company for the consolidated VIEs’ liabilities. The assets of the consolidated VIEs are not available to the Company’s creditors.

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Total assets and liabilities included in its condensed consolidated balance sheets for these VIEs were \$2.1 billion and \$0.4 million, respectively, as of June 30, 2024 and \$2.2 billion and \$0.4 million, respectively, as of December 31, 2023. The assets at June 30, 2024 and December 31, 2023 include the Intangible Assets, net included in the Series of \$1.8 billion and \$2.0 billion, respectively.

Investments in Unconsolidated Variable Interest Entities

The Company has equity investments in VIEs, but does not consolidate them because it has no power to direct the activities that most significantly impact their economic performance and thus is not considered the primary beneficiary of the entities. Those VIEs are reflected as equity method investments.

Total assets and liabilities for these VIEs were \$0.4 million and \$0.4 million, respectively, at June 30, 2024 and \$1.4 million and \$0.4 million, respectively, at December 31, 2023.

Generally, the Company's exposure is limited to its investment in those VIEs (see Note 5, *Investment in Equity Method Investees*). For MAO-MSO Recovery II, LLC and Series PMPI, the Company may be exposed to providing additional recovery services at its own cost if recovery proceeds allocated to it are insufficient to recover the costs of those services. The Company does not have any other exposure or any obligation to provide additional funding to the VIEs that it has equity investments in.

VRM MSP

The Company became a member of VRM MSP through the contribution of certain Series (holding certain CCRAs) by MSP Recovery into VRM MSP. The Company determined, based on analysis of the rights to cash flows from the Series and the related guaranty obligation, that the Company is the primary beneficiary of the Series entities, and therefore should consolidate as of the transaction date. The contribution is considered a common control transaction, as the Company controls and consolidates the Series before and after such contribution. The Company consolidates the Series held within VRM MSP, however does not consolidate VRM MSP itself.

Refer to Note 5, *Investment in Equity Method Investees*, for additional information on this VRM MSP transaction.

Note 10. CLAIMS FINANCING OBLIGATIONS AND NOTES PAYABLE

Based on claims financing obligations and notes payable agreements, as of June 30, 2024 and December 31, 2023, the present value of amounts owed under these obligations were \$605.3 million and \$556.3 million, respectively, including capitalized interest. In addition, as of June 30, 2024 and December 31, 2023, the Company has \$14.5 million and \$10.0 million of advances from Yorkville, respectively. The weighted average interest rate is 14.8% based on the current book value of \$605.3 million with rates that range from 0% to 20%.

As of June 30, 2024, the minimum required payments on these agreements are \$758.9 million. Certain of these agreements have priority of payment regarding any proceeds until full payment of the balance due is satisfied. The maturity of the commitments range from the date sufficient claims recoveries are received to cover the required return or in some cases by 2031.

Brickell Key Investments

In 2015, the Company entered into a Claims Proceeds Investment Agreement ("CPIA"), as amended, with Brickell Key Investments LP (the "Holder"). Pursuant to the CPIA, as amended, the Company grants to the Holder the right to purchase Class A common shares in the Company (the "Class A Shares") up to a maximum amount of 2,666,667 (the "Amount") for a purchase price equal to \$6,666.67 (\$0.0025 per Class A Share), and is payable in cash. This Warrant (the "Warrant") will expire at 5:00 p.m. (Eastern Time), on September 30, 2027 and may be exercised in whole or in part by Holder at any time prior to such date. The Holder can only sell a maximum of 15% per month of the Class A Shares obtained through the Warrant. In exchange for the Company issuing the Warrant, the amounts owed to the Holder pursuant to CPIA are amended to equal \$80 million. The Holder has the right to receive the \$80 million owed through proceeds as outlined in the CPIA, cash paid by the Company or monetization of the Warrant (through the sale of the Warrant or sale of the underlying Class A Shares). If the Holder monetizes the Warrant, the amount owed will be reduced at a measure of \$30.00 per Class A Share. In connection with the Amendment and Warrant Agreement, the Holder also executed a Stock Pledge Agreement (the "Pledge Agreement") with Legacy MSP founders, John H. Ruiz and Frank C. Quesada (the "Founders"). As part of the Pledge Agreement, the Founders agreed to pledge 50 million shares to secure payment of the original principal amount of the CPIA. In addition, the Pledge Agreement provides the right to repurchase the Warrant from the Holder on or before June 30, 2023. The Founders entered into an agreement with the Company where this repurchase right has been assigned to the Company (the "Side Agreement"). As the Company has, at its option, the ability to pay its obligation through cash proceeds or through monetization of the Warrants, the \$80.0 million of amounts owed as of June 30, 2024 was included as Claims financing obligation and notes payable on the condensed consolidated balance sheet.

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The Founders did not exercise the option to repurchase the Warrants on or before June 30, 2023. The Company recognized the Warrants at fair value which, considering the price of the Company's common stock was below \$30.00 as of June 30, 2024, it was determined to be zero.

Hazel Working Capital Credit Facility and Hazel Purchase Money Loan

On March 29, 2023, Subrogation Holdings entered into an Amended and Restated Credit Agreement (the "Working Capital Credit Facility") with Hazel Partners Holdings LLC ("HPH"), an affiliate of Hazel, as the lender and administrative agent, which provides for up to \$80 million (with a 40% original issue discount), consisting of a Term Loan A commitment to fund up to \$30 million in proceeds (in multiple installments), and a Term Loan B Commitment to fund up to \$18 million in proceeds (in multiple installments), the funding of each conditioned on certain milestones. The amended terms to the Working Capital Credit Facility were memorialized in the Second Amended and Restated First Lien Credit Agreement dated November 10, 2023.

As of June 30, 2024, the Company had received funding with an aggregate amount of \$20.5 million under Term Loan A, which was terminated in 2023. The parties agreed to increase the Term Loan B commitment from \$18 million to \$27.5 million, after giving effect to the original issue discount on the Working Capital Credit Facility, which would be funded in multiple installments and in accordance with the terms of the Working Capital Credit Facility. During the six months ended June 30, 2024, the Company received funding with an aggregate amount of \$4.5 million under Term Loan B.

On August 2, 2024, Subrogation Holdings entered into a letter agreement to amend the Second Amended and Restated Credit Agreement (the "HPH Letter Agreement") with HPH, which: (i) extended the period to draw up to \$23.3 million (with a 40% original issue discount) for working capital, accessible in eight tranches of \$1.75 million, that can be drawn at least one month apart, until September 2025; and (ii) provides for a \$3.3 million loan (with a 40% original issue discount) to be funded by August 31, 2024 for the purpose of acquiring additional Claims (the "New Claims") that will further collateralize the Working Capital Credit Facility (collectively, (i) and (ii) the "Operational Collection Floor"). On August 2, 2024, the Company received funding of \$3.5 million under the Operational Collection Floor for July and August 2024, leaving another \$10.5 million of capacity under the Operational Collection Floor.

Amounts borrowed and obligations under the Working Capital Credit Facility are secured by a pledge of proceeds from certain Claims in the Company's Claims portfolio, with the lien securing the Purchase Money Loan being subordinated and junior to the lien securing the Working Capital Credit Facility. Pursuant to the Second Amended and Restated First Lien Credit Agreement, and in order to secure those additional advances of Term Loan B beginning in January 2024, the following was provided as additional collateral: (i) a pledge of proceeds from certain Claims in the Company's Claims portfolio, up to \$14 million; (ii) a pledge of the equity interests in an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada; (iii) a mortgage on real property owned by an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada (the "Mortgage"); and (iv) a personal guaranty by Messrs. John H. Ruiz and Frank C. Quesada, as primary obligors, guaranteeing those additional advances of Term Loan B beginning in January 2024 (the "Personal Guaranty"). Pursuant to the HPH Letter Agreement, Term Loan A and Term Loan B of the Working Capital Credit Facility are subordinated to the Operational Collection Floor and collateralized by the New Claims. Once: (x) the principal amount of the Operational Collection Floor has been repaid in full (including any original issue discount), or (y) the drawn amounts under the Operation Collection Floor as of December 31, 2024 are repaid in full (on a drawn and funded basis) on a dollar per dollar basis by such date, HPH shall fully release the Mortgage and the Personal Guarantee.

In addition, as discussed in Note 4, *Asset Acquisitions*, on March 29, 2023 the Company entered into the Purchase Money Loan with Hazel in the amount of \$250.0 million.

Loans under the Working Capital Credit Facility accrue interest at a Term Secured Overnight Financing Rate for 12-month interest period, plus an applicable margin of 10% per annum. Accrued interest on the Working Capital Credit Facility is payable in kind and will be capitalized. The Working Capital Credit Facility has a stated maturity date of March 31, 2026, and HPH may extend for up to one year in its sole discretion. The Purchase Money Loan accrues interest at a rate of 20% per annum, payable in kind or in cash at the Company's discretion. The Purchase Money Loan has a maturity date of March 31, 2026, extendable up to one year in Hazel's sole discretion.

The Company is permitted to prepay the loans under the Working Capital Credit Facility from time to time without prepayment premium. Prepayment of the Purchase Money Loan will be permitted after the prepayment or repayment of loans under the Working Capital Credit Facility, and such prepayment of the Purchase Money Loan may be subject to prepayment penalty, as applicable.

The Purchase Money Loan and the Working Capital Credit Facility contain certain representations, warranties, and covenants of the Company and its subsidiaries, including restrictions on debt incurrence, liens, investments, affiliate transactions, distributions and dividends, fundamental changes, certain debt prepayments, and Claim settlement.

As discussed in Note 4, *Asset Acquisitions*, amounts borrowed and obligations under the Purchase Money Loan and the Working Capital Credit Facility are secured by a pledge of proceeds from certain Claims in the Company's Claims portfolio, with the lien securing

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the Purchase Money Loan being subordinated and junior to the lien securing the Working Capital Credit Facility. Pursuant to the Purchase Money Loan and the Working Capital Credit Facility, the Company entered into a collateral administrative agreement between the Company and HPH, which sets forth certain arrangements between the Company and HPH in relation to the management of the litigation of certain Claims owned by the Company, the proceeds of which are due to the Company, and were pledged to Hazel and HPH to secure the Purchase Money Loan and the Working Capital Credit Facility, respectively. The Company is responsible for certain fees and expenses related to an independent representative nominated by the Company and Hazel; however, Hazel has agreed to fully reimburse the Company for any such fees and expenses.

Amended and Restated Nomura Promissory Note

On April 12, 2023, the Company amended and restated the promissory note originally issued on May 27, 2022 (the “First Amended and Restated Nomura Note”), increasing the principal amount to approximately \$26.3 million, increasing the interest rate from 8.0% to 16% per annum, and extending the maturity date of the promissory note to September 30, 2024. On November 13, 2023, the Company amended and restated the First Amended and Restated Nomura Note (the “Second Amended and Restated Nomura Note”) to (a) increase the principal amount to approximately \$28.9 million, (b) extend the maturity date to December 31, 2024, and (c) permit the Company to use the proceeds of an at-the-market offering to repay indebtedness incurred by the Company for which the proceeds are used for operating expenses, subject to certain enumerated restrictions.

On March 26, 2024, the Company amended and restated the Second Amended and Restated Nomura Note (the “Third Amended and Restated Nomura Note”) to: (a) increase the principal amount to approximately \$30.0 million, and (b) extend the maturity date to September 30, 2025. The Third Amended and Restated Nomura Note carries an interest rate of 16% per annum and is payable in kind or in cash, at the Company’s discretion, every 30 calendar days after March 26, 2024. Upon two days prior written notice to Nomura, the Company may prepay all or any portion of the then outstanding principal amount under the promissory note together with all accrued and unpaid interest thereon. The balance of the unsecured promissory note and related interest are included within Claims financing obligations and notes payable in the condensed consolidated balance sheet.

Committed Equity Facility

On November 14, 2023, the Company entered into the Yorkville SEPA with Yorkville. Pursuant to the Yorkville SEPA, the Company has the right to sell to Yorkville up to \$250.0 million of its shares of common stock, subject to certain limitations and conditions set forth therein, from time to time during the term of the Yorkville SEPA. In connection with the Yorkville SEPA, and subject to the conditions set forth therein, Yorkville advanced to the Company, in the form of Convertible Notes, an aggregate principal amount of \$15.0 million, resulting in net proceeds to the Company of \$14.2 million.

For additional information on the Yorkville SEPA and Convertible Notes, refer to Note 1, *Description of the Business - Yorkville Purchase Agreement and Yorkville Standby Equity Purchase Agreement*.

Note 11. WARRANT LIABILITY

When the Company issues warrants, it evaluates the proper balance sheet classification of the warrant to determine whether it should be classified as equity or as a derivative liability on the consolidated balance sheets. In accordance with ASC 815-40, “*Derivatives and Hedging-Contracts in the Entity’s Own Equity*” (“ASC 815-40”), the Company classifies a warrant as equity so long as it is “indexed to the Company’s equity” and several specific conditions for equity classification are met. A warrant is not considered indexed to the Company’s equity, in general, when it contains certain types of exercise contingencies or adjustments to the exercise price. If a warrant is not indexed to the Company’s own common stock or it has net cash settlement that results in the warrants to be accounted for under ASC 480, “*Distinguishing Liabilities from Equity*”, or ASC 815-40, it is classified as a derivative liability which is carried on the consolidated balance sheet at fair value with any changes in its fair value recognized currently in the statement of operations.

On May 17, 2022, the Company and CF Principal Investments LLC (“CF”) entered into an agreement for an OTC Equity Prepaid Forward Transaction (the “Prepaid Forward”). Pursuant to the terms of the Prepaid Forward, CF agreed to, among other things, transfer to MSP for cancellation any New Warrants received as a result of being the stockholder of record of any shares of Class A Common Stock as of the close of business on the closing date of the Business Combination, in connection with the New Warrant Dividend, On January 12, 2024, CF transferred 133,291,502 New Warrants to the Company, which were canceled upon receipt.

As of June 30, 2024, the Company had recognized a warrant liability for the following securities which are convertible into, or allow the purchase of, our Class A Common Stock, including: (i) 2,950,157 Public Warrants outstanding, each exercisable to purchase 1/25th of one share of our Class A Common Stock (but only exercisable in lots of 25 to purchase whole shares); (ii) 894,754,824 New Warrants outstanding, each exercisable to purchase 1/25th of one share of our Class A Common Stock (but only exercisable in lots of 25 to purchase whole shares); (iii) the CPIA Warrant, exercisable to purchase 2,666,667 shares of Class A Common Stock at a purchase price of \$0.0025 per share; (iv) the VRM Warrants, exercisable to purchase 86,427,341 shares of Class A Common Stock at a purchase

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price of \$0.0001 per share; and (v) warrants to Virage Recovery Participation, LP, exercisable to purchase 2,500,000 shares of Class A Common Stock at a purchase price of \$0.0001 per share.

The warrant liability includes the mark-to-market fair value of the warrants discussed above. The fair value of the warrant liability is derived considering the potential shares issuable for each warrant and using the price of the Company's Class A Common Stock as of the most recent balance sheet date, which is a quoted price in active markets.

The table below presents a roll-forward of the warrant liability from December 31, 2023 to June 30, 2024:

<i>in thousands</i>	Warrant Liability
Balance at December 31, 2023	\$ (268)
Issuance of new warrants	(117,055)
Change in fair value of outstanding warrants	76,362
Balance at June 30, 2024	\$ (40,961)

A summary of activity of the shares resulting from the exercise of warrants during the six months ended June 30, 2024 is as follows:

	# of Shares	Weighted Average Exercise Price
Balance at December 31, 2023	35,908,200	\$ 286.56
Issued	48,517,817	\$ 0.0001
Exercised	—	\$ —
Expired	—	\$ —
Balance at March 31, 2024	84,426,017	\$ 121.88
Issued	40,409,524	\$ 0.0001
Exercised	—	\$ —
Expired	—	\$ —
Balance at June 30, 2024	124,835,541	\$ 82.43

The table above does not include the CPIA Warrant as the value has been determined to be zero, as discussed in Note 10, *Claims Financing Obligations and Notes Payable*. Refer to Note 3, *Business Combination*, for discussion of the terms of the Public Warrants and New Warrants, and to Note 4, *Asset Acquisitions*, for discussion of the terms of the VRM Warrants.

Note 12. NONCONTROLLING INTEREST

The non-controlling interest balance primarily represents the Up-C Units of the Company held by the Members. The following table summarizes the ownership of Units in the Company as of June 30, 2024:

	Common Stock	Ownership Percentage
Ownership of Class A Common Stock	18,630,980	13.1%
Ownership of Class V Common Stock	124,067,498	86.9%
Balance at end of period	142,698,478	100.0%

The non-controlling interest holders have the right to exchange Up-C Units, at the Company's option, for (i) cash or (ii) one share of Class A Common Stock, subject to the provisions set forth in the LLC Agreement. As such, future exchanges of Up-C Units by non-controlling interest holders will result in a change in ownership and reduce or increase the amount recorded as non-controlling interest and increase or decrease additional paid-in-capital or retained earnings when the Company has positive or negative net assets, respectively. As of June 30, 2024, 2.7 million Up-C Units have been exchanged into shares of Class A Common Stock.

In addition to the non-controlling interest related to Up-C Units, the Company also has non-controlling interests related to the Series as noted in Note 9, *Variable Interest Entities*, and MAO-MSO Recovery LLC Series FHCP ("FHCP"), which is a non-wholly owned subsidiary of MSP Recovery, LLC. In accordance with FHCP's operating agreement, the noncontrolling member is entitled to a preferred return of 20% per annum (the "Preferred Return"). Once the Preferred Return has been met, the noncontrolling member is entitled to 80% of Claims recoveries by FHCP. The controlling member is allocated 100% of the costs of FHCP. Since the Preferred Return exceeds the total members' equity of FHCP as of both June 30, 2024 and December 31, 2023, the non-controlling interest also includes \$4.3 million representing the entire members' equity of FHCP.

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Note 13. COMMITMENTS AND CONTINGENCIES

The Company is subject to certain legal proceedings, claims, investigations, and administrative proceedings in the ordinary course of its business. The Company records a provision for a liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Depending on the nature and timing of any such proceedings that may arise, an unfavorable resolution of a matter could materially affect the Company's future results of operations, cash flows or financial position in a particular period.

The Company pursues claims recoveries through settlement, arbitration and legal proceedings. The accounting policy for these activities is discussed under Claims recovery income in Note 2, *Basis of Presentation And Summary of Significant Accounting Policies*, in our 2023 Form 10-K.

A significant majority of the Company's expected recoveries arise from Claims brought pursuant to the private cause of action under the Medicare Secondary Payer Act ("MSP Act"). This law allows the Company to pursue recoveries against primary payers for reimbursement of medical expenses that the Company's Assignors paid for when primary payers (i.e., liability insurers) were responsible for payment. On May 16, 2023, the Repair Abuses of MSP Payments Act (the "RAMP Act") was introduced in the U.S. Senate and the U.S. House of Representatives, respectively, seeking to amend the private cause of action under the Medicare Secondary Payer Act, by striking "primary plan" and inserting "group health plan" into the existing text. As there is no indication that the RAMP Act is intended to be enacted retroactively, it should not have any effect on the recoverability of historical claims. To the extent that the Company has recovery rights in claims that have not yet been sought, or to the extent that the Company is assigned additional claims that may otherwise have been entitled to recoveries under the MSP Act, the passing of the RAMP Act could impact the Company's ability to pursue recoveries on those prospective claims.

Investigations

As previously disclosed, on August 11, 2022, the Securities and Exchange Commission (the "SEC") initiated an investigation of the Company, and requested documents relating to, among other matters, the Business Combination transaction with Lionheart Acquisition Corporation II consummated on May 23, 2022, certain historical and projected financial results, investor agreements, and data analytic platforms and Algorithms. The Company received a subpoena dated March 1, 2023 from the SEC regarding the aforementioned subject matter, and subsequently received a subpoena on May 10, 2023, in connection with the investigation relating to, among other matters, the Company's projections and the accounting and valuation of certain assets that were the basis for the Company's determination that its quarterly financial statements for the periods ended June 30, 2022 and September 30, 2022 require restatements and should no longer be relied upon, as disclosed in the Company's Form 8-K on April 14, 2023. On August 16, 2023, the Company received an additional subpoena from the SEC regarding certain funding sources of the Company prior to the Business Combination, various statements and disclosures by the Company in connection with, and following, the Business Combination, certain historical and projected financial results, and data analytic platforms and Algorithms used to identify potential recoveries. The Company intends to fully cooperate with the SEC in responding to the subpoenas.

In addition, on March 10, 2023, the Company received a subpoena from the U.S. Attorney's Office ("USAO") in connection with a grand jury investigation in the U.S. District Court for the Southern District of Florida requesting certain information concerning the Company, which subpoena requests documents relating to, among other matters, the Company's proprietary Algorithms and other software used to identify potentially recoverable claims, the drop in the price of the Company's common stock following the Business Combination, and certain marketing materials and investment agreements presented to potential investors. On July 18, 2024, the Company received an additional subpoena from the USAO, requesting documents related to a recent press release. To the best of the Company's knowledge, the Department of Justice has not issued any target letters to anyone associated with the Company as a result of this investigation. (The United States Attorney's Manual states that a "target" is a person as to whom the prosecutor or the grand jury has substantial evidence linking him or her to the commission of a crime and who, in the judgment of the prosecutor, is a putative defendant.)

The Company has cooperated, and will continue to cooperate, fully with these inquiries. On April 16, 2023, a special committee of the Board of Directors was formed, which along with external advisors retained thereby, reviewed matters related to the preparation and filing of the 2022 Annual Report on Form 10-K and the subject matter of information requests related to the foregoing subpoenas received prior to June 2023. Based on that review, and the nature of the documents requested in the subsequent subpoena, the Company believes that the investigations will be resolved without any material developments; however, there can be no assurance as to the outcome or future direction thereof.

Cano Health, LLC

On August 10, 2023, MSP Recovery sued Cano Health, LLC ("Cano") in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida for declaratory relief and anticipatory breach of the CCRA, Purchase Agreement, and a Service

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Agreement (collectively, the “Cano Agreements”) between the parties. On the same day, Cano sued the Company in the same court, alleging fraud in the inducement, breach of contract, tortious interference, and unjust enrichment relating to the Cano Agreements. The Company has outstanding a \$5.0 million receivable from Cano; however, due to Cano’s Quarterly Report on Form 10-Q for the June 30, 2023 period, which includes a substantial doubt about its ability to continue as a going concern, and subsequent Chapter 11 bankruptcy filing on or about February 5, 2024, the Company established a reserve for the balance due under such receivable during 2023. These matters were automatically stayed as a result of Cano’s bankruptcy filing.

On January 4, 2024, Cano sued Simply Healthcare Plans, Inc. (“Simply”) and the Company and affiliated entities seeking a declaratory judgment to determine whether the Cano Purchase Agreement should be rescinded, and whether Cano or the Company have standing to recover on claims assigned to the Company against Simply under the Cano Purchase Agreement. Cano also seeks damages from Simply relating to the claims assigned to the Company under the Cano Purchase Agreement. The Company intends to vigorously assert its position in all Cano related litigation.

