

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

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 001-39050

OPORTUN FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	45-3361983
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
2 Circle Star Way San Carlos, CA	94070
Address of Principal Executive Offices	Zip Code

(650) 810-8823

Registrant's Telephone Number, Including Area Code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	OPRT	Nasdaq Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Smaller reporting company

Accelerated filer

Emerging growth company

Non-accelerated filer

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 Act). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price of a share of common stock on September 26, 2019 as reported by the Nasdaq Global Select Market on such date was approximately \$218.2 million. The registrant has elected to use September 26, 2019, which was the initial trading date on the Nasdaq Global Select Market, as the calculation date because on June 28, 2019 (the last business day of the registrant's most recently completed second fiscal quarter), the registrant was a privately held company. Shares of the registrant's common stock held by each executive officer, director and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

The number of shares of registrant's common stock outstanding as of February 21, 2020 was 27,003,293.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13, and 14) is incorporated by reference from the registrant's Definitive Proxy Statement for its 2020 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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GLOSSARY

Terms and abbreviations used in this report are defined below.

Term or Abbreviation	Definition
30+ Day Delinquency Rate (1)	Unpaid principal balance for our owned loans that are 30 or more calendar days contractually past due as of the end of the period divided by Owned Principal Balance as of such date
Access Loan Program	A program intended to make credit available to select borrowers who do not qualify for credit under Oportun's core loan origination program
Active Customers (1)	Number of customers with an outstanding loan serviced by us at the end of a period. Active Customers includes customers whose loans are owned by us and loans that have been sold that we continue to service. Customers with charged-off accounts are excluded from Active Customers
Adjusted EBITDA	Adjusted EBITDA is a non-GAAP financial measure calculated as net income (loss), adjusted for the impact of our election of the fair value option and further adjusted to eliminate the effect of the following items: income tax expense (benefit), stock-based compensation, depreciation and amortization, litigation reserve, origination fees for fair value loans, net and fair value mark-to-market adjustment
Adjusted Earnings Per Share ("EPS")	Adjusted EPS is a non-GAAP financial measure calculated by dividing Adjusted Net Income by adjusted weighted-average diluted common shares outstanding. Weighted-average diluted common shares outstanding have been adjusted to reflect the conversion of all preferred shares as of the beginning of each annual period
Adjusted Net Income	Adjusted Net Income is a non-GAAP financial measure calculated by adjusting our net income (loss), for the impact of our election of the fair value option, and further adjusted to exclude income tax expense (benefit), stock-based compensation expense and litigation reserve, net of tax
Adjusted Operating Efficiency	Adjusted Operating Efficiency is a non-GAAP financial measure calculated by dividing total operating expenses (excluding stock-based compensation expense and litigation reserve) by Fair Value Pro Forma Total Revenue
Adjusted Return on Equity ("ROE")	Adjusted Return on Equity is a non-GAAP financial measure calculated by dividing annualized Adjusted Net Income by Average Fair Value Pro Forma total stockholders' equity
Aggregate Originations (1)	Aggregate amount disbursed to borrowers during a specific period. Aggregate Originations excludes any fees in connection with the origination of a loan
Annualized Net Charge-Off Rate (1)	Annualized loan principal losses (net of recoveries) divided by the Average Daily Principal Balance of owned loans for the period
AOCI	Accumulated other comprehensive income (loss)
APR	Annual Percentage Rate
Average Daily Debt Balance	Average of outstanding debt principal balance at the end of each calendar day during the period
Average Daily Principal Balance (1)	Average of outstanding principal balance of owned loans at the end of each calendar day during the period
Board	Oportun's Board of Directors
Cost of Debt	Annualized interest expense divided by Average Daily Debt Balance
Customer Acquisition Cost (1)	Sales and marketing expenses, which include the costs associated with various paid marketing channels, including direct mail, digital marketing and brand marketing and the costs associated with our telesales and retail operations divided by number of loans originated to new and returning customers during a period
Fair Value Loans (or "Loans Receivable at Fair Value")	All loans receivable held for investment that were originated on or after January 1, 2018
Fair Value Pro Forma	In order to facilitate comparisons to periods prior to January 1, 2018, certain metrics included in this presentation have been shown on a pro forma basis, or the Fair Value Pro Forma, as if we had elected the fair value option since our inception for all loans originated and held for investment and all asset-backed notes issued
Fair Value Pro Forma Total Revenue	Fair Value Pro Forma Total Revenue is calculated as the sum of Fair Value Pro Forma interest income and non-interest income. Fair Value Pro Forma interest income includes interest on loans and fees; origination fees are recognized upon disbursement. Non-interest income includes gain on sales, servicing fees and other income.
Fair Value Notes	All asset-backed notes issued by Oportun on or after January 1, 2018
FICO® score or FICO®	A credit score created by Fair Isaac Corporation
GAAP	Generally Accepted Accounting Principles
Leverage	Average Daily Debt Balance divided by Average Daily Principal Balance
Loans Receivable at Amortized Cost	Loans held for investment that were originated prior to January 1, 2018
Loans Receivable at Fair Value (or "Fair Value Loans")	All loans receivable held for investment that were originated on or after January 1, 2018
Managed Principal Balance at End of Period (1)	Total amount of outstanding principal balance for all loans, including loans sold, which we continue to service, at the end of the period
Net Revenue	Net Revenue is calculated by subtracting interest expense and provision (release) for loan losses from total revenue and adding the net increase (decrease) in fair value.
Operating Efficiency	Total operating expenses divided by total revenue
Owned Principal Balance at End of Period (1)	Total amount of outstanding principal balance for all loans, excluding loans sold, at the end of the period
Principal Balance	Original principal balance reduced by principal payments received to date
Return on Equity	Annualized net income divided by average stockholders' equity for a period

Term or Abbreviation	Definition
TDR Finance Receivables	Troubled debt restructured finance receivables. Debt restructuring in which a concession is granted to the borrower as a result of economic or legal reasons related to the borrower's financial difficulties
Secured Financing	Asset-backed revolving debt facility issued by Oportun Funding V, LLC, as amended
VIEs	Variable interest entities
Weighted Average Interest Rate	Annualized interest expense as a percentage of average debt
Yield	Annualized interest income as a percentage of Average Daily Principal Balance

⁽¹⁾ Credit card amounts have been excluded from these metrics for the year ended December 31, 2019 because they are de minimis.

Forward-Looking Statements

This report contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “seek,” “should,” “target,” “will,” “would,” and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements about:

- our ability to increase the volume of loans we make;
- our ability to manage our net charge-off rates;
- our expectations regarding our costs and seasonality;
- our ability to successfully build our brand and protect our reputation from negative publicity;
- our ability to expand our capabilities for mobile loan and online origination and increase the volume of loans originated through our mobile and online channels;
- our ability to increase the effectiveness of our marketing efforts;
- our ability to expand our presence in states in which we operate, as well as expand into new states;
- our plans and ability to enter into new markets and introduce new products and services;
- our ability to continue to expand our demographic focus;
- our ability to maintain the terms on which we lend to our customers;
- our plans for and our ability to successfully maintain our diversified funding strategy, including loan warehouse facilities, whole loan sales and securitization transactions;
- our ability to successfully manage our interest rate spread against our cost of capital;
- our ability to successfully adjust our proprietary credit risk models and products in response to changing macroeconomic conditions and fluctuations in the credit market;
- our ability to manage fraud risk;
- our ability to efficiently manage our Customer Acquisition Cost;
- our expectations regarding the sufficiency of our cash to meet our operating and cash expenditures;
- our ability to effectively estimate the fair value of our Fair Value Loans and Fair Value Notes;
- our ability to effectively secure and maintain the confidentiality of the information provided and utilized across our systems;
- our ability to successfully compete with companies that are currently in, or may in the future enter, the business of providing consumer loans to low-to-moderate income customers underserved by traditional, mainstream financial institutions;
- our ability to attract, integrate and retain qualified employees;
- our ability to effectively manage and expand the capabilities of our contact centers, outsourcing relationships and other business operations abroad;
and
- our ability to successfully adapt to complex and evolving regulatory environments

Forward-looking statements are based on our management’s current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and on our management’s beliefs and assumptions. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate we have conducted exhaustive inquiry into, or review of, all potentially available relevant information. We anticipate that subsequent events and developments may cause our views to change. Forward-looking statements do not guarantee future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the heading “Risk Factors” and elsewhere in this report. We also operate in a rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements. As a result, any or all of our forward-looking statements in this report may turn out to be inaccurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material.

You should read this report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

These forward-looking statements speak only as of the date of this report. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Item 1. Business

Our Mission

Our mission is to provide inclusive, affordable financial services that empower our customers to build a better future.

Our customers are hardworking, low-to-moderate income individuals with limited or no credit history. Historically, our target customers have been unable to access credit from traditional financial services companies, and consequently have turned to alternatives with high rates and opaque payment terms ill-suited to their needs, which typically do not help them build a credit history. Establishing a credit history is important—it extends beyond just access to capital to various aspects of day-to-day life, such as credit checks by potential employers, landlords, cable providers and beyond. We have dedicated ourselves to providing our customers with a better alternative.

We design our financial solutions to meet our customers' needs in a transparent and more affordable way that allows them to demonstrate their creditworthiness and establish the credit history they need to open the door to new opportunities. Our mission underscores every aspect of how we run our business, and we seek to align our success with that of our customers.

Overview

We are a high-growth, mission-driven provider of inclusive, affordable financial services powered by a deep, data-driven understanding of our customers and advanced proprietary technology. We are dedicated to empowering the estimated 100 million people living in the United States who either do not have a credit score, known as credit invisibles, or who may have a limited credit history and are "mis-scored," meaning that traditional credit scores do not properly reflect their credit worthiness. In our 14-year history, we have originated more than 3.7 million loans, representing over \$8.4 billion of credit extended, to more than 1.7 million customers. Our ability to serve this community stems from a deep understanding of our customers, rigorous application of data science principles to our over one petabyte dataset, and a purpose-built proprietary lending platform that enables us to lend to our customers at a fraction of the price of other providers. As of December 31, 2019, our customers have saved more than an estimated \$1.7 billion in aggregate interest and fees compared to alternative products available to them, based on a study commissioned by us and conducted by the Financial Health Network (formerly known as the Center for Financial Services Innovation).

Our average customer has an annual income of approximately \$43,000, limited savings, is 43 years old, and has been at his or her current job for seven years. In addition, almost half of our customers support families. Given our customers' limited savings, borrowing money is essential to assist with unforeseen expenses and larger purchases. According to a study by the Federal Reserve, 40% of American adults could not cover an emergency expense costing \$400 or would cover it by selling an asset or borrowing money. They often do not have access to mainstream, competitively priced banking products such as loans and credit cards because they do not have a credit score, or they are mis-scored due to a limited credit history. The financing alternatives that are available to them present the following challenges:

- *Lack of affordability*—Alternatives typically available from other lenders are often provided at rates that are too expensive relative to the borrower's ability to pay. In addition, many such lenders sell add-on products, such as credit insurance, which may further increase the cost of the loan.
- *Lack of transparency and responsibility*—Available financing solutions are often structured in a way that force borrowers to become overextended. Some of these products have prepayment penalties and balloon payments.
- *Lack of accessibility*—Most financing providers lack a true omni-channel presence, either operating just brick-and-mortar branches or providing all solutions only online. Those that do operate in multiple channels often lack the personalized touch we provide like bilingual services, financial education programs, and flexible payment solutions that are essential to cultivating the trust of our customer base.

Our Market Opportunity

Our market is large, growing rapidly and consists of people who need access to affordable credit but are not served or not served well by other financial service providers.

According to a December 2016 study by the Consumer Financial Protection Bureau, or the CFPB, 45 million people in the United States are unable to access affordable credit options because they do not have credit scores. We estimate there are another 55 million people in the United States who are "mis-scored," primarily because they have a limited credit history. In addition, many of these individuals typically do not have access to mainstream, competitively priced banking products such as loans and credit cards often because they do not have a credit score or are mis-scored.