Note 14. FAIR VALUE MEASUREMENTS

The Company has no assets that are measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023. There were no assets or liabilities measured at fair value on a non-recurring basis during the three months ended June 30, 2024. Liabilities measured at fair value on a recurring basis as of June 30, 2024, are summarized as follows:

<i>in thousands</i>	Level	June 30, 2024	December 31, 2023
Derivative liability	3	\$ 128	\$ 37
Warrant liability	2	40,961	268
Total		\$ 41,089	\$ 305

The following table details the roll-forward of the Level 3 liabilities during the six months ended June 30, 2024:

<i>in thousands</i>	Derivative liability
Balance at December 31, 2023	\$ (37)
Change in fair value of derivative liability	(78)
Issuance of note	(13)
Balance at June 30, 2024	<u>\$ (128)</u>

As of June 30, 2024, the certain embedded features within the Yorkville SEPA are treated as a derivative liability and changes in the fair value were recognized in the change in fair value of warrant and derivative liabilities in the condensed consolidated statements of operations. The embedded derivative liability is valued at each of the reporting period; the following table details the significant market-based inputs:

	June 30, 2024	December 31, 2023
Price of Common Stock	\$ 0.46	\$ 2.27
Volatility	40%	40%
Market Risk Spread	11.58%	12.37%
Expected Term (in years)	1.25	1.25

Note 15. RELATED PARTY TRANSACTIONS

Loans from related parties

The Company has an unsecured promissory note in an aggregate principal amount of \$112.8 million (the “Promissory Note”) to John H. Ruiz and Frank C. Quesada, the Company’s Chief Executive Officer and director and Chief Legal Officer and director, respectively (collectively, the “MSP Principals”), in exchange for the MSP Principals agreeing to provide cash to pay transaction costs related to the Merger, pay down affiliate payable balances, and provide operating cash to the Company. In addition to the amounts in the Promissory Note, at the merger date with LCAP, the MSP Principals contributed \$13.0 million through funds that had been loaned to VRM MSP to cover related service fees. The Promissory Note as well as the amount contributed at the merger date bear interest at an annual rate of 4%, payable in kind, and will mature on June 16, 2026, the four-year anniversary of the issuance. The Promissory Note is payable by the Company at any time, without prepayment penalties, fees, or other expenses. During the three and six months ended June 30, 2024 and 2023, the Company recorded \$1.3 million and \$2.5 million, respectively, of interest expense related to the Promissory Note.

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A portion of the proceeds under the Promissory Note in an amount equal to \$36.5 million was advanced to the Law Firm, an affiliate of certain Members, for certain operating expenses pursuant to a legal services agreement. This amount is reflected in prepaid expenses and other current assets within the condensed consolidated balance sheets and had a balance of \$1.7 million and \$7.7 million as of June 30, 2024 and December 31, 2023, respectively. The advances of Law Firm expenses are reflected in Professional fees – legal within the condensed consolidated statement of operations. The advances are expensed as incurred, as the Company does not have recourse to any amounts incurred should Law Firm fail to secure recoveries, although it does have recourse to any amounts advanced that have not been incurred as an expense.

Under the legal services agreement, Company shall advance certain of Law Firm’s monthly expenses, including payroll and overhead; however, should Law Firm earn fees under the legal service agreements (the “Existing LSAs”) noted below, net of pre-existing obligations including payments to co-counsel sufficient to cover its monthly expenses, Company is entitled to reimbursement of the advance of said monthly expenses. Further, to the extent that Law Firm earns a surplus of fees in excess of its monthly expenses, said surplus shall be used to reimburse past amounts of Law Firm’s monthly expenses that Company advanced. For the three and six months ended June 30, 2024, approximately \$3.0 million and \$6.0 million, respectively, of the \$36.5 million advanced by the Company to the Law Firm has been incurred for expenses pursuant to the legal services agreement.

Founders’ Pledge - Claims Proceeds Investment Agreement

As disclosed in Note 10, the Founders pledge 50 million shares to secure payment of the original principal amount of the CPIA. Refer to Note 10, *Claims Financing Obligations and Notes Payable*.

Legal Services – Law Firm

Certain Company entities have previously entered into the Existing LSAs with the Law Firm, an affiliate of certain Members, for the recovery of Claims. Pursuant to the terms of the Existing LSAs, the Law Firm provides the Company with investigation, case management, research and legal services in the pursuit of recovery of Claims in exchange for a portion of the recovered proceeds relating to such Claims. The Existing LSAs also provide that the Law Firm serves as lead counsel or co-lead counsel for any litigation relating to such Claims. As of June 30, 2024 and December 31, 2023, there was no amount due, as amounts paid through the prepaid noted above had covered amounts of existing LSAs due to the Law Firm for Claim recoveries. For the three and six months ended June 30, 2024 and 2023, \$3.0 million and \$6.0 million, and \$4.7 million \$8.9 million, respectively, was included in Professional fees – legal, for expenses related to the Law Firm in the condensed consolidated statements of operations. The amounts are related to the payment of Law Firm expenses as noted above.

In addition, during fiscal year 2023, the Company issued an unsecured promissory note in an aggregate principal amount of \$4.95 million to the Law Firm, to provide general operational funding (the “Law Firm Loan”). The aggregate unpaid principal amount of this promissory note is due 24 months from the date of the most recent advance from the Second Amended and Restated First Lien Credit Agreement is made. As of June 30, 2024, this promissory note is due on January 15, 2026. This promissory note does not carry interest and is payable by the Company at any time, without prepayment penalties, fees, or other expenses. On March 4, 2024, the Board authorized the partial repayment of the Law Firm Loan in the amount of \$0.4 million, which funds were to be used for the express purpose of paying property taxes on real property owned and pledged by the MSP Principals to HPH as collateral in connection with the Working Capital Credit Facility.

For the three and six months ended June 30, 2024, \$3.4 thousand and \$42.6 thousand, respectively, were included in cost of revenue for expenses related to the Law Firm in the condensed consolidated statements of operations. For the three and six months ended June 30, 2023, no amounts of cost of revenue for expenses related to the Law Firm were included in the condensed consolidated statements of operations.

The Law Firm may also collect and/or hold cash on behalf of the Company in the ordinary course of business. As of June 30, 2024 and December 31, 2023, \$0.9 million and \$0.8 million, respectively, was due from the Law Firm and included in the condensed consolidated balance sheets in Affiliate Receivable. In addition, the Company rents office space from the Law Firm as discussed in Note 8, *Leases*.

MSP Recovery Aviation, LLC

The Company may make payments related to operational expenses on behalf of its affiliate, MSP Recovery Aviation, LLC (“MSP Aviation”). The Company has made payments in the periods of the financial statements only related to specifically billed flights. As of both June 30, 2024 and December 31, 2023, \$0.2 million was due from MSP Aviation and included in the condensed consolidated balance sheets in Affiliate Receivable. For the three and six months ended June 30, 2024, \$46.6 thousand and \$91.7 thousand was included in General and Administrative expenses related to MSP Aviation in the condensed consolidated statements of operations. For the three and six months ended June 30, 2023, there were no expenses related to MSP Aviation included in the condensed consolidated statements of operations.

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Funds Held for Other Entities

The Company may collect and/or hold cash on behalf of its affiliates in the ordinary course of business. As of both June 30, 2024 and December 31, 2023, \$19.8 million was due to affiliates of the Company and included in the condensed consolidated balance sheets in Affiliate Payable. These amounts were primarily due to Series MRCS, and will be repaid either through excess cash flows from operations or other financing. The Company also has a note payable with Series MRCS, which as of both June 30, 2024 and December 31, 2023, the balance was \$0.5 million and included in the condensed consolidated balance sheets in Claims financing obligation and notes payable.

As of both June 30, 2024 and December 31, 2023, there were additional receivables from other affiliates of \$0.2 million. These were included in the condensed consolidated balance sheets in Affiliate Receivable.

VRM MSP

The Company concluded that VRM MSP is a related party due to ownership interests in the entity held by the MSP Recovery and Series MRCS. For the three and six months ended June 30, 2024 and 2023, the Company recorded \$76.1 million and \$149.5 million, and \$54.3 million and \$91.4 million, respectively, for interest expense related to the VRM Full Return and Virage MTA Amendment.

Virage

As discussed in Note 4, *Asset Acquisitions*, the Initial Virage Warrant, as amended, was issued effective January 1, 2024. Until our obligations to Virage are paid in full, the Company has the option every month to continue to pay Virage in one or a combination of: (a) cash, in an amount equal to 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and/or (b) the issuance of subsequent Monthly Virage Warrants.

Refer to Note 4, *Asset Acquisitions*, for the listing of warrants issued during the three and six months ended June 30, 2024.

Pursuant to a purchase agreement dated March 4, 2024, and as disclosed on a Form 4 dated March 4, 2024 filed by Mr. John H. Ruiz, the Company's Chief Executive Officer, the Company issued 438,596 unregistered shares of Class A Common Stock to Virage in satisfaction of certain obligations of the Company, which shares were subsequently purchased from Virage by Mr. Ruiz.

Working Capital Credit Facility Collateral

Pursuant to the Second Amended and Restated First Lien Credit Agreement, and in order to secure those additional advances of Term Loan B beginning in January 2024, the Company approved for Messrs. John H. Ruiz and Frank C. Quesada to provide, as additional collateral, the following: (i) a pledge of the equity interests in an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada; (ii) a mortgage on real property owned by an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada (the "Mortgage"), and (iii) a personal guaranty by Messrs. John H. Ruiz and Frank C. Quesada, as primary obligors, guaranteeing those additional advances of Term Loan B beginning in January 2024 (the "Personal Guaranty"). On December 22, 2023, our Board approved the Company's payment of certain costs and fees (including legal fees) on behalf of John H. Ruiz and Frank C. Quesada, associated with the mortgage granted in connection with said guaranty, totaling \$0.1 million. On March 4, 2024, the Board authorized the partial repayment of the Law Firm Loan in the amount of \$0.4 million, which funds were to be used for the express purpose of paying property taxes on real property owned and pledged by the MSP Principals to HPH as collateral in connection with the Working Capital Credit Facility.

On August 2, 2024, Subrogation Holdings entered into a letter agreement to amend the Second Amended and Restated Credit Agreement (the "HPH Letter Agreement") with HPH, which: (i) extended the period to draw up to \$23.3 million (with a 40% original issue discount) for working capital, accessible in eight tranches of \$1.75 million, that can be drawn at least one month apart, until September 2025; and (ii) provides for a \$3.3 million loan (with a 40% original issue discount) to be funded by August 31, 2024 for the purpose of acquiring additional Claims (the "New Claims") that will further collateralize the Working Capital Credit Facility (collectively, (i) and (ii) the "Operational Collection Floor"). Pursuant to the HPH Letter Agreement, Term Loan A and Term Loan B of the Working Capital Credit Facility are subordinated to the Operational Collection Floor and collateralized by the New Claims. Once (x) the principal amount of the Operational Collection Floor has been repaid in full (including any original issue discount), or (y) the drawn amounts under the Operational Collection Floor as of December 31, 2024 are repaid in full (on a drawn and funded basis) on a dollar per dollar basis by such date, HPH shall fully release the Mortgage and the Personal Guarantee.

Note 16. NET LOSS PER COMMON SHARE

Basic earnings per share of Class A Common Stock is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of Class A Common Stock outstanding during the period. Diluted earnings per share of Class A Common Stock is computed by dividing net income attributable to common shareholders adjusted for the assumed exchange of all potentially dilutive securities, by the weighted-average number of shares of Class A Common Stock outstanding adjusted to give effect

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to potentially dilutive elements. Diluted loss per share for all periods presented is the same as basic loss per share as the inclusion of the potentially issuable shares would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share of Class A Common Stock:

<i>(In thousands except shares and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator - basic and diluted:				
Net loss	\$ (211,848)	\$ (210,829)	\$ (388,448)	\$ (384,975)
Less: Net loss attributable to the non-controlling interests	186,712	202,609	344,430	371,839
Net loss attributable to MSP Recovery, Inc.	\$ (25,136)	\$ (8,220)	\$ (44,018)	\$ (13,136)
Denominator – basic and diluted:				
Weighted-average shares of Class A common stock outstanding – basic	16,924,213	4,942,592	15,969,047	4,247,349
Weighted-average shares of Class A common stock outstanding – dilutive	16,924,213	4,942,592	15,969,047	4,247,349
Earnings per share of Class A common stock – basic	\$ (1.49)	\$ (1.66)	\$ (2.76)	\$ (3.09)
Earnings per share of Class A common stock – diluted	\$ (1.49)	\$ (1.66)	\$ (2.76)	\$ (3.09)

Shares of the Company’s Class V Common Stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class V Common Stock under the two-class method has not been presented.

In the calculation for earnings per share for the three and six months ended June 30, 2024, the Company excluded from the calculation of diluted earnings per share 125,037,300 shares of Class V Common Stock, 2,950,157 Public Warrants outstanding, 2,666,667 shares issuable upon the exercise of the CPIA Warrant, 894,754,824 New Warrants outstanding, and 107,258,512 VRM Warrants outstanding because their effect would have been anti-dilutive.

In the calculation for earnings per share for the three and six months ended June 30, 2023, the Company excluded from the calculation of diluted earnings per share 124,264,645 shares of Class V Common Stock, 3,084,703 Public Warrants outstanding, 2,666,667 CPIA Warrants, and 1,028,046,326 shares of New Warrants outstanding because their effect would have been anti-dilutive.

Note 17. SUBSEQUENT EVENTS

Amendments to the Working Capital Credit Facility

On August 2, 2024, Subrogation Holdings entered into a letter agreement to amend the Second Amended and Restated Credit Agreement (the “HPH Letter Agreement”) with HPH, which: (i) extended the period to draw up to \$23.3 million (with a 40% original issue discount) for working capital, accessible in eight tranches of \$1.75 million, that can be drawn at least one month apart, until September 2025; and (ii) provides for a \$3.3 million loan (with a 40% original issue discount) to be funded by August 31, 2024 for the purpose of acquiring additional Claims (the “New Claims”) that will further collateralize the Working Capital Credit Facility (collectively, (i) and (ii) the “Operational Collection Floor”). Pursuant to the HPH Letter Agreement, Term Loan A and Term Loan B of the Working Capital Credit Facility are subordinated to the Operational Collection Floor and collateralized by the New Claims. Once (x) the principal amount of the Operational Collection Floor has been repaid in full (including any original issue discount), or (y) the drawn amounts under the Operational Collection Floor as of December 31, 2024 are repaid in full (on a drawn and funded basis) on a dollar per dollar basis by such date, HPH shall fully release the Mortgage and the Personal Guarantee.

On August 2, 2024, the Company received funding of \$3.5 million under the Operational Collection Floor for July and August 2024, leaving another \$10.5 million of capacity under the Operational Collection Floor.

Comprehensive Settlement with Affiliated Property and Casualty Insurers

On July 16, 2024, the Company reached a comprehensive settlement with five affiliated property and casualty insurers (the “July 2024 Settlers”). The terms of the confidential settlement agreement include:

- The July 2024 Settlers’ agreement to provide ten years of historical data (identifying all Claims processed from January 1, 2014, through the effective date) and data sharing of future Claims, extending out for one year, assisting the Company in reconciling its current and future assigned Medicare Claims to be able to collect on owned Claims that are owed as a result of failure to pay or reimburse;
- The July 2024 Settlers’ implementation of the Company’s MSP Recovery Clearinghouse solution;

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- A 10-year agreement to resolve cooperatively, or through binding mediation, relevant Medicare claims (liens) that the Company acquires in the future and non-Medicare claims that it owns today; and
- The July 2024 Settlers' agreement that they may be primary payers for any unreimbursed Medicare lien that the Company identifies from data sharing, and the property and casualty insurer's agreement to assign all rights to collect against other third parties that either failed to pay liens or collected twice from Medicare funds and the Second Additional P&C Insurers.
- A confidential cash payment from the July 2024 Settlers to settle existing historical Claims.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context requires otherwise or unless otherwise noted, all references in this Quarterly Report on Form 10-Q (“Quarterly Report”) to “LifeWallet,” the “Company,” “we,” “us,” or “our” are to MSP Recovery, Inc., d/b/a LifeWallet, a Delaware corporation. The following discussion and analysis provides information that the Company’s management believes is relevant to an assessment and understanding of the Company’s condensed consolidated results of operations and financial condition. The discussion should be read together with our 2023 Annual Report on Form 10-K for the year-ended December 31, 2023 and our condensed consolidated financial statements and the related notes and other information included elsewhere in this Quarterly Report. This discussion may contain forward-looking statements based upon the Company’s current expectations, estimates, and projections that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements due to, among other considerations, the matters discussed under “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.”

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained in this Quarterly Report on Form 10-Q are forward-looking and constitute forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. Forward-looking statements may generally be identified by the use of words such as “anticipate,” “believe,” “could,” “expect,” “intend,” “plan,” “predict,” “may,” “should,” and “will” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts, including, for example, guidance for portfolio recoverability. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As a result, these statements are not guarantees of future performance or results and actual events may differ materially from those expressed in or suggested by the forward-looking statements. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our industry, business, and operations, we cannot guarantee that actual results will not differ materially from our expectations. In evaluating such forward-looking statements, you should specifically consider various factors, including the risks outlined under “Risk Factors.” Any forward-looking statement made by the Company herein speaks only as of the date made. The discussion of risks and uncertainties set forth in this Form 10-Q is not necessarily a complete or exhaustive list of all risks facing the Company at any particular point in time. New risks and uncertainties come up from time to time, and it is not possible for management to predict or identify all such events or to assess either the impact of all such risk factors on our business or the extent to which any individual risk factor, combination of factors, or new or altered factors, may cause results to differ materially from those contained in any forward-looking statement. The Company has no obligation, and does not intend, to update any forward-looking statements after the date hereof for any reason, even if new information becomes available in the future, except as required by federal securities laws. Factors that could cause these differences include, but are not limited to, the Company’s ability to capitalize on its assignment agreements and recover monies that were paid by the Assignors; the inherent uncertainty surrounding settlement negotiations and/or litigation, including with respect to both the amount and timing of any such results; the validity of the assignments of Claims to the Company; the ability to successfully expand the scope of our Claims or obtain new data and Claims from the Company’s existing Assignor base or otherwise; the Company’s ability to innovate and develop new solutions, and whether those solutions will be adopted by the Company’s existing and potential Assignors; negative publicity concerning healthcare data analytics and payment accuracy; compliance with the listing standards of The Nasdaq Capital Market; and those other factors listed under “Risk Factors” below and elsewhere in this Form 10-Q and other reports filed by the Company with the SEC.

Our Business

We are a leading healthcare recovery and data analytics company. We focus on the Medicare, Medicaid, and commercial insurance spaces. We are disrupting the antiquated healthcare reimbursement system, using data and analytics to identify and recover improper payments made by Medicare, Medicaid, and commercial health insurers.

Medicare and Medicaid are payers of last resort. Too often, they end up being the first and only payers, because the responsible payer is not identified or billed. As Medicare and Medicaid pay a far lower rate than what other insurers are often billed, this costs the healthcare system (and the supporting taxpayers) tens of billions of dollars a year in improper billing and lost recoveries. By discovering, quantifying, and settling the billed-to-paid gap on a large-scale basis, the Company is positioned to generate meaningful annual recovery revenue at high profit margins.

Our access to large volumes of data, sophisticated data analytics, and a leading technology platform provide a unique opportunity to discover and recover on Claims. We have developed Algorithms to identify waste, fraud, and abuse in the Medicare, Medicaid, and commercial health insurance segments. Our team of experienced data scientists and medical professionals analyze historical medical Claims data to identify recoverable opportunities. Once potential recoveries are reviewed by our team, they are aggregated and pursued. Through statutory law and case law, we believe we have an established basis for future recoveries.

We differ from our competitors as we receive our recovery rights through irrevocable assignments of Claims. Rather than provide services under a third-party vendor services contract, we receive the rights to certain Recovery Proceeds from our Assignors. As assignees, we have control over the direction of the litigation and take on a risk that our competitors do not. We, or our affiliated entities, are the plaintiff in any action filed and have control over the direction of the lawsuit. By receiving Claims through assignment, we can

pursue additional recoveries under numerous legal theories that our competitors cannot. Although we typically own assigned Claims, for a significant portion of assigned Claims, our ability to pursue recoveries depends on our ongoing access to data through data access rights granted to us. In these cases, termination of such data access would substantially impair our ability to generate recoveries on those Claims.

Our current Claims portfolio has scaled significantly. We are entitled to a portion of any recovery rights associated with approximately \$1,546 billion in Billed Amount (and approximately \$368 billion in Paid Amount), which contains approximately \$86.0 billion in Paid Value of Potentially Recoverable Claims, as of June 30, 2024. We believe it would take any competitor significant time to amass the portfolio of Claims rights currently owned by us due to, among things, the volume of our Claims data retained and strength of our data analytics, which we believe are key to attracting new clients that are willing to assign Claims to us.

Healthcare Industry

Our business is directly related to the healthcare industry and is affected by healthcare spending and complexity in the healthcare industry. We estimate that our total potentially serviceable market is over \$150 billion annually. Our primary focus is on the Medicare and Medicaid market segments. Medicare is the second largest government program, with annual expenditures during 2022 of approximately \$944 billion for approximately 65.7 million enrollees. Medicaid has a combined estimated annual expenditure during 2022 of approximately \$805 billion for approximately 88.4 million enrollees. Of the billions spent yearly by Medicare on medical expenses for its beneficiaries, we estimate that at least 10% of this was improperly paid by private Medicare plans.

Our potentially serviceable market is impacted by the expansion or contraction of healthcare coverage and spending, which directly affects the number of Claims available. The Centers for Medicare & Medicaid Services (“CMS”) has projected that health spending will continue to grow at an average rate of 5.4% a year between 2022 and 2031. We also believe reimbursement models may become more complex as healthcare payers accommodate new markets and lines of business and as advancements in medical care increase the number of testing and treatment options available. As reimbursement models grow more complex and healthcare coverage increases, the complexity and number of Claims may also increase, which could impact the demand for our solutions. Such changes could have a further impact on our results of operations.

As of June 30, 2024, approximately 95.6% of our expected recoveries arise from Claims being brought under the Medicare Secondary Payer Act. While we believe the MSP Act has bipartisan support, changes to the laws on which we base our recoveries, particularly the MSP Act, can adversely affect our business. Our ability to generate future revenue is therefore significantly dependent on factors outside our control.

Our Business Model

Recovery Model

In our current business model, we receive irrevocable assignments of health Claim recovery rights through CCRA from a variety of sources including, but not limited to, MAOs, MSOs, HMOs, hospitals, and other at-risk entities. Prior to executing a CCRA, we utilize our proprietary internal data analytics platform to review the set of Claims and identify Claims with possible recovery paths.

Once Claims have been assigned, our data analysts use our proprietary Algorithms to identify potential recoveries. Results are then quality checked by our internal medical team. We contract with the Law Firm and various other law firms across the country to pursue recoveries through the legal system. Where appropriate, Law Firm reaches out to the liable parties to demand payment of amounts that are owed. Prior to litigation, there may be an incentive for the primary insurer to settle. If legal action is required to pursue recovery from primary insurers, we seek “double damages” under the MSP Act.

We engage with each Assignor independently. We are typically entitled to 100% of recoveries pursuant to our CCRA. From those recoveries, we are typically contractually obligated to pay 50% of Net Proceeds to the Assignor. In certain cases, we have purchased the Assignor’s rights to Recovery Proceeds in advance of any collection; therefore, entitling the Company to retain 100% of the Net Proceeds. The “Net Proceeds” of any assigned Claim is defined as the gross amount recovered on an assigned Claim, minus any costs directly traceable to such assigned Claim(s) for which recovery was made. In some instances, we may purchase outright an Assignor’s recovery rights; in such instances, we are entitled to the entire recovery. In some cases, we have entered into arrangements to transfer CCRA or rights to proceeds from CCRA to other parties. Such sales include variable consideration in the form of payments that will be made only upon achievement of certain recoveries or based on a percentage of actual recoveries. We have not yet generated substantial revenue from the recovery model.