In 2019, the U.S. market for consumers underserved by mainstream financial services was estimated by the Financial Health Network to be \$196 billion. Mainstream financial services such as banks typically rely on credit records maintained by nationwide credit bureaus and credit scores such as FICO® when making credit decisions. Online marketplace lenders, which have emerged as alternatives to banks, often are focused on customers with credit scores and robust credit histories and generally require minimum FICO® scores of 640 and up to 36 months of credit history. Online marketplace lenders that serve those without credit scores also may target customers that have the potential for higher income in the future, rather than the low-to-moderate income customers we serve. Other non-bank finance companies, including national and regional branch-based installment loan businesses, may serve those with damaged credit, but also place significant emphasis on credit scores and credit history. These lenders may also sell products such as credit insurance, which we believe may be ill-suited to meet the needs of our target customers.

Based on our research, lenders that do not rely on a credit report or a credit score from a nationwide credit bureau to underwrite loans typically charge much more for their products than we do for ours while also lacking our mission-driven focus on improving the overall financial well-being of customers. These high-cost alternative lenders include high-cost installment, auto title, payday and pawn lenders. According to the Financial Health Network study that we commissioned, those products are on average more than four times, with some options ranging up to seven times, the cost of our offerings. These products may also be less transparent and structured with balloon repayments or carry fees that make the loan costly and difficult for the borrower to repay without rolling over into a subsequent loan. These lenders typically do not perform any ability-to-pay analysis to make sure that the borrower can repay the loan and often do not report the loans to the nationwide credit bureaus to help the customer establish credit.

We also believe a significant portion of our mis-scored and credit invisible customers proactively avoid many traditional and alternative financial service providers due to their distrust resulting from lack of pricing transparency and impersonal service; inability to provide service and loan disclosures in their preferred language; and inability to service customers through the channel of their choice. At Oportun, we strive to build strong, long-term relationships with our customers based on transparency and superior customer service across our convenient omni-channel platform. We believe our opportunity for future growth remains substantial, as our estimated share of the total market in 2019 was less than one percent based on our total revenue of \$600.1 million for 2019 compared to an estimated \$196 billion market for consumers underserved by mainstream financial services.

Our Solution—Superior Customer Value Proposition

Consistent with our mission, we design our products and services to be financially responsible and lower cost compared to market alternatives. We take a holistic approach to solve the needs of our customers by utilizing our full-stack, purpose-built proprietary technology, unique risk analytics and a deep data-driven understanding of our customers, gathered over the past 14 years of lending. Our technology and data analytics are crucial to our approach and are a key driver in providing us competitive advantage, unique credit performance, and a lower cost option to millions of consumers. Today, we ingest over 10,000 data points into our risk model development using traditional (e.g., credit bureau data) and alternative (e.g., transactional information, public records) data. Furthermore, we view it as our mission to help grow our customer's financial profile, increase their financial awareness and put them on a path to establish a credit history, which is why we report customer loan payment history to the credit bureaus and offer free financial coaching by phone with a nonprofit partner and referrals to a variety of financial health resources. While we leverage our technology and risk models to support new product offerings, the solutions described below generally apply to our personal unsecured installment loans.

Our unique approach addresses the challenges presented by the financing alternatives available to our customers head on and delivers a superior value proposition for our customers by:

- *Providing access to capital for credit invisible and mis-scored consumers*—We take a holistic approach to solving the financial needs of our customers by combining our deep, data-driven understanding of our customers with our advanced proprietary technology. This helps us to score 100% of the applicants who come to us, enabling us to serve credit invisibles and mis-scored consumers that others cannot. In comparison, other lenders, relying on traditional credit bureau-based and in some cases qualitative underwriting and/or legacy systems and processes either decline or inaccurately underwrite loans due to their inability to credit score our customers accurately.
- *Offering a simple application process with timely funding*—Our innovative, alternative data-based credit models power our ability to successfully preapprove borrowers in seconds after they complete an application process that typically takes as little as 8-10 minutes. Customers who are approved can receive their loan proceeds the same day.
- *Designing responsibly structured products to ensure customer success*—To provide manageable payments for our customers, our loan size and length of loan term are generally correlated. Our core offering is a simple-to-understand, personal unsecured installment loan ranging in size from \$300 to \$10,000, which is fully amortizing with fixed payments that are sized to match each customer's cash flow. Our loans do not have prepayment penalties or balloon payments. As part of our responsible lending philosophy, we verify income for 100% of our personal loan customers, and we only make loans that our ability-to-pay model indicates customers should be able to afford after meeting their other debts and regular living expenses. We determine the loan size and term based on our assessment of a customer's ability to pay the loan in full and on schedule by the stated maturity, leading to better outcomes compared to alternative credit products available to our customers. To make sure a customer is comfortable with his or her repayment terms, the customer has the option to choose a lower loan amount or alternative repayment terms prior to the execution of the loan documents.
- *Delivering significant savings compared to alternatives*—According to a study commissioned by us and conducted by the Financial Health Network, we save our customers an estimated average of approximately \$1,000 on their first loan with us compared to typically available alternative credit products, which are on average more than four times the cost of our loans, and some options range up to more than seven times the cost of our loans. For a typical new customer of ours, this equates to approximately one-third of their monthly net take-home pay. These savings create substantial benefits for our customers, allowing them access to liquidity during times of need, such as to help cover unexpected medical bills, repair their car that they rely upon to drive to work or to help pay off more expensive debt.
- *Servicing our customers how, where and when they want to be served*—We operate over 335 retail locations that our customers can visit in person seven days a week, have contact centers that our customers can call between 7 a.m. and 11 p.m. CST on weekdays and between 9 a.m. and 10 p.m. CST on weekends, and have a fully digital origination platform that our customers can access 24/7 through their mobile phones. In addition, our customers can make their loan payments via ACH or in cash at our retail locations and at more than 56,000 third-party payment sites across the nation. Our employees embody our mission-driven approach, can speak to our customers in English or Spanish, and are fully attuned to their problems. We believe our ability to offer such an omni-channel customer experience is a significant differentiator in the market and leads to a high customer retention rate for their future borrowing needs.