MSP Recovery Clearinghouse

We developed the MSP Recovery Clearinghouse, formerly known as MSP Lien Resolver, to identify, quantify, and resolve outstanding liens. By law, Medicare and MA Plans are payers of last resort, making no-fault insurers the primary payers, responsible to exhaust their policy limits to pay for accident-related claims before Medicare bears any responsibility. Healthcare providers often submit Claims for the payment of medical services rendered after an accident to the patient’s health insurer, either seeking “conditional payments,” pending reimbursement by a primary payer, or entirely unaware that a primary payer has payment obligations. Medicare is unable to effectively verify if and how much is owed for any particular claimant if they are not aware that there is a Primary Payer involved.

Federal law requires primary payers to maintain and report the “key identifiers” for all claimants (such as their name, Social Security number, address, etc.) that are used to determine Medicare status on a regular basis and determine all claimant’s Medicare status before settling any injury claim. These steps are required to ensure that Medicare is alerted to primary payer obligations and to seek reimbursement. Primary payers routinely fail to fulfill these two duties, leaving Medicare in the dark and footing the bill. The result is a loophole for insurers, as Medicare relies on primary payer reporting to identify payment or reimbursement obligations. The Company has proved that in some instances primary payers have as little as a 2% reporting rate, thus failing to comply with the law 98% of the time.

The Company developed MSP Recovery Clearinghouse in an effort to reduce or eliminate this problem. MA Plans have and continue to provide claims data to the Company, including lists of beneficiaries along with diagnosis and treatment codes, and payment data. The Company aggregates this data into the MSP Recovery Clearinghouse, which compares the information with other publicly available sources. Proprietary algorithms then analyze these unique data sets against the list of beneficiaries to discover compensable Claims. The MSP Recovery Clearinghouse’s 3-Step Data Comparison & Claim Identification process reveals the full universe of beneficiaries and both reported and unreported Claims.

- Step One: Gather the Data Sets. Through a simple electronic query, primary payers can provide to the MSP Recovery Clearinghouse a report with “key identifiers” for all insureds who have made and/or settled claims.
- Step Two: Discover Reimbursable Claims. The MSP Recovery Clearinghouse applies algorithms and data matching protocols to identify any claimant matches between the primary payer and Medicare Advantage plans, generating a report of what the Primary Payer owes for unreimbursed conditional payments.
- Step 3: Quality Control. The parties engage in quality-control procedures to ensure the validity of the generated report.

The amount owed is calculated and a demand to settle is made. If no agreement can be reached, the litigation moves forward. The MSP Recovery Clearinghouse model may also be used by primary payers to proactively resolve liens and ensure future compliance with federal law.

Chase to Pay

Over time, the Company believes that a large part of the flaws that exist in the marketplace can be significantly improved by the solutions that can be achieved by our “Chase to Pay” model. Chase to Pay is a near real-time analytics driven platform that identifies the proper primary insurer at the point of care or close enough in proximity for payers to determine primary and secondary payers. Chase to Pay is intended to plug into near real-time medical utilization platforms used by providers at the points of care. Rather than allow an MAO to make a wrongful payment whereby the payer needs to chase down the primary payer and collect a reimbursement for the MAO, Chase to Pay is intended to prevent the MAO from making a wrongful payment and ensure that the correct payer pays in the first instance. Furthermore, the primary payer typically will make payments at a higher multiple than the MAO would have paid, and MSP will be entitled to receive its portion of the Recovery Proceeds on the amounts paid by the primary payer. Chase to Pay is powered, in part, by Palantir’s Foundry platform utilizing LifeWallet’s industry knowledge.

As Chase to Pay was designed to work at or around the point of care, it is expected to substantially decrease legal costs of recovery. As a result, when implemented, Chase to Pay is expected to improve the net recovery margin as the recovery multiple grows and variable legal costs to recover decline. As a result of having already received data from insurance carriers we’ve settled with for historical claims, and based on the agreement with said carriers to receive data daily therefrom for one year from the date of the settlement, the Chase to Pay model can be utilized to the extent that we can match the insurance carrier with Claims data received from our Assignors.

Although we have not yet generated revenue from this model, some customers send data to LifeWallet on a monthly or quarterly basis. The Company is working to increase the number of customers that provide daily data outputs. We are currently in the process of determining the pricing and form of these arrangements. As part of our “Chase to Pay” model, we launched LifeWallet in January 2022, a platform powered by our sophisticated data analytics, designed to locate and organize users’ medical records, facilitating efficient access to enable informed decision-making and improved patient care. See the section entitled The LifeWallet Ecosystem for more information about Chase to Pay.

Claims Recovery Services

We may also recognize Claims recovery service revenue from our services to customers to assist those entities with the pursuit of Claims recovery rights. We provide services to other parties to identify recoverable Claims and provide data matching and legal services. Under our Claims recovery services model, we do not own the rights to Claims but provide our services for a fee based on budgeted expenses for the month with an adjustment for the variance between budget and actual expense from the prior month.

We were a party to that certain Recovery Services Agreement (the “MSP RH Series 01 Recovery Services Agreement”), dated as of October 23, 2020, by and between MSP Recovery Holdings Series 01, LLC (“MSP RH Series 01”) and MSP Recovery, pursuant to which MSP Recovery provided services including identifying, processing, prosecuting, and recovering money for certain Claims of MSP RH Series 01. On March 29, 2023, this service fee agreement was terminated in connection with the series agreements discussed in further detail in the *Hazel Transactions* section of Note 4, *Asset Acquisitions*.

The fees received pursuant to this agreement are related to expenses incurred and are not tied to the Billed Amount or potential recovery amounts. Although we believe our future business to be highly tied to the recovery model and Chase to Pay, we will continue to enter into these contracts as the market dictates.

Recent Updates

Recent Settlements

On March 1, 2024, the Company reached a comprehensive settlement (the “March 2024 Settlement”) with 28 affiliated property and casualty insurers (“P&C Insurers”). On April 18, 2024, the Company reached a comprehensive settlement (the “April 2024 Settlement”) with a separate group of affiliated P&C Insurers. On July 16, 2024, the Company reached a comprehensive settlement (the “July 2024 Settlement”) with five affiliated P&C Insurers. The terms of the confidential settlement agreements include:

- The P&C Insurers’ agreement to provide historical data for claimants and also assist the Company in reconciling its relevant current and future assigned Medicare claims;
- An agreement to resolve cooperatively, or through binding mediation, relevant Medicare Claims (liens) that the Company owns today and/or in the future;
- The P&C Insurers’ agreement that they are primary payers for any unreimbursed Medicare lien that the Company identifies from data sharing, and the P&C Insurers’ agreement to assign all rights to collect against other third parties that either failed to pay liens or collected twice from Medicare funds and the P&C Insurers; and
- A confidential cash payment to settle historical Claims.

Under the March 2024 Settlement and July 2024 Settlement, the settling P&C Insurers also agreed to implement the Company’s MSP Recovery Clearinghouse solution.

The revenue generated from the March 2024 Settlement and the April 2024 Settlement is included within the Claims recovery income in the condensed consolidated statement of operations for the six months ended June 30, 2024.

Key Factors Affecting Our Results

Our Claims Portfolio

We differ from some of our competitors because we obtain our recovery rights through irrevocable assignments. When we are assigned these rights, we take on the risk that such Claims may not be recoverable. We are entitled to pursue a portion of any recovery rights associated with approximately \$1,546 billion in Billed Amount (and approximately \$368 billion in Paid Amount), which contained approximately \$86.0 billion in Paid Value of Potentially Recoverable Claims, as of June 30, 2024. We are typically entitled to 100% of recovery rights pursuant to our CCRAs, but contractually obligated to pay 50% of gross recoveries to the Assignor. In certain cases, we have purchased from our Assignors the rights to 100% of the recovery. By discovering, quantifying, and settling the gap between Billed Amount and Paid Amount on a large scale, we believe we are positioned to generate substantial annual recovery revenue at high profit margins for our assigned Claims. In litigation, our experienced management and legal teams provide us with a competitive advantage. While our model of being assigned the Claim rights allows us the flexibility to direct the litigation and potentially generate higher margins, we have, on an opportunistic basis, paid the Assignor an upfront purchase price for these rights.

To date, we have not generated substantial revenue from our Claims portfolio, and our business model is dependent of achieving revenue from this model in the future. If we are unable to recover the upfront purchase price from the assigned Claims or the investments we have made in pursuing recoveries, it would have an adverse effect on our profitability and business.

Our potential Claims recovery income in a given period will be impacted by the amount of Claims we review and ultimately pursue. The number of Claims that we review is driven by the Claims we receive through assignment. As we are assigned more Claims, we can review the Claims and identify additional recoveries. To expand our Assignor base and obtain more Claims, we plan to implement new strategies to secure new Assignors. These strategies will include a platform to educate potential Assignors about our company, making strategic business partnerships, potential mergers, as well as other marketing strategies. Our Assignors have grown from 32 in 2015, to 105 in 2018, to 123 in 2019, to 134 in 2020 and over 160 Assignors to date. If we are unable to continue to attract new Assignors to our platform, this could adversely affect future profitability.

In addition to obtaining new Claims, our ability to collect on identified Claims at our estimated multiples is key to our future profitability. Pursuant to the MSP Act, we believe we are entitled to pursue reasonable and customary rates. Under existing statutory and case law, the private cause of action under the MSP Act permits the pursuit of double damages when a primary plan fails to provide for primary payment or appropriate reimbursement. In addition to double damages, federal law provides express authority to pursue statutory interest from primary payers on any amounts owed.

As a result, we may pursue double damages and statutory interest in our MSP Act-related recoveries. We seek to recover these amounts under either the recovery model or the Chase to Pay model. Federal law also expressly provides MAOs with the right to charge providers for the Billed Amount when accident-related liability exists. Per the terms of various legal services agreements that MSP Recovery has with the Law Firm, for legal services provided, the Law Firm would receive a percentage of the total Claim recovery

which would include double damages and additional penalties. Our ability to pursue double damages may be impacted by the RAMP Act as disclosed in Note 13, *Commitments and Contingencies*.

Our Claims recovery revenue is typically recognized upon reaching a binding settlement or arbitration with a counterparty or when the legal proceedings, including any appellate process, are resolved. A decrease in the willingness of courts to grant these judgments, a change in the requirements for filing these cases or obtaining these judgments, or a decrease in our ability to collect on these judgments could have an adverse effect on our business, financial condition, and operating results. Of the Claims identified as potentially recoverable, relating to our accident-related cases as of June 30, 2024, approximately 86.8% of claims are already in the recovery process, which are claims where either the recovery process has been initiated, data has been collected and matched, or resolution discussions are in process.

Key Performance Indicators

To evaluate our business, key trends, risks and opportunities, prepare projections, make strategic decisions, and measure our performance, we track several key performance indicators (“KPIs”). As our company has yet to achieve significant revenues and the drivers of expected revenues require significant lead time before revenue can be generated, management utilizes KPIs to assist in tracking progress, and believes such KPIs are useful in evaluating the performance of our business, in addition to our financial results prepared in accordance with GAAP. The KPIs are Total Paid Amount, Paid Value of Potentially Recoverable Claims, Billed Value of Potentially Recoverable Claims, Recovery Multiple, and Penetration Status of Portfolio.

Total Paid Amount: The term Paid Amount is defined in the Definitions section above. As we continue to expand, we anticipate our revenue growth will be greatly dependent on our ability to increase the total Paid Amount and, correspondingly, the Paid Value of Potentially Recoverable Claims, in our portfolio. The Company’s Paid Amount may increase or decrease over time based on a number of factors, including, but not limited to, receiving new data from existing or new Assignors, and changes to our data processing procedures. Management believes this metric is a useful measure to investors and is useful in managing or monitoring company performance because we view an increase in Paid Amount as a positive indicator as it should provide the Company with the ability to increase the Paid Value of Potentially Recoverable Claims. Conversely, a decrease would produce a diminishing expectation of the Paid Value of Potentially Recoverable Claims.

Paid Value of Potentially Recoverable Claims (“PVPRC”): The term PVPRC is defined in the Definitions section above. We analyze our Claims portfolio and identify potentially recoverable Claims using our Algorithms to comb through historical paid Claims data and search for potential recoveries. The Company’s PVPRC may increase or decrease over time based on a number of factors, including, but not limited to, receiving new data from existing or new Assignors, changes to our data processing procedures, changes, developments, improvements or the elimination of Algorithms that identify potentially recoverable Claims, a decision by management not to litigate certain potentially recoverable Claims, or litigation updates affecting the viability of certain potentially recoverable Claims. PVPRC is a measure of the Paid Amount that has been paid to providers in respect of those potentially recoverable Claims. Management believes this measure provides a useful metric for potential recoveries, but it is not a measure of the actual amount that may be recovered with respect to potentially recoverable Claims, which in turn may be higher or lower based on a variety of factors. As non-compliance with Section 111 reporting requirements is commonplace, responsible reporting entities (RRE) routinely fail to report their responsibility to make primary payments; for this reason, data matching is often required to determine which reporting entity is responsible to reimburse a given potentially recoverable Claim. Our ability to generate future Claims recovery income is largely dependent on our ability to accurately identify potentially recoverable Claims through our data analytics and ultimately recover on these Claims. Management believes this metric is a useful measure to investors and in managing or monitoring company performance because we view an increase in PVPRC as a positive indicator as it should provide the Company with the ability to increase Claims recovery income and otherwise shows growth.

Billed Value of Potentially Recoverable Claims (“BVPRC”): BVPRC represents the cumulative Billed Amount of potentially recoverable Claims. We analyze our Claims portfolio and identify potentially recoverable Claims using Algorithms to comb through historical paid Claims data and search for potential recoveries. The Company’s BVPRC may increase or decrease over time based on a number of factors, including, but not limited to, receiving new data from existing or new Assignors, changes to our data processing procedures, changes, developments or the elimination of Algorithms that identify potentially recoverable Claims, a decision by management not to litigate certain potentially recoverable Claims, or litigation updates affecting the viability of certain potentially recoverable Claims. For a majority of our Claims, the Company believes it has the ability to recover in excess of the Paid Amount by pursuing the Billed Amount plus interest plus double damages under applicable law. Under existing statutory and case law, the private cause of action under the Medicare Secondary Payer Act permits an award of double damages when a primary plan fails to provide for primary payment or appropriate reimbursement. We believe federal law expressly provides MAOs with the right to charge, or authorize the provider of such services to charge, in accordance with the charges allowed under a law, plan, or primary plan policy. We believe our ability to generate future Claim recovery income is largely dependent on our ability to accurately identify potentially recoverable Claims through our data analytics and ultimately recover on these Claims. Management believes this metric is a useful measure to investors and in managing or monitoring company performance because we view an increase in BVPRC as a positive indicator as it should provide the Company with the ability to increase Claims recovery income and otherwise shows growth.

Recovery Multiple: The vast majority of our recoveries are sought pursuant to the MSP Laws; however, some recoveries are sought under product liability, antitrust, and other various causes of action. For recoveries sought pursuant to the MSP Laws, we

generally pursue amounts in excess of the Paid Amount; in other cases, the cause of action will dictate the amount pursued. The Recovery Multiple is the amount of any generated Claims recovery income obtained by the Company in respect to any Claims as compared to the Paid Amount of those Claims (e.g., if a given Claim had a Paid Amount of \$100, a \$600 recovery would represent a Recovery Multiple of 6x). For these purposes, we record values under the Recovery Multiple once we have recorded Claims recovery income, either through the receipt of cash or recognition of accounts receivable on the Claims. Management believes this metric is useful to investors to manage or monitor the Company's performance because the Recovery Multiple provides a measure of our ability to recover on Claims recovery rights. A Recovery Multiple above 1x would illustrate the Company's ability to recover amounts in excess of the Paid Amount. As actual recoveries have been limited to date, this measure has limited utility for historical periods. However, management believes this measure will become more meaningful during the next 12 months and beyond to the extent the Company begins to report actual increases in recoveries during those periods. As of June 30, 2024, the Company has obtained settlements where the Recovery Multiple was or would be in excess of the Paid Amount, and settlements at or below the paid amount. However, these settlements do not provide a large enough sample to be statistically significant and are therefore not shown in the table. As the Recovery Multiple is based on actual recoveries, this measure is not based on the Penetration Status of Portfolio, as described below.

Penetration Status of Portfolio: Penetration Status of Portfolio provides a measure of the Company's recovery efforts by taking into account the current stages of recovery of Claims in the portfolio and tying it in with the estimated market share of the related primary payers. The total percentage represents the estimated aggregate market share for the respective primary payers in which the Company is in some stage of recovery. As the Company initiates additional recovery efforts against additional primary payers, the Company expects this number to increase. These stages of recovery include where (1) the recovery process has been initiated, (2) data has been collected and matched, or (3) potential resolution discussions are in process. The Company uses third-party sources to estimate the aggregate market share of those primary payers in the property and casualty auto insurance market with whom the Company is engaged in one of these stages of recovery. Management believes this metric is useful to investors and in managing or monitoring company performance because it provides insight as to the estimated share of the market that is covered by existing recovery efforts. We estimate that cases that are in the potential resolution discussions and/or data matching are closer to generating potential future Claims recovery income.

<i>\$ in billions</i>	Six Months Ended June 30, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Paid Amount	\$ 368.3	\$ 369.8	\$ 374.8
Paid Value of Potentially Recoverable Claims ⁽²⁾	86.0	88.9	89.6
Billed Value of Potentially Recoverable Claims	364.2	373.5	377.8
Recovery Multiple	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Penetration Status of Portfolio	86.8 %	86.8 %	85.8 %

(1) During the six months ended June 30, 2024, the Company has received total recoveries of \$6.3 million. However, the settlement amounts do not provide a large enough sample to be statistically significant, and are therefore not shown in the table.

(2) On August 10, 2022, the United States Court of Appeals, Eleventh Circuit held that a four-year statute of limitations period applies to certain claims brought under the Medicare Secondary Payer Act's private cause of action, and that the limitations period begins to run on the date that the cause of action accrued. This opinion may render certain Claims held by the Company unrecoverable and may substantially reduce PVPRC and BVPRC as calculated. As our cases were filed at different times and in various jurisdictions, and prior to data matching with a defendant we are not able to accurately calculate the entirety of damages specific to a given defendant, we cannot calculate with certainty the impact of this ruling at this time. However, the Company has deployed several legal strategies (including but not limited to seeking to amend existing lawsuits in a manner that could allow claims to relate back to the filing date as well as asserting tolling arguments based on theories of fraudulent concealment) that would apply to tolling the applicable limitations period and minimizing any material effect on the overall collectability of its claim rights. In addition, the Eleventh Circuit decision applies only to district courts in the Eleventh Circuit. Many courts in other jurisdictions have applied other statutes of limitations to the private cause of action, including borrowing the three-year statute of limitations applicable to the government's cause of action; and borrowing from the False Claims Act's six-year period. The most recent decision on the issue from the District Court of Massachusetts, for example, applies the same statute of limitations as Eleventh Circuit, but expressly disagrees with the Eleventh Circuit's application of the "accrual" rule and instead adopted the notice-based trigger that the company has always argued should apply. This would mean that the limitations period for unreported claims has not even begun to accrue. This is a complex legal issue that will continue to evolve in jurisdictions across the country. Nevertheless, if the application of the statute of limitations as determined by the Eleventh Circuit was applied to all Claims assigned to us, we estimate that the effect would be a reduction of PVPRC by approximately \$8.2 billion. As set forth in our Risk Factors, PVPRC is based on a variety of factors. As such, this estimate is subject to change based on the variety of legal claims being litigated and statute of limitations tolling theories that apply.

Key Components of Our Results of Operations

The following represent the components of our results of operations.

Revenue

Claims Recovery Income

Our primary income-producing activities are associated with the pursuit and recovery of proceeds related to Claims recovery rights that the Company obtains through CCRAs, which are irrevocably assigned to us. As such, this income is not generated from the transfer of control of goods or services to customers, but through the proceeds realized from perfection of Claims recoveries from rights we own. We recognize Claims recovery income based on a gain contingency model; that is, when the amounts are reasonably certain of collection. This typically occurs upon reaching a binding settlement or arbitration with the counterparty or when the legal proceedings, including any appellate process, are resolved.

In some cases, we would owe an additional payment to the original Assignor in connection with the realized value of the recovery right. Claims recovery income is recognized on a gross basis, as we are entitled to the full value of recovery proceeds and make payment to the original Assignor similar to a royalty arrangement. Such payments to our Assignors are recognized as cost of Claims recovery in the same period the Claims recovery income is recognized.

Claims Recovery Service Income

We also recognize Claims recovery service income for our services to a related party and a third party to assist those entities with pursuit of Claims recovery rights. We have determined we have a single performance obligation for the series of daily activities that comprise Claims recovery services, which are recognized over time using a time-based progress measure. We enter into Claims recovery service contracts with third parties. Amounts payable for services to third parties are typically based on budgeted expenses for the current month with an adjustment for the variance between budget and actual expenses from the prior month.

The Company did not recognize any claims recovery service income during the three and six months ended June 30, 2024.

Other revenue

Other revenue consists of fees through the Company's new electronic health records ("EHR") platform, which went live in the second quarter of 2024. Other revenue was not significant for the three and six months ended June 30, 2024.

Operating Expenses

Costs of Revenue

Costs of revenue consist of all directly attributable costs specifically associated with Claims processing activities, including contingent payments payable to Assignors (i.e., settlement expenses) and any other revenue generating activity.

Claims Amortization Expense

Claims Amortization Expense consists of the amortization of CCRA intangible assets for those CCRAs in which we made upfront payments or commitments in order to acquire Claims recovery rights.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related expenses for employees involved in general corporate, sales, and marketing functions, including executive management and administration, legal, human resources, accounting, finance, tax, and information technology. Personnel-related expenses primarily include wages and bonuses. General and administrative expenses also consist of rent, IT costs, insurance, and other office expenses.

As we continue to grow as a company and build our team, we expect that our general and administrative costs will increase.

Allowance for credit losses

Allowance for credit losses consists of a specific reserve for a receivable amount due from Cano. Due to its material nature, it is included separately in the condensed consolidated statement of operations.

Professional Fees

Professional Fees consist of consulting, accounting, and other professional fees that are charged for services provided by third-party vendors.

Professional fees – legal

Professional fees – legal consist of payments for the expenses of the Law Firm covered by a certain Legal Services Agreement and other legal professional services from third-party providers, including payments to co-counsel.

Depreciation and Amortization

Depreciation and amortization expense consist of depreciation and amortization of property and equipment related to our investments in leasehold improvements, office and computer equipment, and internally generated capitalized software development costs. We provide for depreciation and amortization using the straight-line method to allocate the cost of depreciable assets over their estimated useful lives.

Interest Expense

Interest expense includes interest paid on the Nomura Note, Hazel Working Capital Credit Facility and Purchase Money Loan, Virage transactions (see Note 4, *Assets Acquisitions*), Yorkville Advances, and Loans from related parties.

Other Income (Expense)

Other income consists of equity investment earnings, some affiliate related income, mark-to-market gain (loss) for payments due in stock. Other expenses consist of bank service charges, airing fees, tax penalties, settlement expense, political contributions and donations, and some affiliate related expenses.

Changes in Fair Value of Warrant and Derivative Liabilities

Changes in fair value of warrants and derivative liabilities consists of the mark-to-market of warrant liabilities due to Public Warrants and Virage Warrants as noted in Note 3, *Business Combination*.

Income Tax Benefit

As a result of the Business Combination, the Company became the sole managing member of MSP Recovery, which is treated as a partnership for U.S. federal, state, and local income tax purposes. As a partnership, MSP Recovery is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by MSP Recovery is passed through to and included in the taxable income or loss of its partners, including MSP Recovery, Inc. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to the Company's allocable share of income of MSP Recovery. The Company's deferred tax balances reflect the impact of temporary differences between the carrying amount of assets and liabilities and the Company's tax basis. The balances are stated at the tax rates in effect when the temporary differences are expected to be recovered or settled. The Company reviewed the anticipated future realization of the tax benefit of the Company's existing deferred tax assets and concluded that it is more likely than not that all of the deferred tax assets will not be realized in the future.

Results of Operations

Three months ended June 30, 2024 versus three months ended June 30, 2023

The following table sets forth a summary of our condensed consolidated results of operations for the three months ended June 30, 2024 to three months ended June 30, 2023 indicated.

(in thousands, except for percentages)	Three Months Ended June 30,			
	2024	2023	\$ Change	% Change
Claims recovery income	\$ 301	\$ 2,542	\$ (2,241)	(88) %
Claims recovery service income	—	—	—	(100) %
Other	36	—	36	100 %
Total Revenue	\$ 337	\$ 2,542	\$ (2,205)	(87) %
Operating expenses				
Cost of revenue	109	377	(268)	(71) %
Claims amortization expense	121,006	121,004	2	0 %
General and administrative	6,250	7,706	(1,456)	(19) %
Professional fees	4,362	3,417	945	28 %
Professional fees - legal	3,466	10,467	(7,001)	(67) %
Allowance for credit losses	—	—	—	(100) %
Depreciation and amortization	68	88	(20)	(23) %
Total operating expenses	135,261	143,059	(7,798)	(5) %
Operating Loss	\$ (134,924)	\$ (140,517)	\$ 5,593	(4) %
Interest expense	(101,990)	(73,618)	(28,372)	39 %
Other income (expense), net	89	1,662	(1,573)	(95) %
Change in fair value of warrant and derivative liabilities	24,977	1,644	23,333	1,419 %
Net loss before provision for income taxes	\$ (211,848)	\$ (210,829)	\$ (1,019)	0 %
Provision for income tax expense	—	—	—	(100) %
Net loss	\$ (211,848)	\$ (210,829)	\$ (1,019)	0 %
Less: Net (income) loss attributable to non-controlling interests	186,712	202,609	(15,897)	(8) %
Net loss attributable to MSP Recovery, Inc.	\$ (25,136)	\$ (8,220)	\$ (16,916)	206 %

Claims recovery income. Claims recovery income decreased by \$2.2 million to \$0.3 million for the three months ended June 30, 2024 compared to the same period in the prior year, driven by decreased settlements during the period.

Other revenue. Other revenue was \$36 thousand for the three months ended June 30, 2024. The increase is related to a new service introduced in the second quarter of 2024.

Cost of revenue. Cost of revenue decreased by \$0.3 million to \$0.1 million, for the three months ended June 30, 2024 compared to the same period in the prior year, driven by Assignor and law firm costs, which are directly correlated to the decrease in claims recovery income.

Claims amortization expense. Claims amortization expense increased minimally in three months ended June 30, 2024, compared to the same period in the prior year.

General and administrative. General and administrative expenses decreased by \$1.5 million to \$6.3 million for the three months ended June 30, 2024 compared to the same period in the prior year, primarily driven by decreases in marketing and promotions of \$1.8 million, insurance expenses of \$0.2 million, and rent expense of \$0.1 million. These decreases were partially offset by increases of \$0.4 million in salaries, benefits and payroll expenses and \$0.3 million of information technology expenses, mainly data storage.

Professional fees. Professional fees increased by \$0.9 million to \$4.4 million for the three months ended June 30, 2024 compared to the same period in the prior year, primarily driven by an increase of \$1.6 million in corporate legal fees, offset by a \$0.3 reduction in other professional fees, a \$0.2 million reduction in accounting fees and a \$0.1 million reduction in consulting fees.

Professional fees – legal. Professional fees – legal decreased by \$7.0 million to \$3.5 million for the three months ended June 30, 2024 compared to the same period in the prior year, primarily due to fees to outsourced law firms being managed by the Law Firm.

Interest expense. Interest expense increased by \$28.4 million to \$102.0 million in the three months ended June 30, 2024 compared to the same period in the prior year, primarily driven by an increase due to the guaranty obligation, the new Hazel Working Credit Facility and Purchase Money Loan, as well as increases in the basis for which interest is incurred on our Claims financing obligations and accrued interest on the related party loan.

Other income (expense), net. Other income, net decreased by \$1.6 million for the three months ended June 30, 2024 compared to the same period in the prior year, primarily due to a \$1.6 million reduction in the mark-to-market gain on liability payable in stock.

Change in fair value of warrant and derivative liabilities. The change in fair value of warrant and derivative liabilities increased \$23.3 million to \$25.0 million for the three months ended June 30, 2024 compared to the same period in the prior year. For the three months ended June 30, 2024, the \$25.0 million gain related to a mark-to-market adjustment to the fair value of Public Warrants and Virage Warrants. For the three months ended June 30, 2023, the \$1.6 million gain related to a mark-to-market adjustment to the fair value of Public Warrants.

Six months ended June 30, 2024 versus six months ended June 30, 2023

The following table sets forth a summary of our condensed consolidated results of operations for the six months ended June 30, 2024 to six months ended June 30, 2023 indicated.

(in thousands, except for percentages)	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
Claims recovery income	\$ 6,302	\$ 6,039	\$ 263	4 %
Claims recovery service income	—	498	(498)	(100) %
Other	36	—	36	100 %
Total Revenue	\$ 6,338	\$ 6,537	\$ (199)	(3) %
Operating expenses				
Cost of revenue	1,782	1,398	384	27 %
Claims amortization expense	242,020	234,473	7,547	3 %
General and administrative	11,816	14,561	(2,745)	(19) %
Professional fees	8,782	13,145	(4,363)	(33) %
Professional fees - legal	6,933	19,018	(12,085)	(64) %
Allowance for credit losses	—	5,000	(5,000)	(100) %
Depreciation and amortization	135	97	38	39 %
Total operating expenses	271,468	287,692	(16,224)	(6) %
Operating Loss	\$ (265,130)	\$ (281,155)	\$ 16,025	(6) %
Interest expense	(199,943)	(116,008)	(83,935)	72 %
Other income (expense), net	341	8,289	(7,948)	(96) %
Change in fair value of warrant and derivative liabilities	76,284	3,899	72,385	1,857 %
Net loss before provision for income taxes	\$ (388,448)	\$ (384,975)	\$ (3,473)	1 %
Provision for income tax expense	—	—	—	(100) %
Net loss	\$ (388,448)	\$ (384,975)	\$ (3,473)	1 %
Less: Net (income) loss attributable to non-controlling interests	344,430	371,839	(27,409)	(7) %
Net loss attributable to MSP Recovery, Inc.	\$ (44,018)	\$ (13,136)	\$ (30,882)	235 %

Claims recovery income. Claims recovery income increased marginally for the six months ended June 30, 2024 compared to the same period in the prior year.

Claims recovery service income. Claims recovery service income decreased by \$0.5 million to \$– million for the six months ended June 30, 2024 compared to the same period in the prior year, driven by third-party service fees related to a contract that expired during 2023 and did not renew.

Other revenue. Other revenue was \$36 thousand for the three months ended June 30, 2024. The increase is related to a new service introduced in the second quarter of 2024.

Cost of revenue. Cost of revenue increased by \$0.4 million to \$1.8 million, for the six months ended June 30, 2024 compared to the same period in the prior year, driven by assignor and law firm costs, which are directly correlated to the increase in claims recovery income.

Claims amortization expense. Claims amortization expense increased by \$7.5 million to \$242.0 million for the six months ended June 30, 2024 compared to the same period in the prior year, primarily driven by increased amortization due to the acquisition of CCRAAs purchased during 2023, which are included in Intangible assets.

General and administrative. General and administrative expenses decreased by \$2.7 million to \$11.8 million for the six months ended June 30, 2024 compared to the same period in the prior year, primarily driven by a decrease in marketing and promotions of \$2.8 million, salaries, benefits and payroll expenses and taxes of \$0.2 million, and insurance of \$0.2 million, offset primarily by an increases in rent expense of \$0.2 million and information technology expenses of \$0.2 million, mainly data storage , among others.

Professional fees. Professional fees decreased by \$4.4 million to \$8.8 million for the six months ended June 30, 2024 compared to the same period in the prior year, primarily driven by a \$4.5 million reduction in consulting fees, \$3.0 million management fees in 2023 that did not reoccur in 2024, and \$0.6 million reduction in other professional fees, offset by increases of \$0.6 million in accounting fees and \$3.1 million in corporate legal fees.

Professional fees – legal. Professional fees – legal decreased by \$12.1 million to \$6.9 million for the six months ended June 30, 2024 compared to the same period in the prior year, primarily due to fees to outsourced law firms being managed by the Law Firm.

Interest expense. Interest expense increased by \$83.9 million to \$199.9 million in the six months ended June 30, 2024 compared to the same period in the prior year, primarily driven by an increase due to the guaranty obligation, the new Hazel Working Credit Facility and Purchase Money Loan, as well as increases in the basis for which interest is incurred on our Claims financing obligations and accrued interest on the related party loan.

Other income (expense), net. Other income, net decreased by \$7.9 million for the six months ended June 30, 2024 compared to the same period in the prior year, primarily due to a \$4.6 million gain on sale of CCRAAs during 2023 that did not reoccur in 2024, and a \$3.3 million reduction in the mark-to-market gain on liability payable in stock.

Change in fair value of warrant and derivative liabilities. The change in fair value of warrant and derivative liabilities increased \$72.4 million to \$76.3 million for the six months ended June 30, 2024 compared to the same period in the prior year. For the six months ended June 30, 2024, the \$76.3 million gain related to a mark to market adjustment to the fair value of Public Warrants and Virage Warrants. For the six months ended June 30, 2023, \$3.9 million gain is related primarily to the mark-to-market adjustment to the fair value of Public Warrants.

Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with GAAP, this Quarterly Report also contains non-GAAP financial measures. We consider “adjusted net loss” and “adjusted operating loss” as non-GAAP financial measures and important indicators of performance and useful metrics for management and investors to evaluate our business’s ongoing operating performance on a consistent basis across reporting periods. We believe these measures provide useful information to investors. Adjusted net loss represents net loss adjusted for certain non-cash and non-recurring expenses and adjusted operating loss items represents Operating loss adjusted for certain non-cash and non-recurring expenses. A reconciliation of these non-GAAP measures to their most relevant GAAP measure is included below:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
GAAP Operating Loss	\$ (134,924)	\$ (140,517)	\$ (265,130)	\$ (281,155)
Professional fees paid in stock	599	—	1,068	—
Claims amortization expense	121,006	121,004	242,020	234,473
Allowance for credit losses	—	—	—	5,000
Adjusted Operating Loss	\$ (13,319)	\$ (19,513)	\$ (22,042)	\$ (41,682)
GAAP Net Loss	\$ (211,848)	\$ (210,829)	\$ (388,448)	\$ (384,975)
Professional fees paid in stock	599	—	1,068	—
Claims amortization expense	121,006	121,004	242,020	234,473
Allowance for credit losses	—	—	—	5,000
Paid-in-kind interest	101,980	73,618	199,920	115,996
Change in fair value of warrant and derivative liabilities	(24,977)	(1,644)	(76,284)	(3,899)
Adjusted Net Loss	\$ (13,240)	\$ (17,851)	\$ (21,724)	\$ (33,405)

Liquidity and Capital Resources

Going Concern

As an early-stage growth company, the Company has incurred substantial net losses since inception. As of June 30, 2024, the Company had unrestricted cash totaling \$7.1 million. The Company has incurred recurring losses and negative cash flows since inception and has an accumulated deficit of \$129.6 million as of June 30, 2024. For the six months ended June 30, 2024, the Company used approximately \$11.2 million of cash in operations. The Company’s liquidity will depend on the ability to generate substantial Claims recovery income and Claims recovery services income in the near future, the timing and amount of which is uncertain, as well as its ability to secure funding from additional third-party capital sources. The Company’s principal liquidity needs have been capital expenditures, working capital, debt service and Claims financing obligations.

The Company anticipates sources of liquidity to include the Working Capital Credit Facility and the Yorkville SEPA as disclosed in Note 10, *Claims Financing Obligations and Notes Payable*, and has taken several actions to address liquidity concerns, including actions enumerated below. However, as discussed further below, the Company has concluded management’s plans were not sufficient to alleviate the substantial doubt:

- On March 29, 2023, the Company’s subsidiary, Subrogation Holdings, LLC and its parent, MSP Recovery LLC, entered into the Working Capital Credit Facility consisting of commitments to fund up to \$48 million in proceeds. Certain terms were amended to the Working Capital Credit Facility, which were memorialized in the Second Amended and Restated First Lien Credit Agreement dated November 10, 2023. See summary in “*Hazel Working Capital Credit Facility and Hazel Purchase Money Loan*” in Note 10, *Claims Financing Obligations and Notes Payable*. On August 2, 2024, HPH agreed to, among other things, (i) extend the period for the Company draw up to \$14 million for working capital, accessible in eight tranches of \$1.75 million, that can be drawn at least one month apart, until September 2025 and (ii) provide for a \$2.0 million loan to be funded by August 31, 2024 for the purpose of acquiring the New Claims.
- On November 13, 2023, the Company entered into the MTA Amendment No. 2 and Amendment to the Amended and Restated Security Agreement (“Second Virage MTA Amendment”), which extended the due date for the payment obligations to Virage to December 31, 2024. See summary in Note 4, *Asset Acquisitions*. On April 1, 2024, the Company entered into the MTA Amendment No. 3 and Amendment No. 2 to the Amended and Restated Security Agreement (“Third Virage MTA Amendment”), which: (i) extended the VRM Full Return payment due date to September 30, 2025, subject to acceleration upon certain triggering events; (ii) the Company agreed that, after the Convertible Notes are fully satisfied, 25% of the Company’s portion of any net proceeds from the Yorkville SEPA would be used to pay down the VRM Full Return; and (iii) commence the sale of certain reserved shares of Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM.
- On November 13, 2023, the Company entered into the Second Amended and Restated Nomura Note (defined in Note 3, *Business Combination*), which extended the maturity date of the Nomura Note to December 31, 2024. See summary in Note

10, *Claims Financing Obligations and Notes Payable*. On March 26, 2024, the Company entered into the Third Amended and Restated Nomura Promissory Note, which extended the maturity date of the Nomura Note to September 30, 2025.

4. On November 14, 2023, the Company entered into the Yorkville SEPA, which included the issuance of Convertible Notes to Yorkville having aggregate principal amounts of up to \$15.0 million in connection with the purchase of Class A Common Stock. See summary in “*Committed Equity Facility*” within Note 10, *Claims Financing Obligations and Notes Payable*. On April 8, 2024, the maturity date of the Convertible Notes was extended to September 30, 2025.

The Company has concluded that, despite the aforementioned financing arrangements, there is substantial doubt about its ability to continue as a going concern. Unless we are successful in raising additional funds through the offering of debt or equity securities, we have concluded it is probable we will be unable to continue to operate as a going concern beyond the next twelve months. In the event that the Company receives an audit report from its independent registered public accounting firm with an emphasis of matter paragraph as to going concern in connection with the Company’s audited annual financial statements, such event would result in an event of default in the aforementioned debt agreements, which would result in the debt becoming immediately due.

Sources of Liquidity

As of June 30, 2024, the Company had unrestricted cash totaling \$7.1 million. Over the next twelve months, the Company anticipates that its sources of liquidity will be its current cash on hand, the Working Capital Credit Facility and the Yorkville SEPA, as disclosed in Note 10 to the Financial Statements. As of June 30, 2024, the Company had \$7.1 million of cash on hand, and \$10.5 million of available capacity under the Working Capital Credit Facility.

Hazel Working Capital Credit Facility

On March 29, 2023, Subrogation Holdings entered into an Amended and Restated Credit Agreement (the “Working Capital Credit Facility”) with Hazel Partners Holdings LLC (“HPH”), an affiliate of Hazel, as the lender and administrative agent, which provides for up to \$80 million (with a 40% original issue discount), consisting of a Term Loan A commitment to fund up to \$30 million in proceeds (in multiple installments), and a Term Loan B Commitment to fund up to \$18 million in proceeds (in multiple installments), the funding of each conditioned on certain milestones. The amended terms to the Working Capital Credit Facility were memorialized in the Second Amended and Restated First Lien Credit Agreement dated November 10, 2023. Pursuant to the Second Amended and Restated First Lien Credit Agreement, and in order to secure those additional advances of Term Loan B beginning in January 2024, the following was provided as additional collateral: (i) a pledge of proceeds from certain Claims in the Company’s Claims portfolio, up to \$14 million; (ii) a pledge of the equity interests in an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada; (iii) a mortgage on real property owned by an Affiliate of Messrs. John H. Ruiz and Frank C. Quesada (the “Mortgage”); and (iv) a personal guaranty by Messrs. John H. Ruiz and Frank C. Quesada, as primary obligors, guaranteeing those additional advances of Term Loan B beginning in January 2024 (the “Personal Guaranty”).

As of June 30, 2024, the Company had received funding with an aggregate amount of \$20.5 million under Term Loan A, which was terminated in 2023. The parties agreed to increase the Term Loan B commitment from \$18 million to \$27.5 million, after giving effect to the original issue discount on the Working Capital Credit Facility, which would be funded in multiple installments and in accordance with the terms of the Working Capital Credit Facility. During the six months ended June 30, 2024, the Company received funding with an aggregate amount of \$4.5 million under Term Loan B.

On August 2, 2024, Subrogation Holdings entered into a letter agreement to amend the Second Amended and Restated Credit Agreement (the “HPH Letter Agreement”) with HPH, which: (i) extended the period to draw up to \$14 million for working capital, accessible in eight tranches of \$1.75 million, that can be drawn at least one month apart, until September 2025; and (ii) provides for a \$2.0 million loan to be funded by August 31, 2024 for the purpose of acquiring additional Claims (the “New Claims”) that will further collateralize the Working Capital Credit Facility (collectively, (i) and (ii) the “Operational Collection Floor”). Pursuant to the HPH Letter Agreement, Term Loan A and Term Loan B of the Working Capital Credit Facility are subordinated to the Operational Collection Floor and collateralized by the New Claims. Once (x) the principal amount of the Operational Collection Floor has been repaid in full (including any original issue discount), or (y) the drawn amounts under the Operational Collection Floor as of December 31, 2024 are repaid in full (on a drawn and funded basis) on a dollar per dollar basis by such date, HPH shall fully release the Mortgage and the Personal Guarantee.

On August 2, 2024, the Company received funding of \$3.5 million under the Operational Collection Floor for July and August 2024, leaving another \$10.5 million of capacity under the Operational Collection Floor.

Amounts borrowed and obligations under the Working Capital Credit Facility are secured by a pledge of proceeds from certain Claims in the Company’s Claims portfolio, with the lien securing the Purchase Money Loan being subordinated and junior to the lien securing the Working Capital Credit Facility.

MSP Principals Promissory Note

On June 16, 2022, the MSP Principals provided cash to the Company to finance operations in an aggregate amount of \$112.8 million. The Company issued the MSP Principals Promissory Note to the MSP Principals in an aggregate principal amount of \$112.8 million that has an annual interest rate of 4%, payable in kind, and matures on the day that is the four-year anniversary of the issuance. On the maturity date, the Company is required to pay the MSP Principals an amount in cash equal to the outstanding principal amount, plus accrued and unpaid interest. The promissory note is prepayable by the Company at any time, without prepayment penalties, fees or other expenses. In addition to the amounts in the Promissory Note, at the merger date with LCAP, the MSP Principals contributed \$13.0 million through funds that had been loaned to VRM MSP to cover related service fees. A portion of the proceeds under the MSP Principals Promissory Note in an amount equal to \$36.5 million was advanced to the Law Firm for certain operating expenses as contemplated by the Legal Services Agreement. The MSP Principals Promissory Note contains customary events of default that would allow the MSP Principals to declare the MSP Principals Promissory Note immediately due and payable or the MSP Principals Promissory Note will immediately and automatically become due and payable without notice, presentment, demand, protest or other request of any kind. In addition, the MSP Principals Promissory Note may be accelerated by the MSP Principals if the Board of Directors of the Company (excluding the MSP Principals) terminates the Legal Services Agreement.

During the year ended December 31, 2023, the Company received a \$4.95 million loan from the Law Firm, evidenced by an unsecured promissory note, to provide general operational funding. The aggregate unpaid principal amount of this promissory note is due 24 months from the date of the last advance from the Working Capital Credit Facility is made. This promissory note is payable by the Company at any time, without prepayment penalties, fees, or other expenses. The note does not carry any interest and can be repaid at any time or from time to time without a prepayment penalty. On March 4, 2024, the Board authorized the partial repayment of the Law Firm Loan in the amount of \$0.4 million, which funds were to be used for the express purpose of paying property taxes on real property owned and pledged by the MSP Principals to HPH as collateral in connection with the Working Capital Credit Facility.

Virage Amendments

On April 12, 2023, we entered into an amendment (the “Virage MTA Amendment”) to the Virage MTA and Virage Guaranty pursuant to which the VRM Full Return payment due date was extended from May 23, 2023 until September 30, 2024, subject to acceleration upon certain triggering events. The Virage MTA Amendment changed the payment methods to Virage to exclusively be, in the following order of priority: (a) a first priority lien on all sources of revenue of the Company not otherwise encumbered as of the date of the Virage MTA Amendment to the extent such revenues and liquidity exceed the amount of net of revenues necessary to establish and maintain an operating reserve (“Operating Reserve”) of \$70 million (the Operating Reserve was reduced to \$47.5 million on July 24, 2023) for certain Company expenses, (b) a sale of certain reserved shares of Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM, (c) Parent’s sale of additional shares and delivery of proceeds to Virage, subject to certain anti-dilution provisions, (d) if not satisfied by the foregoing, a sale by Messrs. Ruiz and Quesada other shares of Messrs. Ruiz and Quesada, and the delivery of the resulting net cash proceeds thereof to VRM; provided that if the VRM Full Return is not fully paid by September 30, 2024 the VRM Full Return shall be payable by any of such payment methods in any order of priority. In addition, in connection therewith, Messrs. Quesada and Ruiz agreed to certain transfer restrictions applicable to their common stock, and agreed to effectuate sales of Company common stock in certain circumstances.