- *Rewarding customers when they demonstrate successful repayment behavior:*
 - *Larger, lower cost loans for returning customers*—We generally are able to offer customers who repay their loan and return to us for a subsequent loan with a loan that is on average approximately \$1,300 larger than their prior loan with us. After a full re-underwriting, we typically also offer returning customers a lower rate, with an average rate reduction between a customer’s first and second loan of approximately six percentage points.
 - *Development of credit history*—We report payment history on every loan we make to nationwide credit bureaus, helping our customers develop a credit history. Since inception, we have helped over 830,000 customers who came to us without a FICO® score begin establishing a credit history.
- *Enhancing customer experience through value-add services*—We include credit education at the time of loan disbursement to ensure customers, many of whom are new to credit, understand the terms and payment obligations of their loans and how timely and complete payment will help them build positive credit. We also offer customers access to free financial coaching by phone with a nonprofit partner and referrals to a variety of financial health resources.

Our service and superior customer value proposition have led to exceptional customer satisfaction and loyalty, as evidenced by our strong Net Promoter Score®, or NPS, averaging over 80 since 2016. This NPS places us among the top consumer companies and is exceptional compared to other financial services companies.

Our application of advanced data analytics has enabled us to successfully underwrite loans to credit invisible and mis-scored consumers, while growing rapidly and maintaining consistent credit quality since 2009. Our proprietary, centralized credit scoring model and continually evolving data analytics have enabled us to maintain strong absolute and relative performance through varying stages of an economic cycle with net lifetime loan loss rates ranging between 5.5% and 8.1% since 2009. More importantly, since inception we have been able to originate more than 3.7 million loans to empower over 1.7 million customers, saving them an estimated \$1.7 billion in aggregate interest and fees compared to typically available alternatives (according to a study commissioned by us and conducted by the Financial Health Network), and helped establish credit for over 830,000 customers who came to us without a FICO® score. Our service to the community has been recognized by the U.S. Department of the Treasury, which has certified us as a Community Development Financial Institution, or CDFI, since 2009. CDFIs are certified by the U.S. Department of the Treasury’s Community Development Financial Institutions Fund, known as the CDFI Fund. CDFIs must have a primary mission of promoting community development, providing financial products and services, serving one or more defined low-income target markets, and maintaining accountability to the communities they serve.

Our Lending Platform

Over the last 14 years of lending, we have developed a deep data-driven understanding of our customers’ needs through a combination of continuous customer engagement and the rigorous application of data science, allowing us to continuously refine and tailor our platform and product set to our customers. We pioneered the research and use of alternative data sources and application of innovative advanced data analytics and next-generation technology in the lending space to develop our proprietary, centralized platform. Our technology and data analytics are crucial to our approach and are a key driver in providing us competitive advantage, unique credit performance, and a lower cost option to millions of consumers.

We have built a proprietary lending platform with over 1,000 end nodes that processes large amounts of alternative data along with traditional credit bureau data and leverages machine learning to assess creditworthiness. The speed at which we can incorporate new data sources, test, learn and implement changes into our scoring and decisioning platform allows for highly managed risk outcomes and timely adjustments to changes in consumer behavior or economic conditions. The performance of our 2009 and 2010 loan vintages is a testament to the adaptability and nimbleness of our scoring and decisioning platform. After a spike in losses in our 2008 vintage, we proactively adjusted various inputs to our risk model to fine tune our loan offerings. As a result, our net lifetime loan losses in the 2009 and 2010 vintages came down to 5.5% and 6.4%, respectively from 8.9% in 2008.

Our lending platform has the following key attributes:

- *Unique, large and growing data set*—We leverage over one petabyte of data derived from our research and development of alternative data sources and our proprietary data accumulated from more than 8.2 million customer applications, 3.7 million loans and 73.3 million customer payments.
- *Serves customers that others cannot*—Our use of alternative data allows us to score 100% of the applicants who come to us, enabling us to serve credit invisibles and mis-scored consumers that others cannot.
- *Virtuous cycle of risk model improvement*—As our data set has grown for over a decade, we have created a virtuous cycle of consistent enhancements to our proprietary risk models that has allowed us to increase both the number of customers for whom we can approve loans and the amount of credit we can responsibly lend as our risk models derive new insights from our growing customer base.



- *Scalable and rapidly evolving*—Powered by machine learning, our automated model development workflows enable us to evaluate over 10,000 data variables and develop and deploy a new credit risk model in as little as 25 days. We believe this is a process that can typically take 6-12 months for traditional lenders with legacy technology platforms. This quick turnaround time for a new scoring model allows us to quickly incorporate new data sources into our models or to react to changes in consumer behavior or the macroeconomic environment. Our flexible decisioning platform allows our centralized risk team to adjust score cutoffs and assigned loan amounts in a matter of minutes. We use this platform to rapidly build and test strategies across the customer lifecycle, including through direct mail and digital marketing targeting, underwriting, pricing, fraud and customer servicing.
- *100% centralized and automated decision making*—Fully automated and centralized decision making that does not allow any manual intervention enables us to achieve highly predictable credit performance and rapid, efficient scaling of our business.
- *Supports omni-channel network*—Our digital loan application allows our customers to transact with us seamlessly through their preferred method: in person at one of over 335 retail locations, over the phone through contact centers, or via mobile or online through our responsive web-based origination solution.

Our Products

Our core product is a simple-to-understand, affordable, unsecured, fully amortizing personal installment loan with fixed payments and fixed interest rates throughout the life of the loan. Our loans do not have prepayment penalties or balloon payments, and range in size from \$300 to \$10,000 with terms of six to 48 months. Generally, loan payments are structured on a bi-weekly or semi-monthly basis to coincide with our customers' receipt of their wages. As part of our underwriting process, we verify income for all applicants and only approve loans that meet our ability-to-pay criteria.

We charge fixed interest rates on our loans, which vary based on the amount disbursed and applicable state law. For all active loans in our portfolio as of December 31, 2019, at time of disbursement, the simple average original principal balance and weighted average term and annual percentage rate, or APR, at origination was \$3,885, 32 months, and 33.8%, respectively.