On November 13, 2023, the Company entered into the Second Virage MTA Amendment that extended the VRM Full Return payment due date to December 31, 2024, subject to acceleration upon certain triggering events. The Second Virage MTA Amendment also: (a) changed the Operating Reserve from \$47.5 million to the budget of the Company (plus applicable taxes) plus 10%, and (b) required Virage and the Company negotiate and agree on a form of initial warrant and monthly warrant by no later than December 31, 2023. In addition, pursuant to the Second Virage MTA Amendment, on January 1, 2024, the Company was required to make a one-time, lump sum payment to Virage for the period starting May 24, 2023 and ending December 31, 2023, in one or a combination of: (a) cash, in an amount equal to 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and/or (b) warrants to purchase Class A common stock at \$0.0001 per share, in an amount equal to the quotient of 1.0% of each calendar month-end balance (which month-end balance shall be increased daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and the volume weighted average price of a share of our Class A common stock for the five day period prior to the issuance.

Accordingly, the Company issued the VRM Warrants. The Initial Virage Warrant, as amended, was issued effective January 1, 2024 and entitles Virage to purchase 28,298,329 shares of Class A Common Stock, with an expiration date of January 1, 2026. The Virage Warrants are recorded as warrant liability in the condensed consolidated balance sheet. Prior to April 1, 2024, Monthly Virage Warrants were issued entitling Virage to purchase 20,219,488 shares of Class A Common Stock. During the quarter ending June 30, 2024, Monthly Virage Warrants were issued entitling Virage to purchase 37,909,524 shares to settle interest payable for the months of March, April, and May, 2024. On August 14, 2024 Monthly Virage Warrants were issued entitling Virage to purchase 47,653,840 shares to settle interest payable due to Virage as of June 30, 2024 and July 31, 2024. For the three and six months ending June 30, 2024, the issuance of Virage Monthly Warrants settled \$30.0 million and \$114.5 million of interest, respectively.

Until our obligations to Virage are paid in full, the Company has the option every month to continue to pay Virage in one or a combination of: (a) cash, in an amount equal to 1.0% of each calendar month-end balance (which month-end balance shall be increased

daily up to 20% per annum based on a formula set forth in the Virage MTA Amendment) of the amount owing to Virage as of each preceding calendar month end and/or (b) the issuance of subsequent Monthly Virage Warrants.

On April 1, 2024, the Company entered into the Third Virage MTA Amendment (the “Third Virage MTA Amendment”) which: (i) extended the VRM Full Return payment due date to September 30, 2025, subject to acceleration upon certain triggering events; (ii) the Company agreed that, after the Convertible Notes are fully satisfied, 25% of the Company’s portion of any net proceeds from the Yorkville SEPA would be used to pay down the VRM Full Return; and (iii) Messrs. John H. Ruiz and Frank C. Quesada would commence the sale of certain of their reserved shares, and the delivery of the resulting net cash proceeds thereof to VRM.

Amended and Restated Nomura Promissory Note

On May 27, 2022, the Company issued an unsecured promissory note to Nomura in a principal amount of approximately \$24.5 million related to advisory fees and deferred underwriting fees and expenses that became due and payable by the Company to Nomura, in connection with the consummation of the Business Combination (as defined herein).

On April 12, 2023, the Company amended and restated the promissory note originally issued on May 27, 2022 (the “First Amended and Restated Nomura Note”), increasing the principal amount to approximately \$26.3 million, increasing the interest rate from 8.0% to 16% per annum, and extending the maturity date of the promissory note to September 30, 2024. On November 13, 2023, the Company amended and restated the First Amended and Restated Nomura Note (the “Second Amended and Restated Nomura Note”) to (a) increase the principal amount to approximately \$28.9 million, (b) extend the maturity date to December 31, 2024, and (c) permit the Company to use the proceeds of an at-the-market offering to repay indebtedness incurred by the Company for which the proceeds are used for operating expenses, subject to certain enumerated restrictions. On March 26, 2024, the Company amended and restated the Second Amended and Restated Nomura Note (the “Third Amended and Restated Nomura Note”) to (a) increase the principal amount to approximately \$30.0 million, and (b) extend the maturity date to September 30, 2025. The amended note carries an interest rate of 16% per annum and Third Amended and Restated Nomura Note is payable in kind or in cash, at the Company’s discretion, every 30 calendar days after March 26, 2024. Upon two days prior written notice to Nomura, the Company may prepay all or any portion of the then outstanding principal amount under the promissory note together with all accrued and unpaid interest thereon. The balance of the unsecured promissory note and related interest are included within Claims financing obligations and notes payable in the condensed consolidated balance sheet.

Yorkville SEPA

On January 6, 2023, we entered into a purchase agreement with YA II PN, Ltd., a Cayman Island exempted company (“Yorkville”), pursuant to which Yorkville committed to purchase up to \$1 billion in shares of Class A Common Stock, subject to certain limitations and conditions set forth therein. On November 14, 2023, we entered into the Yorkville SEPA, which fully amended and restated the January 6, 2023 agreement.

Pursuant to the Yorkville SEPA, the Company has the right to sell to Yorkville up to \$250.0 million of its Class A Common Stock, subject to certain limitations and conditions set forth in the Yorkville SEPA, from time to time during the term of the Yorkville SEPA. Sales of Class A Common Stock to Yorkville under the Yorkville SEPA, and the timing of any such sales, are at the Company’s option, and the Company is under no obligation to sell any shares of Class A Common Stock to Yorkville under the Yorkville SEPA except in connection with notices that may be submitted by Yorkville, in certain circumstances as described below.

Pursuant to the terms and conditions set forth in the Yorkville SEPA, the Company has the right, but not the obligation, from time to time at its discretion until the Yorkville SEPA is terminated to direct Yorkville to purchase a specified number of shares of Class A Common Stock (“Advance”) by delivering written notice to Yorkville (“Advance Notice”). While there is no mandatory minimum amount for any Advance, it may not exceed an amount equal to 100% of the average of the daily traded amount during the five consecutive trading days immediately preceding an Advance Notice.

The shares of Class A Common Stock purchased pursuant to an Advance Notice delivered by the Company will be purchased at a price equal to (i) 98% of the VWAP of the shares of Class A Common Stock on the applicable date of delivery of the Advance Notice during regular trading hours on such date or (ii) 97% of the lowest daily VWAP of the shares of Class A Common Stock during the three consecutive trading days commencing on the date of the delivery of the Advance Notice, other than the daily VWAP on a day in which the daily VWAP is less than a minimum acceptable price as stated by the Company in the Advance Notice or there is no VWAP on the subject trading day. The Company may establish a minimum acceptable price in each Advance Notice below which the Company will not be obligated to make any sales to Yorkville. “VWAP” is defined as the daily volume weighted average price of the shares of Class A Common Stock for such trading day on the Nasdaq Stock Market during regular trading hours as reported by Bloomberg L.P.

In connection with the Yorkville SEPA, and subject to the condition set forth therein, Yorkville agreed to advance to the Company in the form of convertible promissory notes (the “Convertible Notes”) an aggregate principal amount of \$15.0 million. On November 14, 2023, we issued a Convertible Note to Yorkville in the principal amount of \$5.0 million, resulting in proceeds to us of \$4.73 million on November 16, 2023. On December 11, 2023, we issued a Convertible Note to Yorkville in the principal amount of \$5.0 million, resulting in proceeds to us of \$4.75 million. On April 8, 2024, we issued a third Convertible Note to Yorkville in the principal amount of \$5.0 million, resulting in net proceeds to us of \$4.75 million.

As required pursuant to the Second Amended and Restated Nomura Promissory Note, 50% of the aggregate proceeds under the Yorkville SEPA will be used to repay amounts outstanding under the Amended and Restated Nomura Promissory Note (first towards accrued and unpaid interest, if any, then towards principal) and the remaining 50% of such proceeds will be used to repay amounts due

under the Convertible Notes, if any, or be paid to the Company after the Convertible Notes are fully repaid. Pursuant to the Third Virage MTA Amendment, 25% of the Company's portion of any net proceeds from the Yorkville SEPA would be used to pay down the VRM Full Return after the Convertible Notes are fully satisfied.

Pursuant to the Convertible Notes, Yorkville has the option, subject to certain limitations, of exchanging on one or more occasions all or part of the then outstanding balance under the note for shares of our Class A Common Stock at a conversion price equal to the lower of: (i) a fixed price equaling 120% of VWAP the day prior to the date of the closing of each tranche (the "Fixed Price") or (ii) a variable price equaling 95% of the lowest daily VWAP during the seven consecutive trading days immediately preceding the exchange (the "Variable Price"), but in no event may the variable price be lower than \$0.15 per share (the "Floor Price" as lowered pursuant to the Yorkville Letter Agreement). With respect to the initial Convertible Note issued on November 15, 2023, the Fixed Price equals \$8.0225 per share, with respect to the second Convertible Note issued on December 11, 2023, the Fixed Price equals \$3.7136 per share, and with respect to the third Convertible Note issued on April 8, 2024, the Fixed Price equals \$1.5050 per share.

Upon the occurrence and during the continuation of an event of default, the Convertible Notes shall become immediately due and payable, and the Company shall pay to Yorkville the principal and interest due thereunder. Events of default include, among others: (i) the Class A Common Stock shall cease to be quoted or listed for trading, as applicable, on any primary market for a period of ten (10) consecutive Trading Days (the Company is currently quoted and listed for trading on the NASDAQ) and (ii) failure to timely file with the SEC any periodic report on or before the due date of such filing as established by the SEC, including extensions under Rule 12b-25 under the Exchange Act. In no event shall Yorkville be allowed to effect a conversion if such conversion, along with all other shares of Common Stock beneficially owned by Yorkville and its affiliates would exceed 9.99% of the outstanding shares of the Common Stock of the Company. If any time on or after November 14, 2023: (i) the daily VWAP is less than the Floor Price for ten consecutive trading days ("Floor Price Trigger"), (ii) the Company has issued substantially all of the shares available under the Exchange Cap (as defined below) ("Exchange Cap Trigger"), or (iii) the Parent is in material breach of the Registration Rights Agreement, and such breach remains uncured for a period of twenty trading days, or the occurrence of an "Event" (as defined in the Registration Rights Agreement) ("Registration Event Trigger" and collectively with the Floor Price Trigger and the Exchange Cap Trigger, the "Trigger"), then the Company shall make monthly payments to Yorkville beginning on the seventh trading day after the Trigger and continuing monthly in the amount of \$1.5 million plus a 5.0% premium and accrued and unpaid interest. The Exchange Cap Trigger will not apply in the event the Company has obtained the approval from its stockholders in accordance with the rules of Nasdaq Stock Market for the issuance of shares of Class A Common Stock pursuant to the transactions contemplated in the Convertible Note and the Yorkville SEPA in excess of 19.99% of the aggregate number of shares of Class A Common Stock issued and outstanding as of the effective date of the Yorkville SEPA (the "Exchange Cap").

Yorkville, at its discretion and providing that there is a balance remaining outstanding under the Convertible Notes, may deliver a notice under the Yorkville SEPA requiring the issuance and sale of shares of Class A Common Stock to Yorkville at the Conversion Price in consideration of an offset of the Convertible Notes ("Yorkville Advance"). Yorkville, in its sole discretion, may select the amount of any Yorkville Advance, provided that the number of shares issued does not cause Yorkville to exceed the 9.99% ownership limitation, does not exceed the Exchange Cap or the amount of shares of Class A Common Stock that are registered. As a result of a Yorkville Advance, the amounts payable under the Convertible Notes will be offset by such amount subject to each Yorkville Advance.

The Company will control the timing and amount of any sales of shares of Class A Common Stock to Yorkville, except with respect to the conversion of the Convertible Notes. Actual sales of shares of Class A Common Stock to Yorkville as an Advance under the Yorkville SEPA will depend on a variety of factors to be determined by the Company from time to time, which may include, among other things, market conditions, the trading price of the Company's Class A Common Stock and determinations by the Company as to the appropriate sources of funding for our business and operations.

The Yorkville SEPA will automatically terminate on the earliest to occur of: (i) the first day of the month following the 36-month anniversary of the date of the Yorkville SEPA, or (ii) the date on which Yorkville shall have made payment of Advances pursuant to the Yorkville SEPA for shares of Class A Common Stock equal to \$250.0 million. The Company has the right to terminate the Yorkville SEPA at no cost or penalty upon five (5) trading days' prior written notice to Yorkville, provided that there are no outstanding Advance Notices for which shares of Class A Common Stock need to be issued and the Company has paid all amounts owed to Yorkville pursuant to the Convertible Notes. The Company and Yorkville may also agree to terminate the Yorkville SEPA by mutual written consent. Neither the Company nor Yorkville may assign or transfer the Company's respective rights and obligations under the Yorkville SEPA, and no provision of the Yorkville SEPA may be modified or waived by the Company or Yorkville other than by an instrument in writing signed by both parties.

The Yorkville SEPA contains customary representations, warranties, conditions and indemnification obligations of the parties. The representations, warranties and covenants contained in such agreements were made only for purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements and may be subject to limitations agreed upon by the contracting parties.

The net proceeds under the Yorkville SEPA to the Company will depend on the frequency and prices at which the Company sells its shares of Class A Common Stock to Yorkville. The Company expects that any proceeds received from such sales to Yorkville will be used for working capital and general corporate purposes.

On April 8, 2024, the Company and Yorkville entered into the Yorkville Letter Agreement to: (1) reduce the Floor Price from \$1.28 to \$1.00; (2) waive the first monthly payment due to the Floor Price Trigger, thereby curing the Floor Price Trigger; and (3) extend

the maturity date of the Convertible Notes to September 30, 2025. On April 12, 2024, Yorkville further agreed that, to the extent that it holds Class A Common Stock in such quantities that would prevent the Company from utilizing the SEPA solely due to the Ownership Limitation, Yorkville commits to fund an additional advance in the principal amount of \$13.0 million on the same terms and conditions as the previous advances pursuant to the Yorkville SEPA. On May 2, 2024, the Company and Yorkville reached an agreement to: (i) reduce the Floor Price under the Yorkville SEPA from \$1.00 to \$0.50. On July 11, 2024, the daily VWAP for our Class A Common Stock had been below the Floor Price for ten consecutive trading days, resulting in a Floor Price Trigger. On July 12, 2024, Yorkville agreed to extend the due date for the first Monthly Payment, due as a result of a Floor Price Trigger, to September 11, 2024. On August 13, 2024, the Company and Yorkville reached an agreement to reduce the Floor Price under the Yorkville SEPA from \$0.50 to \$0.15, thereby curing the Floor Price Trigger pursuant to the terms of the Yorkville SEPA.

During both the three and six months ended June 30, 2024, the Company sold 1,809,102 shares to Yorkville pursuant to Investor Notices delivered under the Yorkville SEPA at prices between \$0.58 and \$0.84 per share, and the proceeds were used to: (i) reduce amounts owing under Yorkville Note #1 by \$0.5 million and \$0.1 million of principal and interest, respectively, and (ii) \$0.6 million of payment to reduce amounts owing under the Amended and Restated Nomura Promissory Note.

Assignment and Sale of Proceeds Agreement

On June 30, 2022, the Company entered into an Assignment and Sale of Proceeds Agreement (the “Assignment Agreement”) and a Recovery Services Agreement (the “Services Agreement” and collectively, the “Agreements”) with the Prudent Group (“Prudent”) in order to monetize up to \$250.0 million of the value of the Company’s net recovery interest in Claim demand letters that the Company has commenced sending to insurers who admitted they had primary payer responsibility for the underlying accidents to the federal government (“Net Recovery Proceeds”). Pursuant to the Agreements, at the Company’s sole and absolute discretion, the Company has the right to direct Prudent to acquire, on a non-recourse basis, a percentage of Net Recovery Proceeds, up to an aggregate of \$250.0 million, at a purchase price of 90% of Net Recovery Proceeds of such Claim.

Under the Services Agreement, the Company will service and recover on the demand letters and will retain any revenues generated in excess of the amount received from Prudent, plus up to an 18% annual return on the amount Prudent paid for Net Recovery Proceeds. Prudent may terminate the Services Agreement upon sixty (60) days prior written notice to the Company. The Company plans to utilize the Assignment Agreement as funding is needed. To date, the Company has not exercised its rights pursuant to the Services Agreement and does not anticipate doing so in the foreseeable future.

Actual results, including sources and uses of cash, may differ from our current estimates due to the inherent uncertainty involved in making those estimates and any such differences may impact the Company’s ability to continue as a going concern in the future. The expenditures associated with the development and launch of our additional recovery services and the anticipated increase in Claims recovery capacity are subject to significant risks and uncertainties, many of which are beyond our control, which may affect the timing and magnitude of these anticipated expenditures. These risks and uncertainties are described in more detail in the “Risk Factors” section in the 2023 Form 10-K.

The Agreements that the Company entered into on June 30, 2022 with Prudent have been terminated effective August 13, 2024.

Investment Capacity Agreement

On September 27, 2021, the Company entered into an Investment Capacity Agreement (the “ICA”) providing for potential future transactions regarding select healthcare Claims recovery interests with its investment partner, Virage, which transactions may include the sale of Claims by MSP. The ICA provides that the maximum value of such Claims will be \$3.0 billion.

When the Company takes an assignment, the Company takes an assignment of the entire recovery but often has a contractual obligation to pay the Assignor 50% of any recoveries. This 50% interest typically is retained by the Assignor (the “Retained Interest”), although in some cases, the Company has acquired all of the recoveries, and the applicable Assignor has not kept any Retained Interest. The Retained Interest is not an asset of the Company, but an obligation to pay these Assignors, with the Company keeping the other 50% interest on any recoveries. Virage’s funding in connection with future transactions generally will be used to purchase Retained Interests from existing Assignors or new MSP Assignors, although its funds can also be used to buy 50% of the recoveries from the Company, in the event the applicable Assignor did not retain any Retained Interest. In connection with transactions consummated under the ICA, the Company may receive certain fees, including a finder’s fee for identifying the recoveries and a servicing fee for servicing the Claims.

Pursuant to the ICA, the Company will assist Virage in acquiring these Retained Interests for a cash price. Virage will be paid the recovery generated from the purchased Retained Interests when received through litigation or settlements. The ICA is separate and distinct from the equity investment in the Company by VRM MSP (an affiliate of Virage). While the ICA is still in effect as of the date of this annual report, it is uncertain if or when the Company would transact on the ICA. To date, there have been no transactions in connection with this ICA, and the Company does not anticipate any in the foreseeable future.

Claims Financing Obligations

On March 29, 2023, the Company acquired a controlling interest in nine legal entities, whose sole assets are CCRAs, from Hazel. This is referred to as the “Claims Purchase.” The purchase price for the Claims Purchase was funded by (i) a purchase money loan

between Hazel, as a lender, and the Company, as a borrower, in the amount of \$250.0 million (the “Purchase Money Loan”) and (ii) proceeds from the sale of certain, separate CCRAs in the Claims Sale. See Note 4, *Asset Acquisitions*.

On February 20, 2015, a subsidiary of the Company entered into a Claims Proceeds Investment Agreement (“CPIA”) with a third-party investor to invest directly and indirectly in Claims, disputes, and litigation and arbitration Claims. For such investment, the Company assigned to the investor a portion of the future proceeds of certain Claims, albeit the Company remained the sole owner and assignee of rights to Claims because the investor was only acquiring rights to a portion of the proceeds of the Claims. The investor return was based on its investment (\$23 million between the original and amended agreements) and an internal rate of return of 30% calculated from the Closing Date.

During the year ended December 31, 2022, the Company finalized an Amendment to the CPIA and a Warrant Agreement with the third-party, pursuant to which the parties have agreed to amend the original CPIA and required payment terms. See “*Brickell Key Investments*” within Note 10, *Claims Financing Obligations and Notes Payable*, for a description of the Claims financing obligations as amended.

Tax Receivable Agreement

Under the terms of the TRA, we generally will be required to pay to the Members, and to each other person from time to time that becomes a “TRA Party” under the TRA, 85% of the tax savings, if any, that we are deemed to realize in certain circumstances as a result of certain tax attributes that exist following the Business Combination and that are created thereafter, including as a result of payments made under the TRA. The term of the TRA will continue until all such tax benefits have been utilized or expired unless we exercise our right to terminate the TRA for an amount representing the present value of anticipated future tax benefits under the TRA or certain other acceleration events occur. Any payments made by us under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us, and, to the extent that we are unable to make payments under the TRA for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by us.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

<i>(in thousands)</i>	Six Months Ended June 30,	
	2024	2023
Net cash used in operating activities	\$ (11,164)	\$ (24,601)
Net cash (used in) provided by investing activities	(343)	8,123
Net provided by financing activities	6,987	7,830
Net decrease in cash	(4,520)	(8,648)
Cash at beginning of year	11,633	15,081
Cash at end of period	\$ 7,113	\$ 6,433

Cash Flows Used In Operating Activities

Net cash used in operating activities decreased by \$13.4 million to \$11.2 million for the six months ended June 30, 2024 compared to net cash used in of \$24.6 million for the six months ended June 30, 2023. During the six months ended June 30, 2024, net cash used in operating activities was impacted primarily by our net loss, \$242.0 million of claims amortization expense, \$199.9 million of paid-in-kind interest, change in fair value of warrant liability of \$76.4 million, and an increase of \$10.7 million of changes in working capital. Our cash flows used in operating activities is primarily related to payroll and professional services, which did not materially change from period to period.

Cash Flows (Used in) Provided by Investing Activities

Net cash used in investing activities changed by \$8.5 million to \$0.3 million for the six months ended June 30, 2024 compared to net cash provided of \$8.1 million for the six months ended June 30, 2023. During the six months ended June 30, 2024, our cash used in investing activities related to the acquisition of additional CCRAs amounting to \$0.2 million and \$0.1 million of purchases to property, plant, and equipment.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities decreased to \$7.0 million for the six months ended June 30, 2024 compared to \$7.8 million net cash provided by financing activities for the six months ended June 30, 2023. This is primarily due to borrowings from the New Money Loan of \$4.5 million, the third Convertible Note from Yorkville with net proceeds of \$4.75 million, and proceeds from the sell of shares to Yorkville totaling \$0.6 million, which are offset by \$2.5 million repayments of the claims financing obligation and \$0.4 repayment of the related party loan.

Contractual Obligations, Commitments, and Contingencies

Based on claims financing obligations and notes payable agreements, as of June 30, 2024, the present value of amounts owed under these obligations were \$605.3 million, including capitalized interest to date. The weighted average interest rate is 14.8% based on the current book value of \$605.3 million with rates that range from 0.0% to 20.0%. The Company is expected to repay these obligations from cash flows from claim recovery income.

As of June 30, 2024, the minimum required payments on these agreements are \$758.9 million. Certain of these agreements have priority of payment regarding any proceeds until full payment of the balance due is satisfied. The maturity of the commitments range from the date sufficient claims recoveries are received to cover the required return or in some cases by 2031.

As of June 30, 2024, the Company has \$1.0 billion of guaranty obligations. On April 12, 2023, we entered into the Virage MTA Amendment pursuant to which the payment date was extended from May 23, 2023 until September 30, 2024, subject to acceleration upon certain triggering events. On November 13, 2023, the maturity date was extended to December 31, 2024. Under the Virage MTA Amendment, Virage will receive a first priority lien on all sources of revenue of the company not otherwise encumbered as of the date of the Virage MTA Amendment, to the extent in excess of the amount of revenues necessary to establish and maintain an operating reserve of \$70 million for overhead expenses and applicable taxes. On July 24, 2023, the operating reserve was adjusted to \$47.5 million and pursuant to the Second Virage MTA Amendment, the operating reserve was changed from \$47.5 million to the budget of the Company (plus applicable taxes) plus 10%. On April 1, 2024, the Company entered into the Third Virage MTA Amendment which: (i) extended the VRM Full Return payment due date to September 30, 2025, subject to acceleration upon certain triggering events; (ii) the Company agreed that, after the Convertible Notes are fully satisfied, 25% of the Company's portion of any net proceeds from the Yorkville SEPA would be used to pay down the VRM Full Return; and (iii) commence the sale of certain reserved shares of Messrs. John H. Ruiz and Frank C. Quesada, and the delivery of the resulting net cash proceeds thereof to VRM.