We fully re-underwrite all loans to returning customers and require all customers to have successfully repaid their previous loan before disbursing their new loan, with the exception of our "Good Customer Program." Under our Good Customer Program, for certain of our best performing, low-risk customers, we will extend a new loan prior to receiving full repayment of their existing loan. In accordance with our policy to allow a customer to have only one personal loan outstanding, the new loan proceeds are used to pay off the prior loan and the excess amount is disbursed to the customer. Customers qualify for the Good Customer Program if they have made substantial progress in repaying their current loan, meaning they have repaid at least 40% of the original principal balance of the loan, are current on their loan and have made timely payments throughout the term of the loan. In recognition of good payment behavior, we typically grant returning customers, whether under the Good Customer Program or not, a lower rate on subsequent loans. These subsequent loans are on average approximately \$1,300 larger than the customer's prior loan, and have a lower rate, with an average rate reduction of approximately six percentage points between their first and second loan. As of December 31, 2019, returning customers comprised 80% of our owned principal balance outstanding at the end of the period.

As part of our strategy, we are expanding beyond our core offering of unsecured personal installment loans into other financial services that a significant portion of our customers already use and have asked us to provide, such as auto loans and credit cards. In April 2019, we began offering direct auto loans online on a limited basis to customers in California. We provide customers with the ability to determine if they are pre-qualified without impacting their FICO® score and enable them to purchase a vehicle from a dealership or private party. In November 2019, we began offering an auto refinance product enabling customers to refinance an existing secured auto loan, or to consolidate an existing secured auto loan with an unsecured Oportun loan. Currently, our auto loans range from \$5,000 to \$35,000 with terms from 24 to 72 months. In December 2019, we launched the Oportun® Visa® Credit Card, issued by WebBank, as a pilot to a limited number of potential customers. As the introduction of these new products are still in test mode, we expect the percentage of our principal balance attributable to these products to be minimal compared to our core product.

Our Business Model

In pursuit of our mission, we have developed a high-growth business that is uniquely suited to meet the needs of our target customers. Our business model leverages data-driven customer insight to generate a low cost of acquisition and high customer growth rate. Driven by our proprietary lending platform, our product offering is able to generate high risk-adjusted yields with consistently low levels of credit losses. As a result, we are able to access capital at attractive costs. Our technology-driven approach drives our Operating Efficiency. Components of the business model include:

Efficient customer acquisition—Our superior customer value proposition, which enhances the effectiveness of our marketing, combined with our centralized and automated lending platform, allows us to acquire customers at an efficient cost. We have automated the approval, loan size and pricing decisions, and no employee has discretion over individual underwriting decisions or loan terms. The automation and centralization also enable us to provide consistent service, apply best practices across geographies and channels and, importantly, achieve a lower Customer Acquisition Cost to drive attractive unit economics. We believe our Customer Acquisition Cost of \$134 in 2019 compares favorably to other lenders. In addition, for customers acquired during 2018, the average payback period, which refers to the number of months it takes for our Net Revenue to exceed our Customer Acquisition Cost, was less than four months.

Attractive recurring revenue streams—The careful evolution and rapid deployment of our credit models creates a virtuous cycle that increases our customer base and our alternative data set, improving our underwriting tools and ability to grow profitably. This enables us to increase the average loan amount we can responsibly offer our customers. In addition to returning customers, who generally qualify for larger loans and also experience a lower default rate, we believe we can identify customers who we can approve for larger loans without increasing defaults because we apply our credit algorithms to our large and expanding data set.

Low-cost term funding—Our consistent and strong credit performance has enabled us to build a large, scalable and low-cost debt funding program to support the growth of our loan originations. To fund our growth at a low and efficient Cost of Debt, we have built a diversified and well-established capital markets funding program which allows us to partially hedge our exposure to rising interest rates by locking in our interest expense for up to three years. Over the past six years, we have executed 14 bond offerings in the asset-backed securities market, the last 11 of which include tranches that have been rated investment grade. We also have a committed three-year, \$400 million secured line of credit, which funds our loan portfolio growth. Additionally, we sell up to 15% of our core personal loan originations and all loans originated under our Access Loan Program, to institutional investors under a forward commitment at a fixed price to demonstrate the value of our loans, increase our liquidity and further diversify our sources of funding. For the year ended December 31, 2019, our Cost of Debt was 4.4%. As of December 31, 2019, over 80% of our debt was at a fixed cost.

Improving Operating Efficiency—To build our business, we have made, and will continue to make, significant investments in data science, our proprietary platform, technology infrastructure, compliance and controls. We believe those investments will continue to enhance our Operating Efficiency and will improve our profit margins as we grow. We had Operating Efficiency of 60.4% and 57.7% for the years ended December 31, 2019 and 2018, respectively. We had Adjusted Operating Efficiency of 57.2% and 57.8% for the years ended December 31, 2019 and 2018, respectively. For more information about the non-GAAP financial measures discussed above, and for a reconciliation of these non-GAAP financial measures to their corresponding GAAP financial measures, see "Non-GAAP Financial Measures."

Our Strategy for Growth

We believe our opportunity for future growth is substantial as we estimate our share of the total market in 2019 was less than one percent based on our total revenue of \$600.1 million for 2019 compared to an estimated \$196 billion market for consumers underserved by mainstream financial services. To date, we have served only 1.7 million of the estimated 100 million credit invisible and mis-scored consumers in the United States.

Expand nationwide

We intend to expand our geographic presence in existing states and enter new states. Entering new markets is now a scalable and repeatable business process for us. We currently offer our personal loan product in 12 states: California, Texas, Illinois, Utah, Nevada, Arizona, Missouri, New Mexico, Florida, Wisconsin, Idaho and New Jersey. In December 2019, we launched the Oportun® Visa® Credit Card pilot in several new states outside of our current personal loan footprint. In addition, we are considering ways to enter new geographic markets with our personal loan product either via state licensing, a bank sponsorship program or by obtaining a bank charter.

Increase brand awareness and expand our marketing channels

We believe we can drive additional customer growth through effective brand building campaigns and direct marketing. Our exceptional NPS and success with customer referrals, which have been responsible for nearly one-third of loan application volume from new customers in the twelve months ended December 31, 2019, should help accelerate our brand recognition. Through the application of our data science capabilities and advanced analytics, we aim to increase our brand awareness, penetrate a greater percentage of our serviceable market and acquire customers at a low cost.

Continue to evolve our credit underwriting models

We expect to continue to invest significantly in our credit data and analytics capabilities. The evolution of our proprietary risk model will enable us to underwrite more customers and make more credit available to new and returning customers, while maintaining consistent credit quality.

Improvements in our credit models enabled us to increase our average original principal balance by 18% from \$3,292 as of December 31, 2017 to \$3,885 as of December 31, 2019 without a material change in loss rates. The continuous evolution and rapid deployment of our credit models using machine learning creates a virtuous cycle that increases our customer base and our alternative data set, improving our underwriting tools and ability to grow profitably.

Further improve strong customer loyalty

We seek to increase the percentage of returning customers as loans to these customers have attractive economics for us. Our strategy is to reward our returning customers by giving them a larger loan with a lower rate and longer term, since returning customers experience a lower default rate, are less expensive to service and have lower acquisition costs. We plan to invest in technology and mobile-first experiences to further simplify the loan

process for returning customers. We also expect that adding new products and services, such as auto loans and credit cards, will further improve customer loyalty and extend customer lifetime.

Expand product and service offerings to meet our customers' needs

In line with our mission, we are constantly evaluating the needs of our customers. Our data indicates that approximately 50% of our customers who come to us initially without a credit score eventually take out a revolving credit card and approximately 30% take out an auto loan. To meet this demand, we are leveraging our unique business model, including our technology and risk models, to develop additional consumer financial services and products, including auto loans and credit cards. In April 2019, we began offering direct auto loans online on a limited test basis to customers in California. We provide customers with the ability to determine if they are pre-qualified without impacting their FICO® score and enable them to purchase a vehicle from a dealership or private party. In November 2019, we began offering an auto refinance product enabling customers to refinance an existing auto loan as well as consolidate an existing secured auto loan with an unsecured Oportun loan. Currently, our auto loans range from \$5,000 to \$35,000 with terms from 24 to 72 months. In December 2019, we launched the Oportun® Visa® Credit Card, issued by WebBank, Member FDIC, to a limited number of potential customers. Over time, we expect to continue to evaluate opportunities both organically and through acquisition to provide a broader suite of products and services that address our customers' financial needs in a cost effective and transparent manner, leveraging the efficiency of our existing business model.

Giving at Oportun

We understand that our long-term success is linked to the success of our customers and the communities we serve. That is why we annually dedicate one percent of our net profits to support charitable programs and nonprofit partnerships that help strengthen the communities in which we operate, and in which our employees live and work. Our employee volunteer program enables global team members to donate their time to support charitable organizations. In addition, beginning in 2019, we introduced a program to match employee contributions to eligible non-profit organizations.

Our Competition

We primarily compete with other consumer finance companies, credit card issuers, financial technology companies and financial institutions, as well as other nonbank lenders serving credit-challenged consumers, including online marketplace lenders, lenders that distribute loans through third-party retail locations such as check cashing and money transmitter stores, point-of-sale lending, payday lenders, and auto title lenders and pawn shops focused on low-to-moderate income customers. While the consumer lending market is competitive, we believe that we can serve our target market with products that lead to better outcomes for consumers because they help establish credit and accelerate their entrance into the mainstream financial system. On the contrary, the offerings of payday, auto title and pawn lenders, for example, are provided at rates that are too expensive relative to the borrowers' ability to pay, are often structured in a way that forces borrowers to become overextended, and typically lack the personalized touch that is essential to cultivating the trust of our target customer base. Few, if any, banks or traditional financial institutions lend to individuals who do not have a credit score. Those individuals that do have a credit score, but have a relatively limited credit history, also typically face constrained access and low approval rates for credit products.

The principal competitive factors in our sector include price, flexibility of loan terms offered, customer convenience and customer satisfaction. We believe our purpose-built technology, responsible construction of our products, omni-channel network and superior customer value proposition allow us to compete favorably on each of these factors. Going forward, however, our competition could include large traditional financial institutions that have more substantial financial resources than we do, and which can leverage established distribution and infrastructure channels. Additionally, new companies are continuing to enter the financial technology space and could deploy innovative solutions that compete for our customers. See "Risk Factors - If we do not compete effectively in our target markets, our results of operations could be harmed" and "Risk Factors - Competition for our highly skilled employees is intense, and we may not be able to attract and retain the employees we need to support the growth of our business."

Regulations and Compliance

The U.S. consumer lending industry is highly regulated under state and federal law. We are subject to examination, supervision and regulation by each state in which we are licensed. We are also currently, and expect in the future, to be regulated by the Consumer Financial Protection Bureau, or CFPB. In addition to the CFPB, other state and federal agencies have the ability to regulate aspects of our business. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, as well as many state statutes provide a mechanism for state attorneys general to investigate us. In addition, the Federal Trade Commission has jurisdiction to investigate aspects of our business. Federal consumer protection laws that these regulators may enforce include laws related to the use of credit reports and credit reporting accuracy, data privacy and security, disclosure of applicable loan terms, anti-discrimination laws, laws protecting members of the military, laws governing payments, including recurring ACH payments and laws regarding electronic signatures and disclosures.

We are also subject to inspections, examinations, supervision and regulation by applicable agencies in each state in which we do business. Many states have laws and regulations that are similar to the federal consumer protection laws referred to above, but the degree and nature of such laws and regulations vary from state to state. State laws also further dictate what state licenses we need to conduct business, as well other aspects of our loans including the rates and fees, the loan terms and sizes, underwriting requirements and collections and servicing practices.

We are registered with Financial Crimes Enforcement Network, or FinCEN, as a Money Services Business, or MSB, in relation to the reloadable prepaid debit card issued by Metabank, for which we act as program manager. We are required to be compliant with the USA PATRIOT Act, Office of Foreign Assets Control, Bank Secrecy Act, Anti-Money Laundering laws, and Know-Your-Customer requirements and certain state money transmitter laws.

We review our consumer contracts, policies and procedures and processes to ensure compliance with applicable laws and regulations. We have built our systems and processes with controls in place in order to ensure compliance with these laws on a consistent basis. In addition to ensure proper controls are in place, we have a compliance management system that leverages the four key control components of governance, compliance program risk assessments, customer complaint monitoring and internal compliance audits.