Critical Accounting Estimates

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts and related disclosures in our financial statements and accompanying notes. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions due to the inherent uncertainty involved in making those estimates and any such differences may be material.

Our Critical Accounting Policies and Estimates are disclosed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies*" in our 2023 Form 10-K, and there have been no material changes during the three and six months ended June 30, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported as specified in the SEC's rules and forms and that such information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2024. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal controls over financial reporting were not effective as of June 30, 2024, due to lack of completion of remediation of the material weaknesses identified in the 2023 Form 10-K related to human resources processes including the design and operation of controls over user access, IT change management over systems implementations, and the approval of payroll entries, and also material weaknesses over accounting for contract terminations, including accounting for the termination of vendor service contracts. Remediation of the aforementioned material weaknesses is in progress.

Management believes that the material weaknesses set forth above did not have an effect on our financial results.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal quarter 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.

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Regardless of outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors and there can be no assurances that favorable outcomes will be obtained.

Investigations

As previously disclosed, on August 11, 2022, the Securities and Exchange Commission (the “SEC”) initiated an investigation of the Company, and requested documents relating to, among other matters, the Business Combination transaction with Lionheart Acquisition Corporation II consummated on May 23, 2022, certain historical and projected financial results, investor agreements, and data analytic platforms and Algorithms. The Company received a subpoena dated March 1, 2023 from the SEC regarding the aforementioned subject matter, and subsequently received a subpoena on May 10, 2023, in connection with the investigation relating to, among other matters, the Company’s projections and the accounting and valuation of certain assets that were the basis for the Company’s determination that its quarterly financial statements for the periods ended June 30, 2022 and September 30, 2022 require restatements and should no longer be relied upon, as disclosed in the Company’s Form 8-K on April 14, 2023. On August 16, 2023, the Company received an additional subpoena from the SEC regarding certain funding sources of the Company prior to the Business Combination, various statements and disclosures by the Company in connection with, and following, the Business Combination, certain historical and projected financial results, and data analytic platforms and Algorithms used to identify potential recoveries. The Company intends to fully cooperate with the SEC in responding to the subpoenas.

In addition, on March 10, 2023, the Company received a subpoena from the U.S. Attorney’s Office (“USAO”) in connection with a grand jury investigation in the U.S. District Court for the Southern District of Florida requesting certain information concerning the Company, which subpoena requests documents relating to, among other matters, the Company’s proprietary Algorithms and other software used to identify potentially recoverable claims, the drop in the price of the Company’s common stock following the Business Combination, and certain marketing materials and investment agreements presented to potential investors. On July 18, 2024, the Company received an additional subpoena from the USAO, requesting documents related to a recent press release. To the best of the Company’s knowledge, the Department of Justice has not issued any target letters to anyone associated with the Company as a result of this investigation (the United States Attorney’s Manual states that a “target” is a person as to whom the prosecutor or the grand jury has substantial evidence linking him or her to the commission of a crime and who, in the judgment of the prosecutor, is a putative defendant).

The Company has cooperated, and will continue to cooperate, fully with these inquiries. In connection with its review of the matters related to the preparation and filing of the 2022 Form 10-K, the Special Committee, along with external advisors retained thereby, also reviewed the subject matter of information requests related to the foregoing subpoenas received prior to June 2023. Based on that review, and the nature of the documents requested in the subsequent subpoena, the Company believes that the investigations will be resolved without any material developments; however, there can be no assurance as to the outcome or future direction thereof.

Cano Health, LLC

On July 7, 2023, the Company issued 7,960,001 shares of Class A Common Stock to Cano Health, LLC (“Cano”) as payment for \$61.7 million in deferred compensation related to the following agreements, which the Company had the option to pay in cash or in stock and elected to pay in stock, of which (i) 3,225,807 shares of Class A Common Stock were issued as deferred consideration for the assignment of certain claims pursuant to that certain Purchase Agreement, effective as of September 30, 2022, as amended to date, by and between the Company and Cano (“Cano Purchase Agreement”), and (ii) 4,734,194 shares of Class A Common Stock were issued as deferred consideration for the assignment of certain claims pursuant to that certain Amended and Restated Claims Recovery and Assignment Agreement effective as of December 31, 2021, as amended to date, by and between the Company and Cano (“Cano CCRA”).

On August 10, 2023, the Company sued Cano in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida for declaratory relief and anticipatory breach of the Cano CCRA, Cano Purchase Agreement, and a Service Agreement (collectively, the “Cano Agreements”) between the parties. On the same day, Cano sued the Company in the same court, alleging fraud in the inducement, breach of contract, tortious interference, and unjust enrichment relating to the Cano Agreements. The Company has a \$5.0 million receivable outstanding from Cano; however, due to Cano’s Quarterly Report on Form 10-Q filings for the periods ending June 30, 2023 and September 30, 2023, which include a substantial doubt about Cano’s ability to continue as a going concern, and Cano’s subsequent filing of voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code on February 4, 2024, the Company established a reserve for the balance due under such receivable during 2023. These matters were automatically stayed as a result of Cano’s bankruptcy filing.

On January 4, 2024, Cano sued Simply Healthcare Plans, Inc. (“Simply”) and the Company and affiliated entities seeking a declaratory judgment to determine whether the Cano Purchase Agreement should be rescinded, and whether Cano or the Company have standing to recover on claims assigned to the Company against Simply under the Cano Purchase Agreement. Cano also seeks damages from Simply relating to the claims assigned to the Company under the Cano Purchase Agreement. The Company intends to vigorously assert its position in all Cano related litigation.

Item 1A. Risk Factors.

There have been no material changes to our principal risks that we believe are material to our business, results of operations, and financial condition, from the risk factors previously disclosed in the Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”). Prospective investors are encouraged to consider the risks described in our 2023 Form 10-K, our Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in this Quarterly Report on Form 10-Q and in our 2023 Form 10-K, and other information publicly disclosed or contained in documents we file with the Securities and Exchange Commission before purchasing our securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Recent Sales of Unregistered Securities***Virage Recovery Master LP (“VRM”)*

During the quarterly period ended June 30, 2024, the Company issued warrants entitling Virage to purchase 37,909,524 shares of Class A Common Stock.

Virage Capital Management LP (“Virage”)

During the quarterly period ended June 30, 2024, the Company issued 500,000 unregistered shares of Class A Common Stock to Virage, and a warrant entitling Virage to purchase 2,500,000 shares of Class A Common Stock.

Palantir Technologies, Inc. (“Palantir”)

During the quarterly period ended June 30, 2024, the Company issued 685,816 unregistered shares of Class A Common Stock to Palantir.

YA II PN, Ltd. (“Yorkville”)

During the quarterly period ended June 30, 2024, the Company sold 1,809,102 shares to Yorkville pursuant to Investor Notices delivered under the Yorkville SEPA at prices between \$0.58 and \$0.84 per share, and the proceeds were used to: (i) reduce amounts owing under Yorkville Note #1 by \$0.5 million and \$0.1 million of principal and interest, respectively, and (ii) \$0.6 million of payment to reduce amounts owing under the Amended and Restated Nomura Promissory Note.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Description	Incorporated by Reference			Filing Date
		Form	File No.	Exhibit	
4.1+	VRM Warrant Agreement	10-K	001-39445	4.8	April 15, 2024
4.2+	Note by and between Subrogation Holdings, LLC and Hazel Partners Holdings, LLC dated August 2, 2024	8-K	001-39445	4.1	August 8, 2024
10.1+	Amended and Restated Collateral Administration Agreement, dated March 29, 2023, by and between Hazel Partners Holdings, LLC, Subrogation Holdings, LLC and MSP Recovery, LLC	10-K	001-39445	10.35	April 15, 2024
10.2+	Amended and Restated Promissory Note dated March 26, 2024 by and between the MSP Recovery, Inc. and Nomura Securities International, Inc.	10-K	001-39445	10.40	April 15, 2024
10.3+	MTA Amendment No. 3 and Amendment No. 2 to the Amended and Restated Security Agreement dated March 26, 2024 by and between Virage Recovery Master LP, Series MRCS, a series of MDA, Series LLC, John H. Ruiz, Frank C. Quesada, Virage Capital Management LP, MSP Recovery, LLC, La Ley con John H. Ruiz, MSP Recovery, Inc. and Lionheart II Holdings, LLC	10-K	001-39445	10.41	April 15, 2024
10.4+	Yorkville Side Letter Agreement to Yorkville SEPA dated April 8, 2024	8-K	001-39445	10.1	April 12, 2024
10.5+	Yorkville SEPA Side Letter executed April 12, 2024	10-K	001-39445	10.42	April 15, 2024
10.6+	Yorkville SEPA Side Letter executed May 2, 2024	8-K	001-39445	10.1	May 3, 2024
10.7+	Services Agreement dated May 20, 2022 by and between Virage Capital Management LP and MSP Recovery, LLC	8-K	001-39445	10.1	May 24, 2024
10.8+	VRP Warrant Agreement	8-K	001-39445	10.2	May 24, 2024
10.9+	June 5, 2024 Warrant Agreement	8-K	001-39445	10.2	June 7, 2024
10.10+	Yorkville SEPA Side Letter executed July 12, 2024	8-K	001-39445	10.1	July 18, 2024
10.11+	Form of Exchangeable Promissory Notes	8-K	001-39445	10.2	July 18, 2024
10.12†	Letter Agreement by and between Subrogation Holdings, LLC; MSP Recovery, LLC; JRFQ Holdings, LLC; 4601 Coral Gables Property, LLC; MSP Recovery Claims, Series LLC - Series 15-09-321; and Hazel Partners Holdings, LLC dated August 2, 2024	8-K	001-39445	10.1	August 8, 2024
10.13*	Yorkville SEPA Side Letter executed August 13, 2024				
10.14*	July 2024 Warrant Agreement				
10.15*	August 2024 Warrant Agreement				
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1#	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2#	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its 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)				

* Filed herewith.

+ Previously filed

Furnished herewith.

† Previously filed. Pursuant to Item 601(b)(2) of Regulation S-K, certain immaterial provisions of the agreement that would likely cause competitive harm to the Company if publicly disclosed have been redacted or omitted.

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.

MSP Recovery, Inc.

Date: August 14, 2024

By: _____ /s/ Francisco Rivas-Vásquez
Francisco Rivas-Vásquez
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)



August 13, 2024

VIA EMAIL

Yorkville Advisors Global, LP
1012 Springfield Avenue
Mountainside, New Jersey 07092
Attention: David Fine, Esq.

Re: MSP Recovery, Inc. Floor Price Adjustment

Dear Mr. Fine:

Reference is made to the Exchangeable Promissory Notes (“Notes”) issued pursuant to the Standby Equity Purchase Agreement dated November 14, 2023 by and between YA II PN, Ltd. (“Yorkville”) and MSP Recovery, Inc. (“MSP Recovery”).

This letter serves as written notice by MSP Recovery to Yorkville that, effective as of the date hereof, the Floor Price, as defined in paragraph (12)(t) of the Notes, shall be reduced to \$0.15 per share.

Sincerely,

Name: John H. Ruiz
Title: Chief Executive Officer

Acknowledged and agreed:

YA II PN, Ltd.
By: Yorkville Advisors Global, LP
Its: Investment Manager

By: Yorkville Advisors Global II, LLC
Its: General Partner

By:

Name: Matthew Beckman
Title: Member

MSP RECOVERY, INC.
CLASS A COMMON STOCK WARRANT

THIS WARRANT (THE “WARRANT”) AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SECURITIES IS EFFECTIVE UNDER THE ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW AND, IF THE COMPANY REQUESTS, AN OPINION SATISFACTORY TO THE COMPANY TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.

Warrant Certificate No.: 7

Original Issue Date: July 1, 2024

Reissuance Date, if any:

FOR VALUE RECEIVED, MSP Recovery, Inc. d/b/a LifeWallet (formerly known as Lionheart Acquisition Corporation II), a Delaware corporation (the “**Company**”), hereby certifies that Virage Recovery Master LP, a Delaware limited partnership, or its registered assigns (the “**Holder**”) is entitled to purchase from the Company 20,831,171 duly authorized, validly issued, fully paid and nonassessable shares of Common Stock, at a purchase price per share of \$0.0001 (the “**Strike Price**”), all subject to the terms, conditions and adjustments set forth below in this Warrant.

1. **Definitions.** As used in this Warrant, the following terms have the respective meanings set forth below:

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that “control” of a Person means the power directly or indirectly to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“**Aggregate Strike Price**” means an amount equal to the product of (a) the number of Warrant Shares in respect of which this Warrant is then outstanding, multiplied by (b) the Strike Price.

“**Business Day**” means any day, except a Saturday, Sunday or legal holiday, on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

“**Capital Stock**” means, collectively, the Common Stock and the Class V Common Stock, par value \$0.0001 per share, of the Company.

“**Common Stock**” means the Class A Common Stock, par value \$0.0001 per share, of the Company, and any capital stock into which such Common Stock shall have been converted, exchanged or reclassified following the date hereof.

“**Company**” has the meaning set forth in the preamble.

“**Dilutive Issuance**” has the meaning set forth in Section 4(c)(iii). “**Distribution**” has the meaning set forth in Section 4(c)(iv).

“**Excluded Issuances**” means any issuance of (a) shares of any equity securities (including warrants or other convertible securities) pursuant to an employee stock option plan, management incentive plan, restricted stock plan, stock purchase plan or stock, ownership plan or similar benefit plan or similar program, or any compensatory arrangement or agreement approved by the Board of Directors or shareholders of the Company, (b) shares of any equity securities issuable upon exercise of any warrants or upon conversion, exercise or redemption of other securities outstanding as of the date of this Warrant which have been disclosed in the Company’s reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (as amended, the “**Exchange Act**”), (c) shares of Common Stock or securities convertible into Common Stock, as applicable, issued by the Company upon exercise of this Warrant or pursuant to any of the other Transaction Agreements, (d) any equity-linked securities to be issued pursuant to any obligations existing at the time of this Warrant, (e) securities issued pursuant to acquisitions or strategic transactions and the payment of contractor invoices in the ordinary course of business approved by a majority of the disinterested directors of the Company, and (f) securities issued upon the exercise or exchange of or conversion of any securities, and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock in each case issued and outstanding on the date of this Warrant, provided that such securities have not been amended since the date of this Warrant to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with share splits or combinations) or to extend the term of such securities.

“**Exercise Date**” means, for any given exercise of this Warrant, the date on which the conditions to such exercise as set forth in Section 3(a) shall have been satisfied at or prior to 5:00 p.m., New York City, NY time, on a Business Day.

“**Exercise Period**” has the meaning set forth in Section 2. “**Holder**” has the meaning set forth in the preamble.

“**MTA**” means that certain Master Transaction Agreement among the Company, Holder and certain other parties named therein, dated as of March 9, 2022, as amended by that certain (i) Amendment, dated as of April 11, 2023, (ii) Amendment No. 2, dated as of November 13, 2023, and (iii) Amendment No. 3, dated as of March 26, 2024.

“**Notice of Exercise**” has the meaning set forth in Section 3(a).

“**Original Issue Date**” means the first date hereabove written.

“**Person**” means any individual, sole proprietorship, partnership, limited liability company, corporation, joint venture, trust, incorporated organization or government or department or agency thereof.

“**Strike Price**” has the meaning set forth in the preamble, subject to adjustments in accordance with the terms of this Warrant.

“**Subsidiary**” means a corporation association, company (including limited liability company), joint-stock company, business trust or other similar entity more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For purposes of this definition, “voting stock” means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

“**Trading Market**” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQB, or the OTCQX (or any successors to any of the foregoing).

“**Transaction Agreement**” means each of the MTA and this Warrant/other warrants. “**Transaction**” has the meaning set forth in Section 4(c)(ii).

“**Transfer Agent**” has the meaning set forth in Section 3(a).

“**VWAP**” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported on the OTCQX, OTCQB or OTC Pink Marketplace maintained by the OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the volume weighted average price of the Common Stock on the first such facility (or a similar organization or agency succeeding to its functions of reporting prices), or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company. For purposes of calculating VWAP over any multiple-day period, the number of shares of Common Stock shall be adjusted for any stock splits, stock combinations, reclassifications or similar transaction.

“**Warrant**” means this Warrant and all warrants issued upon division or combination of, or in substitution for, this Warrant.

“**Warrant Shares**” means the shares of Common Stock or other capital stock of the Company then purchasable upon exercise of this Warrant in accordance with the terms of this Warrant.

2. Term of Warrant. Subject to the terms and conditions hereof, at any time or from time to time after the Original Issue Date and prior to 5:00 p.m., New York City, NY time, on the second anniversary of the Original Issue Date or, if such day is not a Business Day, on the next preceding Business Day (the “**Exercise Period**”), the Holder of this Warrant may exercise this Warrant for all or any part of the Warrant Shares purchasable hereunder (subject to adjustment as provided herein).

3. Exercise of Warrant.

(a)**Exercise Procedure.** This Warrant may be exercised from time to time on any Business Day during the Exercise Period, for all or any part of the unexercised Warrant Shares, upon: surrender of this Warrant to the Company at the address for notices in Section 10 below (or an indemnification undertaking with respect to this Warrant in the case of its loss, theft or destruction), together with duly completed and executed exercise notice in the form attached hereto as Exhibit A (the “**Notice of Exercise**”).

(b) **RESERVED.**

(c)**Delivery of Warrant Shares Upon Exercise.** In accordance with and subject to Section 3(a) and Section 4 hereof, the Company shall, as promptly as practicable, and in any event within three (3) Business Days after surrender of this Warrant, instruct the transfer agent (the “**Transfer Agent**”) for the Common Stock to record the issuance of the Warrant Shares purchased hereunder to the Holder in book-entry form pursuant to the Transfer Agent’s regular procedures. The Warrant Shares shall be registered in the name of the Holder or, subject to compliance with Section 5 below, such other Person’s name as shall be designated. This Warrant shall be deemed to have been exercised in whole or in part, and such certificate or certificates of Warrant Shares shall be deemed to have been issued, and the Holder or any other Person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares for all purposes, as of the applicable Exercise Date.

(d)**Delivery of New Warrant.** Unless the purchase rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, at the time of delivery of the Warrant Shares being issued in accordance with Section 3(c) hereof, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unexpired and unexercised Warrant Shares called for by this Warrant. Such new Warrant shall in all other respects be identical to this Warrant.

(e)**Reservation of Shares.** During the Exercise Period, the Company shall at all times reserve and keep available out of its authorized but unissued Common Stock or other securities constituting Warrant Shares, solely for the purpose of issuance upon the exercise of this

Warrant, the maximum number of Warrant Shares issuable upon the exercise of this Warrant, and

the par value per Warrant Share shall at all times be less than or equal to the applicable Strike Price. The Company shall not increase the par value of any Warrant Shares receivable upon the exercise of this Warrant above the Strike Price then in effect, and shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(f) Exercise Restriction. Notwithstanding anything herein to the contrary, the Company shall not effect the exercise of any portion of this Warrant, and the Holder shall not have the right to exercise any portion of this Warrant, and any such exercise shall be null and void and treated as if never made, to the extent, and only to the extent, that:

(i) after giving effect to such exercise, the number of Warrant Shares then beneficially owned by the Holder and its Affiliates and any other Persons or entities whose beneficial ownership of Common Stock or other Capital Stock that is convertible or exercisable into Common Stock, for purposes of Section 13(d) of the Exchange Act, would be aggregated with the Holder's (including any shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to exchange, convert, exercise or purchase similar to the limitation set forth herein) would exceed 9.99% of the total number of Common Stock issued and outstanding; except that Holder may increase such threshold upon 61 days' notice to the Company; *provided*, that if any Warrant Shares otherwise due to Holder pursuant to an exercise of this Warrant are not delivered as a result of the limitation in this Section 3(f)(i) (the "**Excess Shares**") then the Company's obligation to deliver such Excess Shares will not be extinguished, and the Company will deliver such Excess Shares as soon as reasonably practicable after the Holder provides written confirmation to the Company that such delivery will not contravene the limitation in this Section 3(f)(i); or

(ii) such issuance, when aggregated with any other Capital Stock theretofore or simultaneously therewith issued (including all of the transactions as contemplated under the Transaction Agreements) to or otherwise beneficially owned by the Holder and its Affiliates and any other Persons or entities whose beneficial ownership of Capital Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including any shares held by any "group" of which the Holder is a member) would result in a "change of control" of the Company within the meaning of Nasdaq Listing Rule 5635(b) or otherwise require shareholder approval under Nasdaq Listing Rule 5635(d); except that such limitation under this clause (ii) shall not apply in the event that the Company obtains all necessary shareholder approvals for such exchange in accordance with the Nasdaq Listing Rules. The Company shall use its commercially reasonable efforts to obtain any such necessary shareholder approval as soon as commercially practicable.

For purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and applicable regulations of the Securities and Exchange Commission, and the percentage held by the Holder shall be determined in a manner consistent with the provisions of Section 13(d) of the Exchange Act.

4. Mandatory Cashless Exercise; Adjustments.

(a) RESERVED.

(b)Cashless Exercise. Upon the exercise of the Warrant in whole or in part, the Company will settle such exercise by paying or delivering, as applicable and as provided in this Section 4(b), shares of Common Stock, together, if applicable, with cash in lieu of fractional shares in the amounts set forth herein. The Warrant shall only be settled in shares of Common Stock, other than any cash payments in lieu of fractional shares, and shall not be settled in cash. The consideration due upon settlement of the exercise of each Warrant will consist of the following:

(i) A number of shares of Common Stock equal to the greater of (x) zero and (y) the quotient obtained by dividing $(VP-SP) * (WS)$ by (VP) , where:

WS = the number of Warrant Shares being exercised, subject to any adjustments as set forth in this Section 4;

VP = the average of the VWAPs of each of the 5 days ending as of the market close on the trading day immediately preceding the applicable Exercise Date; and

SP = the Strike Price in effect immediately after the close of business on such Exercise Date.

(ii) Additionally, if the calculation set forth in Section 4(b)(i) results in the issuance of fractional shares of Common Stock, in lieu of delivering any fractional share of Common Stock otherwise due upon exercise of any Warrant, the Company will round to the nearest non-fractional share.