Information Technology, Infrastructure and Security

Our applications, including our proprietary workflow management system that handles loan application, document verification, loan disbursement and loan servicing, are architected to be highly available, resilient, scalable and secure. Supporting systems are deployed in a hybrid cloud environment hosted in industry-leading data center and cloud service providers that are N+1 compliant.

We deploy our information technology services and applications across multiple data centers using best of breed network, telephony, server, storage, database and end user services, hardware and operating systems. We design our infrastructure to be load balanced across multiple sites and automatically scale up and down to meet peaks in demand and maintain good application performance.

We have fully redundant data centers in place. Disaster recovery and business continuity plans and tests have been completed, which help to ensure our ability to recover in the event of a disaster or other unforeseen event. We back up our mission critical applications and production databases daily and retain them in compliance with our policies. In the event of a catastrophic disaster affecting one of our hosting facilities, we can restore production databases from a backup to minimize disruption of service. Furthermore, additional measures for operational recovery include real-time replication of production databases for quick failover. In the event of database restores, we perform data consistency checks to validate the integrity of the data recovery process.

We conduct enterprise growth planning analyses to ensure that our technology solutions are aligned with the needs of our business. We believe that we have enough physical capacity to support our operations for the foreseeable future.

We believe that operating a secure business must span people, process, and technology. We build security awareness into our corporate communications and training efforts, and we routinely hold security roundtables with our department leads.

We have deep experience with deploying secure environments and have partnered with industry-leading cloud service providers to host, manage and monitor our mission-critical systems. If required, sensitive data at rest is encrypted with industry standard advanced encryption standards, or AES, using keys that we manage. We ensure our network security with redundant multi-protocol label switching, or MPLS, circuits and site-to-site virtual private networks, or VPNs, that provide a secure, private cloud network and allow us to monitor our sites behind our secure firewalls. Because we collect and store large amounts of customer personally identifiable information, we have invested in industry-proven methods of information security and we take our obligations to protect that information and avoid data breaches very seriously. These activities are supplemented with real-time monitoring and alerting for potential intrusions.

For more information with respect to the regulatory framework affecting our business, see "Risk Factors – Risks Related to our Industry and Regulation."

Seasonality

Our quarterly results of operations may not necessarily be indicative of the results for the full year or the results for any future periods. Our business is highly seasonal, and the fourth quarter is typically our strongest quarter in terms of loan originations. We have historically experienced a seasonal decline in credit performance in the fourth quarter primarily attributable to competing demand of our customers' available cash flow around the holidays. General increases in our customers' available cash flow in the first quarter, including from cash received from tax refunds, temporarily reduces our customers' borrowing needs. We experienced this seasonal trend in 2019, consistent with prior years.

Our Intellectual Property

We protect our intellectual property through a combination of trademarks, trade dress, domain names, copyrights and trade secrets, as well as contractual provisions, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements and other contractual rights. We currently have no patent applications on our proprietary risk model, underwriting process or loan approval decision making process because applying for a patent would require us to publicly disclose such information, which we regard as trade secrets. We may pursue such protection in the future to the extent we believe it will be beneficial.

We have trademark rights in our name, our logo, and other brand indicia, and have trademark registrations for select marks in the United States and many other jurisdictions around the world. We will pursue additional trademark registrations to the extent we believe it will be beneficial. We also have registered domain names for websites that we use in our business. We may be subject to third party claims from time to time with respect to our intellectual property. See "—Legal Proceedings" below.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and intellectual property rights agreements with our employees, consultants, contractors and business partners. Under such agreements, our employees, consultants and contractors are subject to invention assignment provisions designed to protect our proprietary information and ensure our ownership in intellectual property developed pursuant to such agreements.

Employees

We had 2,663 full-time and 616 part-time employees worldwide as of December 31, 2019. This includes 583 corporate employees in the United States, of which 272 employees are dedicated to technology, risk, analytics and data science.

Available Information

Our website address is www.oportun.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Section 13(a) and 15(d) of the Exchange Act, are filed with the SEC. The SEC's website, www.sec.gov, contains these reports and other information that registrants (including OPR) file electronically with the SEC.

These reports are also available free of charge through our website, www.investor.oportun.com, as soon as reasonably practicable after we file them with, or furnish them to, the SEC.

We announce material information to the public through a variety of means, including filings with the SEC, press releases, public conference calls, our website (www.oportun.com), the investor relations section of our website (investor.oportun.com), as well as social media, including our LinkedIn page (<https://www.linkedin.com/company/oportun/>) and Twitter account (@Oportun). The information on our website is not incorporated by reference into this report. The website addresses listed above are provided for the information of the reader and are not intended to be active links.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Any of the following risks could have an adverse effect on our business, results of operations and financial condition. The following risks could cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment. You should carefully consider these risks, all of the other information in this report and general economic and business risks before making a decision to invest in our common stock. While we believe the risks described below include all material risks currently known by us, it is possible that these may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Relating to Our Business

We have experienced rapid growth that may not be indicative of our future growth and, if we continue to grow rapidly, we may not be able to manage our growth effectively.

We have experienced rapid growth and have a limited operating history at our current scale. Assessing our business and future prospects may be difficult because of the risks and difficulties we face. These risks and difficulties include our ability to:

- increase the volume of loans originated through our various origination channels, including retail locations, direct mail marketing, contact centers and online, which includes our mobile origination solution;
- increase the effectiveness of our direct mail marketing, radio advertising, digital advertising, and other marketing strategies;
- efficiently manage and expand our presence and activities in states in which we operate, as well as expand into new states;
- successfully build our brand and protect our reputation from negative publicity;
- manage our Annualized Net Charge-Off Rate;
- maintain the terms on which we lend to our customers;
- protect against increasingly sophisticated fraudulent borrowing and online theft;
- enter into new markets and introduce new products and services;
- continue to expand our customer demographic focus from our original customer base of Spanish-speaking customers;
- successfully maintain our diversified funding strategy, including loan warehouse facilities, whole loan sales and securitization transactions;
- successfully manage our interest rate spread against our cost of capital;
- successfully adjust our proprietary credit risk models, products and services in response to changing macroeconomic conditions and fluctuations in the credit market;
- effectively manage and expand the capabilities of our contact centers, outsourcing relationships and other business operations abroad;
- effectively secure and maintain the confidentiality of the information provided and utilized across our systems;
- successfully compete with companies that are currently in, or may in the future enter, the business of providing consumer financial services to low-to-moderate income customers underserved by traditional, mainstream financial institutions;
- attract, integrate and retain qualified employees; and
- successfully adapt to complex and evolving regulatory environments.