(c)Strike Price and Warrant Share Adjustments. Each of the Strike Price and the Warrant Shares will be adjusted from time to time as follows:

(i) *Adjustment Upon Stock Dividends, Certain Issuances, Subdivisions or Combinations of Common Stock.* If the Company, at any time while this Warrant is outstanding:

(A) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock, (B) subdivides outstanding shares of Common Stock into a larger number of shares, (C) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Strike Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of Warrant Shares shall be proportionately adjusted such that the Aggregate Strike Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 4(c)(i) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(ii) *Changes in Common Stock*. In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than a change under subsection 4(c)(i) hereof or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of the Company with or into another entity or conversion of the Company as another entity (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another entity of the assets or other property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved (any of the foregoing being herein called a “**Transaction**”), the holders of the Warrant shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Warrants would have received if such holder had exercised his, her or its Warrant(s) immediately prior to such event (the “**Alternative Issuance**”); provided, however, that in connection with the closing of any such consolidation, merger, sale or conveyance, the successor or purchasing entity shall execute an amendment hereto providing for delivery of such Alternative Issuance; provided, further, that (i) if the holders of the Common Stock were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets constituting the Alternative Issuance for which the Warrant shall become exercisable shall be deemed to be the weighted average of the kind and amount received per share by the holders of the Common Stock in such consolidation or merger that affirmatively make such election, and (ii) if a tender, exchange or redemption offer shall have been made to and accepted by the holders of the Common Stock (other than a tender, exchange or redemption offer made by the Company in connection with redemption rights held by stockholders of the Company as provided for in the Company’s amended and restated certificate of incorporation) under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act (or any successor rule)) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act (or any successor rule)) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act (or any successor rule)) more than 50% of the outstanding shares of Capital Stock, the holder of a Warrant shall be entitled to receive as the Alternative Issuance, the highest amount of cash, securities or other property to which such holder would actually have been entitled as a stockholder if such Warrant holder had exercised the Warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the Common Stock held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustments (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in this Section 4; provided, further, that if less than 70% of the consideration receivable by the holders of Capital Stock in the applicable event is payable in the form of common stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the Holder properly exercises the Warrant within thirty (30) days

following the public disclosure of the consummation of such applicable event by the Company pursuant to a Current Report on Form 8-K filed with the Commission, the Strike Price shall be reduced by an amount (in dollars) (but in no event less than zero) equal to the difference of (i) the Strike Price in effect prior to such reduction minus (ii) (A) the Per Share Consideration (as defined below) minus (B) the Black-Scholes Warrant Value (as defined below). The “**Black-Scholes Warrant Value**” means the value of a Warrant immediately prior to the consummation of the applicable event based on the Black-Scholes Warrant Model for a Capped American Call on Bloomberg Financial Markets (“**Bloomberg**”). For purposes of calculating such amount, (1) Section 6 of this Agreement shall be taken into account, (2) the price of each share of Common Stock shall be the volume weighted last reported average price of the Common Stock as reported during the ten (10) trading day period ending on the trading day prior to the effective date of the applicable event, (3) the assumed volatility shall be the 90 day volatility obtained from the HVT function on Bloomberg determined as of the trading day immediately prior to the day of the announcement of the applicable event, and (4) the assumed risk-free interest rate shall correspond to the U.S. Treasury rate for a period equal to the remaining term of the Warrant. “**Per Share Consideration**” means (i) if the consideration paid to holders of the Common Stock consists exclusively of cash, the amount of such cash per share of Common Stock, and (ii) in all other cases, the amount of cash per share of Common Stock, if any, plus the volume weighted average price of the Common Stock as reported during the ten (10) trading day period ending on the trading day prior to the effective date of the applicable event. If any reclassification or reorganization also results in a change in shares of Common Stock covered by subsection 4(c)(i), then such adjustment shall be made pursuant to subsection 4(c)(i) and this Section 4(c)(ii). The provisions of this subsection shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers. In no event will the Strike Price be reduced to less than the par value per share issuable upon exercise of the Warrant.

(iii) *Common Stock and Convertible Securities.* If the Company, at any time while this Warrant is outstanding, sells or grants any shares of Common Stock, or any securities convertible into or exercisable for Common Stock (such issuances collectively, a “**Dilutive Issuance**”), at a price per share of Common Stock, or at the exercise price per share for securities convertible into Common Stock, that is at a more than a 10% discount to the Fair Market Value (as defined below), then simultaneously with the consummation of each Dilutive Issuance,

- (A) the Strike Price in effect immediately prior to such Dilutive Issuance will immediately be reduced to the price determined by multiplying the Strike Price in effect immediately prior to such Dilutive Issuance by a fraction, (x) the numerator of which shall be the sum of (1) the product obtained by multiplying the Common Stock Deemed Outstanding (as defined below) prior to such issuance or sale by the Fair Market Value of the Common Stock immediately prior to such Dilutive Issuance, plus (2) the aggregate consideration, if any, received by the Company for the total number of such additional shares of Common Stock or securities convertible into or exercisable for Common Stock, and (y) the denominator of which shall be the product obtained by multiplying (1) the number of shares of Common Stock outstanding immediately after such

Dilutive Issuance by (2) the Fair Market Value of the shares of Common Stock immediately prior to such Dilutive Issuance;

- (B) the number of Warrant Shares issuable upon the exercise of this Warrant shall be adjusted to a number equal to the quotient obtained by dividing: (i) the product of (A) the Strike Price in effect immediately prior to any such Dilutive Issuance multiplied by (B) the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such Dilutive Issuance; by (ii) the Strike Price resulting from such adjustment (as set forth in Section 4(c)(iii)(A)); and
- (C) For purposes of this Section 4(c)(iii), “Common Stock Deemed Outstanding” shall mean the total number of shares of common stock outstanding as of such date, expressed on a fully-diluted basis and “Fair Market Value” shall mean the 10-day VWAP prior to the date of the Dilutive Issuance.

(iv) *Other Distributions.* During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) other than any such dividend or distribution that is subject to Section 4(c)(i) hereof (a “**Distribution**”), at any time after the issuance of this Warrant, then, in each such case, the Strike Price shall be adjusted by multiplying the Strike Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such Distribution by a fraction of which the denominator shall be the closing price on the record date mentioned above, and of which the numerator shall be such closing price on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith, and the number of Warrant Shares shall be proportionately adjusted such that the Aggregate Strike Price of this Warrant shall remain unchanged. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(v) *Repurchases.* Unless otherwise adjusted pursuant to Section 4(c)(i) through (x) hereof, if, at any time while this Warrant is outstanding, the Company effects any Repurchases, then, following the completion of the Repurchase, the Strike Price shall be reduced to the price determined by multiplying the Strike Price in effect immediately prior to the date of the Repurchase by a fraction of which the numerator shall be (a) the product of (1) the number of shares of Common Stock outstanding immediately prior to the date of the Repurchase and (2) the closing price of the Common Stock on the trading day immediately preceding the Company’s first public disclosure of its intent to effect such Repurchases, minus (b) the Assumed Payment Amount (as defined below), and of which the denominator shall be the product of (X) the number of shares

of Common Stock outstanding immediately prior to the date of the Repurchase minus the number of shares of Common Stock so repurchased and (Y) the closing price of the Common Stock on the trading day immediately preceding the Company's first public disclosure of its intent to effect such Repurchases. In such event, the number of Warrant Shares issuable upon the exercise of this Warrant shall be increased to the number obtained by multiplying such number of Warrant Shares by the quotient of (A) the Strike Price in effect immediately prior to the date of the Repurchases divided by (B) the new Strike Price determined in accordance with the immediately preceding sentence. For purposes of the foregoing, the "Assumed Payment Amount" with respect to any Repurchases shall mean the closing price as of the date of such Repurchases, of the aggregate consideration paid to effect such Repurchases and "Repurchases" means any transaction or series of related transactions to purchase Common Stock of the Company for a purchase price greater than the closing price on the trading day immediately prior to such transactions pursuant to any tender offer or exchange offer.

(vi) *Exceptions to Adjustment Upon Issuance of Common Stock.* Notwithstanding anything herein to the contrary herein, there shall be no adjustment to the number of Warrant Shares issuable upon exercise of this Warrant or the Strike Price with respect to any Excluded Issuance.

(d) **Notices.** Whenever the Strike Price or the Warrant Shares are adjusted pursuant to any provision of this Section 4, the Company shall mail to the Holder a notice setting forth the adjusted Strike Price or the Warrant Shares and a brief statement of the facts requiring such adjustment. In the event the Company shall consummate any Transaction then, unless the Company has made a filing with the Securities and Exchange Commission, including pursuant to a Current Report on Form 8-K, which filing discloses such Transaction, the Company shall give to each Holder of a warrant certificate a written notice of such Transaction.

5. Transfer of Warrant. Subject to the transfer conditions referred to in the legend endorsed hereon, this Warrant and all rights hereunder are transferable, in whole or in part, by the Holder without charge to the Holder, upon surrender of this Warrant to the Company at the address for notices in Section 10 below (email being sufficient) with a properly completed and duly executed assignment in the form set forth on Exhibit B and any other documentation as may be reasonably requested from the Company. Upon such compliance, surrender and delivery and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant, if any, not so assigned and this Warrant shall promptly be cancelled.

6. Holder Not Deemed a Stockholder; Limitations on Liability. Other than as set forth herein, prior to the issuance to the Holder of the Warrant Shares to which the Holder is then entitled to receive upon the due exercise of this Warrant, the Holder shall not be entitled to vote or be deemed the holder of shares of capital stock of the Company for any purpose (other than for tax purposes), nor shall anything contained in this Warrant be construed to confer upon the Holder, as such, any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise) or receive notice of meetings. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of

this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

7. Replacement on Loss; Division and Combination.

(a)Replacement of Warrant on Loss. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and upon delivery of an indemnity reasonably satisfactory to it (it being understood that a written indemnification agreement or affidavit of loss of the Holder shall be a sufficient indemnity) and, in case of mutilation, upon surrender of such Warrant for cancellation to the Company, the Company at its own expense shall execute and deliver to the Holder, in lieu hereof, a new Warrant of like tenor and exercisable for an equivalent number of Warrant Shares as the Warrant so lost, stolen, mutilated or destroyed; provided, that, in the case of mutilation, no indemnity shall be required if this Warrant in identifiable form is surrendered to the Company for cancellation.

(b)Division and Combination of Warrant. Subject to compliance with the applicable provisions of this Warrant as to any transfer or other assignment which may be involved in such division or combination, this Warrant may be divided or, following any such division of this Warrant, subsequently combined with other Warrants, upon the surrender of this Warrant or Warrants to the Company at its then principal executive offices, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the respective Holders or their agents or attorneys, along with any other documentation that the Company may reasonably request. Subject to compliance with the applicable provisions of this Warrant as to any transfer or assignment which may be involved in such division or combination, the Company shall at its own expense execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants so surrendered in accordance with such notice. Such new Warrant or Warrants shall be of like tenor to the surrendered Warrant or Warrants and shall be exercisable in the aggregate for an equivalent number of Warrant Shares as the Warrant or Warrants so surrendered in accordance with such notice.

8. Compliance with the Act.

(a)Restrictive Legend. The Holder, by acceptance of this Warrant, agrees to comply in all respects with the provisions of this Section 8 and the restrictive legend requirements set forth on the face of this Warrant and further agrees that such Holder shall not offer, sell or otherwise dispose of this Warrant or any Warrant Shares to be issued upon exercise hereof except under circumstances that will not result in a violation of the Act. This Warrant and all Warrant Shares issued upon exercise of this Warrant (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form:

“THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SECURITIES IS

EFFECTIVE UNDER THE ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW AND, IF THE COMPANY REQUESTS, AN OPINION SATISFACTORY TO THE COMPANY TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.”

(b) Removal of Restrictive Legend. The Company agrees, upon request of the Holder or permitted assignee, to take all steps reasonably necessary to promptly effect the removal of any restrictive legend from the certificates representing Warrant Shares or the book- entry account of such Warrant Shares, and the Company shall bear all costs associated therewith, regardless of whether the request is made in connection with a sale or otherwise, so long as the Holder, its permitted assigns or its broker provides to the Company a certification as to the length of time the such Warrant Shares have been held and a certification that the Holder is not an affiliate of the Company. The Company shall cooperate with the Holder to effect the removal of the legend at any time such legend is no longer appropriate.

9. Warrant Register. The Company shall keep and properly maintain at its principal executive offices books for the registration of the Warrant and any transfers thereof. The Company may deem and treat the Person in whose name the Warrant is registered on such register as the Holder thereof for all purposes, and the Company shall not be affected by any notice to the contrary, except any assignment, division, combination or other transfer of the Warrant effected in accordance with the provisions of this Warrant.

10. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission); or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the addresses indicated below (or at such other address for a party as shall be specified in a notice given in accordance with this [Section 10](#)).

If to the Company: MSP Recovery, Inc.
2701 S. Le Jeune Rd, 10th Floor Coral Gables,
FL 33134
Attention: Alexandra Plasencia
E-mail: aplasencia@msprecovery.com

If to the Holder: To such Holder at the address of such Holder as listed in the stock record books of the Company.

11. Cumulative Remedies. Except to the extent expressly provided to the contrary, the rights and remedies provided in this Warrant are cumulative and are not exclusive of, and are in addition to and not in substitution for, any other rights or remedies available at law, in equity or otherwise.

12. Equitable Relief. Each of the Company and the Holder acknowledges that a breach or threatened breach by such party of any of its obligations under this Warrant would give rise to irreparable harm to the other party hereto for which monetary damages would not be an adequate remedy and hereby agrees that in the event of a breach or a threatened breach by such party of any such obligations, the other party hereto shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction.

13. Entire Agreement. This Warrant, together with the Transaction Agreements, constitutes the sole and entire agreement of the parties to this Warrant with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Warrant and any of the Transaction Agreements, the statements in the body of this Warrant shall control.

14. Successor and Assigns. This Warrant and the rights evidenced hereby shall be binding upon and shall inure to the benefit of the parties hereto and the successors of the Company and the successors and permitted assigns of the Holder. Such successors and/or permitted assigns of the Holder shall be deemed to be a Holder for all purposes hereunder.

15. No Third-Party Beneficiaries. This Warrant is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant.

16. Headings. The headings in this Warrant are for reference only and shall not affect the interpretation of this Warrant.

17. Amendment and Modification; Waiver. Except as otherwise provided herein, this Warrant may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

18. Severability. If any term or provision of this Warrant is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Warrant or invalidate or render unenforceable such term or provision in any other jurisdiction.

19. Governing Law. This Warrant shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of Delaware.

20. Submission to Jurisdiction. Any legal suit, action or proceeding arising out of or based upon this Warrant or the transactions contemplated hereby may be instituted in the federal courts of the United States of America or the Chancery Court of the State of Delaware in each case located in the city of Wilmington, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by certified or registered mail to such party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or any proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

21. Waiver of Jury Trial. Each party acknowledges and agrees that any controversy which may arise under this Warrant is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Warrant or the transactions contemplated hereby.

22. Counterparts. This Warrant may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Warrant delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Warrant.

23. No Strict Construction. This Warrant shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has duly executed this Warrant as of the Original Issue Date.

MSP RECOVERY, INC.

By:

Name: John Ruiz

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED:

VIRAGE RECOVERY MASTER LP

By: Virage Recovery LLC, its general partner

By: _____

Name: Edward Ondarza

Title: Manager

**EXHIBIT A NOTICE OF
EXERCISE**

To: MSP RECOVERY, INC.

Reference is made to that certain Class A Common Stock Warrant (the “**Warrant**”) issued by MSP Recovery, Inc. (the “**Company**”) on July 1, 2024. Capitalized terms used but not otherwise defined herein shall have the respective meanings given thereto in the Warrant.

(1) The undersigned Holder of the Warrant hereby elects to exercise the Warrant for number of Warrant Shares, subject to tender of Warrant Shares pursuant to the cashless exercise provisions of Section 4 of the Warrant.

The undersigned Holder hereby instructs the Company to issue the applicable net number of shares of Common Stock issuable upon exercise of the Warrant pursuant to the cashless exercise provisions of Section 4 of the Warrant, in the name of the undersigned Holder. The Holder’s calculation of such net number shall be provided to the Company upon request.

(2) The undersigned Holder hereby represents and warrants to the Company that, as of the date hereof:

(a)**Experience; Accredited Investor Status.** The Holder (i) is an accredited investor as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act, is capable of evaluating the merits and risks of its investment in the Company, (ii) has the capacity to protect its own interests, and (iii) has the financial ability to bear the economic risk of its investment in the Company.

(b)**Company Information.** The Holder has been provided access to all information, including through the Company’s publicly available documents and filing, regarding the business and financial condition of the Company, its expected plans for future business activities, material contracts, intellectual property, and the merits and risks of its purchase of the Warrant Shares, which it has requested or otherwise needs to evaluate an investment in the Warrant Shares. It has had an opportunity to discuss the Company’s business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company’s operations and facilities. It has also had the opportunity to ask questions of, and receive answers from, the Company and its management regarding the terms and conditions of this investment and all such questions have been answered to its satisfaction.

(c)**Investment.** The Holder has not been formed solely for the purpose of making this investment and is acquiring the Warrant Shares for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution of any part thereof. It understands that the Warrant Shares have not been registered under the Securities Act or applicable state and other securities laws and are being issued by reason of a specific exemption from the registration provisions of the Securities Act and applicable state and other securities laws, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of its representations as expressed herein.

(d) **Transfer Restrictions.** The Holder acknowledges and understands that

(i) this Warrant, and the Warrant Shares, are “restricted securities” and may only be transferred pursuant to an exemption, or exclusion, from registration requirements under U.S. federal securities laws, (ii) it may have to bear the economic risk of this investment for an indefinite period of time unless the Warrant Shares are subsequently registered under the Securities Act and applicable state and other securities laws or unless an exemption from such registration is available, and (iii) the legend described in Section 8 of the Warrant may only be removed once the Warrant Shares are no longer “restricted securities”.

Name of Registered Owner: _____

Signature of Authorized Signatory of Registered Owner: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

EXHIBIT B ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name:
(Please Print)

Address:
(Please Print)

Dated: _____

Holder's Signature: _____

Holder's Address:

MSP RECOVERY, INC.
CLASS A COMMON STOCK WARRANT

THIS WARRANT (THE “WARRANT”) AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SECURITIES IS EFFECTIVE UNDER THE ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW AND, IF THE COMPANY REQUESTS, AN OPINION SATISFACTORY TO THE COMPANY TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.

Warrant Certificate No.: 8

Original Issue Date: August 1, 2024

Reissuance Date, if any:

FOR VALUE RECEIVED, MSP Recovery, Inc. d/b/a LifeWallet (formerly known as Lionheart Acquisition Corporation II), a Delaware corporation (the “**Company**”), hereby certifies that Virage Recovery Master LP, a Delaware limited partnership, or its registered assigns (the “**Holder**”) is entitled to purchase from the Company 26,822,669 duly authorized, validly issued, fully paid and nonassessable shares of Common Stock, at a purchase price per share of \$0.0001 (the “**Strike Price**”), all subject to the terms, conditions and adjustments set forth below in this Warrant.

1. **Definitions.** As used in this Warrant, the following terms have the respective meanings set forth below:

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that “control” of a Person means the power directly or indirectly to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“**Aggregate Strike Price**” means an amount equal to the product of (a) the number of Warrant Shares in respect of which this Warrant is then outstanding, multiplied by (b) the Strike Price.

“**Business Day**” means any day, except a Saturday, Sunday or legal holiday, on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

“**Capital Stock**” means, collectively, the Common Stock and the Class V Common Stock, par value \$0.0001 per share, of the Company.

“**Common Stock**” means the Class A Common Stock, par value \$0.0001 per share, of the Company, and any capital stock into which such Common Stock shall have been converted, exchanged or reclassified following the date hereof.

“**Company**” has the meaning set forth in the preamble.

“**Dilutive Issuance**” has the meaning set forth in Section 4(c)(iii). “**Distribution**” has the meaning set forth in Section 4(c)(iv).

“**Excluded Issuances**” means any issuance of (a) shares of any equity securities (including warrants or other convertible securities) pursuant to an employee stock option plan, management incentive plan, restricted stock plan, stock purchase plan or stock, ownership plan or similar benefit plan or similar program, or any compensatory arrangement or agreement approved by the Board of Directors or shareholders of the Company, (b) shares of any equity securities issuable upon exercise of any warrants or upon conversion, exercise or redemption of other securities outstanding as of the date of this Warrant which have been disclosed in the Company’s reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (as amended, the “**Exchange Act**”), (c) shares of Common Stock or securities convertible into Common Stock, as applicable, issued by the Company upon exercise of this Warrant or pursuant to any of the other Transaction Agreements, (d) any equity-linked securities to be issued pursuant to any obligations existing at the time of this Warrant, (e) securities issued pursuant to acquisitions or strategic transactions and the payment of contractor invoices in the ordinary course of business approved by a majority of the disinterested directors of the Company, and (f) securities issued upon the exercise or exchange of or conversion of any securities, and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock in each case issued and outstanding on the date of this Warrant, provided that such securities have not been amended since the date of this Warrant to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with share splits or combinations) or to extend the term of such securities.

“**Exercise Date**” means, for any given exercise of this Warrant, the date on which the conditions to such exercise as set forth in Section 3(a) shall have been satisfied at or prior to 5:00 p.m., New York City, NY time, on a Business Day.

“**Exercise Period**” has the meaning set forth in Section 2. “**Holder**” has the meaning set forth in the preamble.

“**MTA**” means that certain Master Transaction Agreement among the Company, Holder and certain other parties named therein, dated as of March 9, 2022, as amended by that certain (i) Amendment, dated as of April 11, 2023, (ii) Amendment No. 2, dated as of November 13, 2023, and (iii) Amendment No. 3, dated as of March 26, 2024.

“**Notice of Exercise**” has the meaning set forth in Section 3(a).

“**Original Issue Date**” means the first date hereabove written.

“**Person**” means any individual, sole proprietorship, partnership, limited liability company, corporation, joint venture, trust, incorporated organization or government or department or agency thereof.

“**Strike Price**” has the meaning set forth in the preamble, subject to adjustments in accordance with the terms of this Warrant.

“**Subsidiary**” means a corporation association, company (including limited liability company), joint-stock company, business trust or other similar entity more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For purposes of this definition, “voting stock” means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

“**Trading Market**” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQB, or the OTCQX (or any successors to any of the foregoing).

“**Transaction Agreement**” means each of the MTA and this Warrant/other warrants. “**Transaction**” has the meaning set forth in Section 4(c)(ii).

“**Transfer Agent**” has the meaning set forth in Section 3(a).

“**VWAP**” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported on the OTCQX, OTCQB or OTC Pink Marketplace maintained by the OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the volume weighted average price of the Common Stock on the first such facility (or a similar organization or agency succeeding to its functions of reporting prices), or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company. For purposes of calculating VWAP over any multiple-day period, the number of shares of Common Stock shall be adjusted for any stock splits, stock combinations, reclassifications or similar transaction.

“**Warrant**” means this Warrant and all warrants issued upon division or combination of, or in substitution for, this Warrant.

“**Warrant Shares**” means the shares of Common Stock or other capital stock of the Company then purchasable upon exercise of this Warrant in accordance with the terms of this Warrant.

2. Term of Warrant. Subject to the terms and conditions hereof, at any time or from time to time after the Original Issue Date and prior to 5:00 p.m., New York City, NY time, on the second anniversary of the Original Issue Date or, if such day is not a Business Day, on the next preceding Business Day (the “**Exercise Period**”), the Holder of this Warrant may exercise this Warrant for all or any part of the Warrant Shares purchasable hereunder (subject to adjustment as provided herein).

3. Exercise of Warrant.

(a)**Exercise Procedure.** This Warrant may be exercised from time to time on any Business Day during the Exercise Period, for all or any part of the unexercised Warrant Shares, upon: surrender of this Warrant to the Company at the address for notices in Section 10 below (or an indemnification undertaking with respect to this Warrant in the case of its loss, theft or destruction), together with duly completed and executed exercise notice in the form attached hereto as Exhibit A (the “**Notice of Exercise**”).

(b) **RESERVED.**

(c)**Delivery of Warrant Shares Upon Exercise.** In accordance with and subject to Section 3(a) and Section 4 hereof, the Company shall, as promptly as practicable, and in any event within three (3) Business Days after surrender of this Warrant, instruct the transfer agent (the “**Transfer Agent**”) for the Common Stock to record the issuance of the Warrant Shares purchased hereunder to the Holder in book-entry form pursuant to the Transfer Agent’s regular procedures. The Warrant Shares shall be registered in the name of the Holder or, subject to compliance with Section 5 below, such other Person’s name as shall be designated. This Warrant shall be deemed to have been exercised in whole or in part, and such certificate or certificates of Warrant Shares shall be deemed to have been issued, and the Holder or any other Person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares for all purposes, as of the applicable Exercise Date.

(d)**Delivery of New Warrant.** Unless the purchase rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, at the time of delivery of the Warrant Shares being issued in accordance with Section 3(c) hereof, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unexpired and unexercised Warrant Shares called for by this Warrant. Such new Warrant shall in all other respects be identical to this Warrant.

(e)**Reservation of Shares.** During the Exercise Period, the Company shall at all times reserve and keep available out of its authorized but unissued Common Stock or other securities constituting Warrant Shares, solely for the purpose of issuance upon the exercise of this

Warrant, the maximum number of Warrant Shares issuable upon the exercise of this Warrant, and

the par value per Warrant Share shall at all times be less than or equal to the applicable Strike Price. The Company shall not increase the par value of any Warrant Shares receivable upon the exercise of this Warrant above the Strike Price then in effect, and shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(f) Exercise Restriction. Notwithstanding anything herein to the contrary, the Company shall not effect the exercise of any portion of this Warrant, and the Holder shall not have the right to exercise any portion of this Warrant, and any such exercise shall be null and void and treated as if never made, to the extent, and only to the extent, that:

(i) after giving effect to such exercise, the number of Warrant Shares then beneficially owned by the Holder and its Affiliates and any other Persons or entities whose beneficial ownership of Common Stock or other Capital Stock that is convertible or exercisable into Common Stock, for purposes of Section 13(d) of the Exchange Act, would be aggregated with the Holder's (including any shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to exchange, convert, exercise or purchase similar to the limitation set forth herein) would exceed 9.99% of the total number of Common Stock issued and outstanding; except that Holder may increase such threshold upon 61 days' notice to the Company; *provided*, that if any Warrant Shares otherwise due to Holder pursuant to an exercise of this Warrant are not delivered as a result of the limitation in this Section 3(f)(i) (the "**Excess Shares**") then the Company's obligation to deliver such Excess Shares will not be extinguished, and the Company will deliver such Excess Shares as soon as reasonably practicable after the Holder provides written confirmation to the Company that such delivery will not contravene the limitation in this Section 3(f)(i); or

(ii) such issuance, when aggregated with any other Capital Stock theretofore or simultaneously therewith issued (including all of the transactions as contemplated under the Transaction Agreements) to or otherwise beneficially owned by the Holder and its Affiliates and any other Persons or entities whose beneficial ownership of Capital Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including any shares held by any "group" of which the Holder is a member) would result in a "change of control" of the Company within the meaning of Nasdaq Listing Rule 5635(b) or otherwise require shareholder approval under Nasdaq Listing Rule 5635(d); except that such limitation under this clause (ii) shall not apply in the event that the Company obtains all necessary shareholder approvals for such exchange in accordance with the Nasdaq Listing Rules. The Company shall use its commercially reasonable efforts to obtain any such necessary shareholder approval as soon as commercially practicable.

For purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and applicable regulations of the Securities and Exchange Commission, and the percentage held by the Holder shall be determined in a manner consistent with the provisions of Section 13(d) of the Exchange Act.

4. Mandatory Cashless Exercise; Adjustments.

(a) RESERVED.

(b)Cashless Exercise. Upon the exercise of the Warrant in whole or in part, the Company will settle such exercise by paying or delivering, as applicable and as provided in this Section 4(b), shares of Common Stock, together, if applicable, with cash in lieu of fractional shares in the amounts set forth herein. The Warrant shall only be settled in shares of Common Stock, other than any cash payments in lieu of fractional shares, and shall not be settled in cash. The consideration due upon settlement of the exercise of each Warrant will consist of the following:

(i) A number of shares of Common Stock equal to the greater of (x) zero and (y) the quotient obtained by dividing $(VP-SP) * (WS)$ by (VP) , where:

WS = the number of Warrant Shares being exercised, subject to any adjustments as set forth in this Section 4;

VP = the average of the VWAPs of each of the 5 days ending as of the market close on the trading day immediately preceding the applicable Exercise Date; and

SP = the Strike Price in effect immediately after the close of business on such Exercise Date.

(ii) Additionally, if the calculation set forth in Section 4(b)(i) results in the issuance of fractional shares of Common Stock, in lieu of delivering any fractional share of Common Stock otherwise due upon exercise of any Warrant, the Company will round to the nearest non-fractional share.

(c)Strike Price and Warrant Share Adjustments. Each of the Strike Price and the Warrant Shares will be adjusted from time to time as follows:

(i) *Adjustment Upon Stock Dividends, Certain Issuances, Subdivisions or Combinations of Common Stock.* If the Company, at any time while this Warrant is outstanding:
(A) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock, (B) subdivides outstanding shares of Common Stock into a larger number of shares, (C) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Strike Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of Warrant Shares shall be proportionately adjusted such that the Aggregate Strike Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 4(c)(i) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(ii) *Changes in Common Stock*. In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than a change under subsection 4(c)(i) hereof or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of the Company with or into another entity or conversion of the Company as another entity (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another entity of the assets or other property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved (any of the foregoing being herein called a “**Transaction**”), the holders of the Warrant shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Warrants would have received if such holder had exercised his, her or its Warrant(s) immediately prior to such event (the “**Alternative Issuance**”); provided, however, that in connection with the closing of any such consolidation, merger, sale or conveyance, the successor or purchasing entity shall execute an amendment hereto providing for delivery of such Alternative Issuance; provided, further, that (i) if the holders of the Common Stock were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets constituting the Alternative Issuance for which the Warrant shall become exercisable shall be deemed to be the weighted average of the kind and amount received per share by the holders of the Common Stock in such consolidation or merger that affirmatively make such election, and (ii) if a tender, exchange or redemption offer shall have been made to and accepted by the holders of the Common Stock (other than a tender, exchange or redemption offer made by the Company in connection with redemption rights held by stockholders of the Company as provided for in the Company’s amended and restated certificate of incorporation) under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act (or any successor rule)) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act (or any successor rule)) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act (or any successor rule)) more than 50% of the outstanding shares of Capital Stock, the holder of a Warrant shall be entitled to receive as the Alternative Issuance, the highest amount of cash, securities or other property to which such holder would actually have been entitled as a stockholder if such Warrant holder had exercised the Warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the Common Stock held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustments (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in this Section 4; provided, further, that if less than 70% of the consideration receivable by the holders of Capital Stock in the applicable event is payable in the form of common stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the Holder properly exercises the Warrant within thirty (30) days

following the public disclosure of the consummation of such applicable event by the Company pursuant to a Current Report on Form 8-K filed with the Commission, the Strike Price shall be reduced by an amount (in dollars) (but in no event less than zero) equal to the difference of (i) the Strike Price in effect prior to such reduction minus (ii) (A) the Per Share Consideration (as defined below) minus (B) the Black-Scholes Warrant Value (as defined below). The “**Black-Scholes Warrant Value**” means the value of a Warrant immediately prior to the consummation of the applicable event based on the Black-Scholes Warrant Model for a Capped American Call on Bloomberg Financial Markets (“**Bloomberg**”). For purposes of calculating such amount, (1) Section 6 of this Agreement shall be taken into account, (2) the price of each share of Common Stock shall be the volume weighted last reported average price of the Common Stock as reported during the ten (10) trading day period ending on the trading day prior to the effective date of the applicable event, (3) the assumed volatility shall be the 90 day volatility obtained from the HVT function on Bloomberg determined as of the trading day immediately prior to the day of the announcement of the applicable event, and (4) the assumed risk-free interest rate shall correspond to the U.S. Treasury rate for a period equal to the remaining term of the Warrant. “**Per Share Consideration**” means (i) if the consideration paid to holders of the Common Stock consists exclusively of cash, the amount of such cash per share of Common Stock, and (ii) in all other cases, the amount of cash per share of Common Stock, if any, plus the volume weighted average price of the Common Stock as reported during the ten (10) trading day period ending on the trading day prior to the effective date of the applicable event. If any reclassification or reorganization also results in a change in shares of Common Stock covered by subsection 4(c)(i), then such adjustment shall be made pursuant to subsection 4(c)(i) and this Section 4(c)(ii). The provisions of this subsection shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers. In no event will the Strike Price be reduced to less than the par value per share issuable upon exercise of the Warrant.

(iii) *Common Stock and Convertible Securities.* If the Company, at any time while this Warrant is outstanding, sells or grants any shares of Common Stock, or any securities convertible into or exercisable for Common Stock (such issuances collectively, a “**Dilutive Issuance**”), at a price per share of Common Stock, or at the exercise price per share for securities convertible into Common Stock, that is at a more than a 10% discount to the Fair Market Value (as defined below), then simultaneously with the consummation of each Dilutive Issuance,

- (A) the Strike Price in effect immediately prior to such Dilutive Issuance will immediately be reduced to the price determined by multiplying the Strike Price in effect immediately prior to such Dilutive Issuance by a fraction, (x) the numerator of which shall be the sum of (1) the product obtained by multiplying the Common Stock Deemed Outstanding (as defined below) prior to such issuance or sale by the Fair Market Value of the Common Stock immediately prior to such Dilutive Issuance, plus (2) the aggregate consideration, if any, received by the Company for the total number of such additional shares of Common Stock or securities convertible into or exercisable for Common Stock, and (y) the denominator of which shall be the product obtained by multiplying (1) the number of shares of Common Stock outstanding immediately after such

Dilutive Issuance by (2) the Fair Market Value of the shares of Common Stock immediately prior to such Dilutive Issuance;

- (B) the number of Warrant Shares issuable upon the exercise of this Warrant shall be adjusted to a number equal to the quotient obtained by dividing: (i) the product of (A) the Strike Price in effect immediately prior to any such Dilutive Issuance multiplied by (B) the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such Dilutive Issuance; by (ii) the Strike Price resulting from such adjustment (as set forth in Section 4(c)(iii)(A)); and
- (C) For purposes of this Section 4(c)(iii), “Common Stock Deemed Outstanding” shall mean the total number of shares of common stock outstanding as of such date, expressed on a fully-diluted basis and “Fair Market Value” shall mean the 10-day VWAP prior to the date of the Dilutive Issuance.

(iv) *Other Distributions.* During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) other than any such dividend or distribution that is subject to Section 4(c)(i) hereof (a “**Distribution**”), at any time after the issuance of this Warrant, then, in each such case, the Strike Price shall be adjusted by multiplying the Strike Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such Distribution by a fraction of which the denominator shall be the closing price on the record date mentioned above, and of which the numerator shall be such closing price on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith, and the number of Warrant Shares shall be proportionately adjusted such that the Aggregate Strike Price of this Warrant shall remain unchanged. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(v) *Repurchases.* Unless otherwise adjusted pursuant to Section 4(c)(i) through (x) hereof, if, at any time while this Warrant is outstanding, the Company effects any Repurchases, then, following the completion of the Repurchase, the Strike Price shall be reduced to the price determined by multiplying the Strike Price in effect immediately prior to the date of the Repurchase by a fraction of which the numerator shall be (a) the product of (1) the number of shares of Common Stock outstanding immediately prior to the date of the Repurchase and (2) the closing price of the Common Stock on the trading day immediately preceding the Company’s first public disclosure of its intent to effect such Repurchases, minus (b) the Assumed Payment Amount (as defined below), and of which the denominator shall be the product of (X) the number of shares

of Common Stock outstanding immediately prior to the date of the Repurchase minus the number of shares of Common Stock so repurchased and (Y) the closing price of the Common Stock on the trading day immediately preceding the Company's first public disclosure of its intent to effect such Repurchases. In such event, the number of Warrant Shares issuable upon the exercise of this Warrant shall be increased to the number obtained by multiplying such number of Warrant Shares by the quotient of (A) the Strike Price in effect immediately prior to the date of the Repurchases divided by (B) the new Strike Price determined in accordance with the immediately preceding sentence. For purposes of the foregoing, the "Assumed Payment Amount" with respect to any Repurchases shall mean the closing price as of the date of such Repurchases, of the aggregate consideration paid to effect such Repurchases and "Repurchases" means any transaction or series of related transactions to purchase Common Stock of the Company for a purchase price greater than the closing price on the trading day immediately prior to such transactions pursuant to any tender offer or exchange offer.

(vi) *Exceptions to Adjustment Upon Issuance of Common Stock.* Notwithstanding anything herein to the contrary herein, there shall be no adjustment to the number of Warrant Shares issuable upon exercise of this Warrant or the Strike Price with respect to any Excluded Issuance.

(d) **Notices.** Whenever the Strike Price or the Warrant Shares are adjusted pursuant to any provision of this Section 4, the Company shall mail to the Holder a notice setting forth the adjusted Strike Price or the Warrant Shares and a brief statement of the facts requiring such adjustment. In the event the Company shall consummate any Transaction then, unless the Company has made a filing with the Securities and Exchange Commission, including pursuant to a Current Report on Form 8-K, which filing discloses such Transaction, the Company shall give to each Holder of a warrant certificate a written notice of such Transaction.

5. Transfer of Warrant. Subject to the transfer conditions referred to in the legend endorsed hereon, this Warrant and all rights hereunder are transferable, in whole or in part, by the Holder without charge to the Holder, upon surrender of this Warrant to the Company at the address for notices in Section 10 below (email being sufficient) with a properly completed and duly executed assignment in the form set forth on Exhibit B and any other documentation as may be reasonably requested from the Company. Upon such compliance, surrender and delivery and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant, if any, not so assigned and this Warrant shall promptly be cancelled.

6. Holder Not Deemed a Stockholder; Limitations on Liability. Other than as set forth herein, prior to the issuance to the Holder of the Warrant Shares to which the Holder is then entitled to receive upon the due exercise of this Warrant, the Holder shall not be entitled to vote or be deemed the holder of shares of capital stock of the Company for any purpose (other than for tax purposes), nor shall anything contained in this Warrant be construed to confer upon the Holder, as such, any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise) or receive notice of meetings. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of

this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

7. Replacement on Loss; Division and Combination.

(a)Replacement of Warrant on Loss. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and upon delivery of an indemnity reasonably satisfactory to it (it being understood that a written indemnification agreement or affidavit of loss of the Holder shall be a sufficient indemnity) and, in case of mutilation, upon surrender of such Warrant for cancellation to the Company, the Company at its own expense shall execute and deliver to the Holder, in lieu hereof, a new Warrant of like tenor and exercisable for an equivalent number of Warrant Shares as the Warrant so lost, stolen, mutilated or destroyed; provided, that, in the case of mutilation, no indemnity shall be required if this Warrant in identifiable form is surrendered to the Company for cancellation.

(b)Division and Combination of Warrant. Subject to compliance with the applicable provisions of this Warrant as to any transfer or other assignment which may be involved in such division or combination, this Warrant may be divided or, following any such division of this Warrant, subsequently combined with other Warrants, upon the surrender of this Warrant or Warrants to the Company at its then principal executive offices, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the respective Holders or their agents or attorneys, along with any other documentation that the Company may reasonably request. Subject to compliance with the applicable provisions of this Warrant as to any transfer or assignment which may be involved in such division or combination, the Company shall at its own expense execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants so surrendered in accordance with such notice. Such new Warrant or Warrants shall be of like tenor to the surrendered Warrant or Warrants and shall be exercisable in the aggregate for an equivalent number of Warrant Shares as the Warrant or Warrants so surrendered in accordance with such notice.

8. Compliance with the Act.

(a)Restrictive Legend. The Holder, by acceptance of this Warrant, agrees to comply in all respects with the provisions of this Section 8 and the restrictive legend requirements set forth on the face of this Warrant and further agrees that such Holder shall not offer, sell or otherwise dispose of this Warrant or any Warrant Shares to be issued upon exercise hereof except under circumstances that will not result in a violation of the Act. This Warrant and all Warrant Shares issued upon exercise of this Warrant (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form:

“THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SECURITIES IS

EFFECTIVE UNDER THE ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW AND, IF THE COMPANY REQUESTS, AN OPINION SATISFACTORY TO THE COMPANY TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.”

(b) Removal of Restrictive Legend. The Company agrees, upon request of the Holder or permitted assignee, to take all steps reasonably necessary to promptly effect the removal of any restrictive legend from the certificates representing Warrant Shares or the book- entry account of such Warrant Shares, and the Company shall bear all costs associated therewith, regardless of whether the request is made in connection with a sale or otherwise, so long as the Holder, its permitted assigns or its broker provides to the Company a certification as to the length of time the such Warrant Shares have been held and a certification that the Holder is not an affiliate of the Company. The Company shall cooperate with the Holder to effect the removal of the legend at any time such legend is no longer appropriate.

9. Warrant Register. The Company shall keep and properly maintain at its principal executive offices books for the registration of the Warrant and any transfers thereof. The Company may deem and treat the Person in whose name the Warrant is registered on such register as the Holder thereof for all purposes, and the Company shall not be affected by any notice to the contrary, except any assignment, division, combination or other transfer of the Warrant effected in accordance with the provisions of this Warrant.

10. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission); or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the addresses indicated below (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10).

If to the Company: MSP Recovery, Inc.
2701 S. Le Jeune Rd, 10th Floor Coral Gables,
FL 33134
Attention: Alexandra Plasencia
E-mail: aplasencia@msprecovery.com

If to the Holder: To such Holder at the address of such Holder as listed in the stock record books of the Company.

11. Cumulative Remedies. Except to the extent expressly provided to the contrary, the rights and remedies provided in this Warrant are cumulative and are not exclusive of, and are in addition to and not in substitution for, any other rights or remedies available at law, in equity or otherwise.

12. Equitable Relief. Each of the Company and the Holder acknowledges that a breach or threatened breach by such party of any of its obligations under this Warrant would give rise to irreparable harm to the other party hereto for which monetary damages would not be an adequate remedy and hereby agrees that in the event of a breach or a threatened breach by such party of any such obligations, the other party hereto shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction.

13. Entire Agreement. This Warrant, together with the Transaction Agreements, constitutes the sole and entire agreement of the parties to this Warrant with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Warrant and any of the Transaction Agreements, the statements in the body of this Warrant shall control.

14. Successor and Assigns. This Warrant and the rights evidenced hereby shall be binding upon and shall inure to the benefit of the parties hereto and the successors of the Company and the successors and permitted assigns of the Holder. Such successors and/or permitted assigns of the Holder shall be deemed to be a Holder for all purposes hereunder.

15. No Third-Party Beneficiaries. This Warrant is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant.

16. Headings. The headings in this Warrant are for reference only and shall not affect the interpretation of this Warrant.

17. Amendment and Modification; Waiver. Except as otherwise provided herein, this Warrant may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

18. Severability. If any term or provision of this Warrant is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Warrant or invalidate or render unenforceable such term or provision in any other jurisdiction.

19. Governing Law. This Warrant shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of Delaware.

20. Submission to Jurisdiction. Any legal suit, action or proceeding arising out of or based upon this Warrant or the transactions contemplated hereby may be instituted in the federal courts of the United States of America or the Chancery Court of the State of Delaware in each case located in the city of Wilmington, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by certified or registered mail to such party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or any proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

21. Waiver of Jury Trial. Each party acknowledges and agrees that any controversy which may arise under this Warrant is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Warrant or the transactions contemplated hereby.

22. Counterparts. This Warrant may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Warrant delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Warrant.

23. No Strict Construction. This Warrant shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has duly executed this Warrant as of the Original Issue Date.

MSP RECOVERY, INC.

By:

Name: John Ruiz

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED:

VIRAGE RECOVERY MASTER LP

By: Virage Recovery LLC, its general partner

By: _____

Name: Edward Ondarza

Title: Manager

**EXHIBIT A NOTICE OF
EXERCISE**

To: MSP RECOVERY, INC.

Reference is made to that certain Class A Common Stock Warrant (the “**Warrant**”) issued by MSP Recovery, Inc. (the “**Company**”) on August 1, 2024. Capitalized terms used but not otherwise defined herein shall have the respective meanings given thereto in the Warrant.

(1) The undersigned Holder of the Warrant hereby elects to exercise the Warrant for number of Warrant Shares, subject to tender of Warrant Shares pursuant to the cashless exercise provisions of Section 4 of the Warrant.

The undersigned Holder hereby instructs the Company to issue the applicable net number of shares of Common Stock issuable upon exercise of the Warrant pursuant to the cashless exercise provisions of Section 4 of the Warrant, in the name of the undersigned Holder. The Holder’s calculation of such net number shall be provided to the Company upon request.

(2) The undersigned Holder hereby represents and warrants to the Company that, as of the date hereof:

(a)**Experience; Accredited Investor Status.** The Holder (i) is an accredited investor as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act, is capable of evaluating the merits and risks of its investment in the Company, (ii) has the capacity to protect its own interests, and (iii) has the financial ability to bear the economic risk of its investment in the Company.

(b)**Company Information.** The Holder has been provided access to all information, including through the Company’s publicly available documents and filing, regarding the business and financial condition of the Company, its expected plans for future business activities, material contracts, intellectual property, and the merits and risks of its purchase of the Warrant Shares, which it has requested or otherwise needs to evaluate an investment in the Warrant Shares. It has had an opportunity to discuss the Company’s business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company’s operations and facilities. It has also had the opportunity to ask questions of, and receive answers from, the Company and its management regarding the terms and conditions of this investment and all such questions have been answered to its satisfaction.

(c)**Investment.** The Holder has not been formed solely for the purpose of making this investment and is acquiring the Warrant Shares for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution of any part thereof. It understands that the Warrant Shares have not been registered under the Securities Act or applicable state and other securities laws and are being issued by reason of a specific exemption from the registration provisions of the Securities Act and applicable state and other securities laws, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of its representations as expressed herein.

(d) **Transfer Restrictions.** The Holder acknowledges and understands that

(i) this Warrant, and the Warrant Shares, are “restricted securities” and may only be transferred pursuant to an exemption, or exclusion, from registration requirements under U.S. federal securities laws, (ii) it may have to bear the economic risk of this investment for an indefinite period of time unless the Warrant Shares are subsequently registered under the Securities Act and applicable state and other securities laws or unless an exemption from such registration is available, and (iii) the legend described in Section 8 of the Warrant may only be removed once the Warrant Shares are no longer “restricted securities”.

Name of Registered Owner: _____

Signature of Authorized Signatory of Registered Owner: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

EXHIBIT B ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name:
(Please Print)

Address:
(Please Print)

Dated: _____

Holder's Signature: _____

Holder's Address:

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Francisco Rivas-Vásquez, certify that:

1. I have reviewed this Form 10-Q of MSP Recovery, 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(s) 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 GAAP;
 - (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(s) 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.

Date: August 14, 2024

By: _____ /s/ Francisco Rivas-Vásquez

**Francisco Rivas-Vásquez
Chief Financial Officer**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of MSP Recovery, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 14, 2024

By: _____
/s/ John H. Ruiz
John H. Ruiz
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of MSP Recovery, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 14, 2024

By: _____ /s/ Francisco Rivas-Vásquez
Francisco Rivas-Vásquez
Chief Financial Officer