We expect that, in the future, even if our revenue continues to increase, our revenue or aggregate origination growth rates may decline. In addition, our historical rapid growth has placed, and may continue to place, significant demands on our management and our operational and financial resources. We will need to improve our operational, financial and management controls and our reporting systems and procedures as we continue to grow our business and add more personnel. If we cannot manage our growth effectively, our results of operations will suffer.

We have incurred net losses in the past and may incur net losses in the future.

For the year ended December 31, 2019, we generated net income of \$62.5 million. However, for the year ended December 31, 2017, we experienced a net loss of \$10.2 million, and we have experienced a net loss in years prior to 2017. As of December 31, 2019, our retained earnings were \$77.6 million. We will need to generate and sustain increased revenue and net income levels in future periods in order to increase profitability, and, even if we do, we may not be able to maintain or increase our level of profitability over the long term. We intend to continue to expend significant funds to grow our business, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this report, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve or sustain profitability, our business would suffer, and the market price of our common stock may decrease.

Our quarterly results are likely to fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations are likely to vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful, especially as a result of our election of the fair value option as of January 1, 2018. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Our quarterly financial results may fluctuate due to a variety of factors, some of which are outside of our control and, as a result, may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include:

- loan volumes, loan mix and the channels through which our loans are originated;
- the effectiveness of our direct marketing and other marketing channels;
- the timing and success of new products and origination channels;
- the amount and timing of operating expenses related to acquiring customers and the maintenance and expansion of our business, operations and infrastructure;
- net charge-off rates;
- adjustments to the fair value of our Fair Value Loans and Fair Value Notes;
- our cost of borrowing money and access to the capital markets; and
- general economic, industry and market conditions.

In addition, we experience significant seasonality in demand for our loans, which is generally lower in the first quarter. The seasonal slowdown is primarily attributable to high loan demand around the holidays in the fourth quarter and the general increase in our customers' available cash flows in the first quarter, including cash received from tax refunds, which temporarily reduces their borrowing needs. While our growth has obscured this seasonality from our overall financial results, we expect our results of operations to continue to be affected by such seasonality in the future.

Our risk management efforts may not be effective, which may expose us to market risks that harm our results of operations.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, monitor and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk and liquidity risk, as well as operational risks. Our risk management policies, procedures and models, may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified or identify additional risks that arise in the future.

As our loan mix changes and as our product offerings evolve, our risk management strategies may not always adapt to such changes. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. Other of our methods for managing risk depend on the evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible to us. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. If our risk management efforts are ineffective, we could suffer losses that could harm our business, financial condition or results of operations.

We rely extensively on models in managing many aspects of our business. If our models contain errors or are otherwise ineffective, our business could be adversely affected.

Our ability to attract customers and to build trust in our loan products is significantly dependent on our ability to effectively evaluate a customer's creditworthiness and likelihood of default. In deciding whether to extend credit to prospective customers, we rely heavily on our proprietary credit risk models, which are statistical models built using third-party alternative data, credit bureau data, customer application data and our credit experience gained through monitoring the performance of our customers over time. Some of these models are built using forms of artificial intelligence, or AI, such as machine learning. If our credit risk models fail to adequately predict the creditworthiness of our customers or their ability to repay their loans due to programming or other errors, or if any portion of the information pertaining to the prospective customer is incorrect, incomplete or becomes stale (whether by fraud, negligence or otherwise), and our systems do not detect such errors, inaccuracies or incompleteness, or any of the other components of our credit decision process described herein fails, we may experience higher than forecasted loan losses. Also, if we are unable to access certain third-party data used in our credit risk models, or access to such data is limited, our ability to accurately evaluate potential customers may be compromised. Credit and other information that we receive from third parties about a customer may also be inaccurate or may not accurately reflect the customer's creditworthiness, which may adversely affect our loan pricing and approval process, resulting in mispriced loans, incorrect approvals or denials of loans. In addition, this information may not always be complete, up-to-date or properly evaluated. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures or available information indicate.

Our reliance on our credit risk models and other models to manage many aspects of our business, including valuation, pricing, collections management, marketing targeting models, fraud prevention, liquidity and capital planning, direct mail and telesales, may prove in practice to be less predictive than we expect for a variety of reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failures to update assumptions appropriately in a timely manner, or the use of AI). We rely on our credit risk models and other models to develop and manage new products and services with which we have limited development or operating experience as well as new geographies where we have not historically operated. Our assumptions may be inaccurate, and our models may not be as predictive as expected for many reasons, in particular because they often involve matters that are inherently difficult to predict and beyond our control, such as macroeconomic conditions, credit market volatility and interest rate environment, and they often involve complex interactions between a number of dependent and independent variables

and factors. In particular, even if the general accuracy of our valuation models is validated, valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of the models. The errors or inaccuracies in our models may be material and could lead us to make wrong or sub-optimal decisions in managing our business, and this could harm our business, results of operations and financial condition.

Additionally, if we make errors in the development, validation or implementation of any of the models or tools we use to underwrite the loans that we then securitize or sell to investors, those investors may experience higher delinquencies and losses. We may also be subject to liability to those investors if we misrepresented the characteristics of the loans sold because of those errors. Moreover, future performance of our customers' loans could differ from past experience because of macroeconomic factors, policy actions by regulators, lending by other institutions or reliability of data used in the underwriting process. To the extent that past experience has influenced the development of our underwriting procedures and proves to be inconsistent with future events, delinquency rates and losses on loans could increase. Errors in our models or tools and an inability to effectively forecast loss rates could also inhibit our ability to sell loans to investors or draw down on borrowings under our warehouse and other debt facilities, which could limit originations of new loans and could hinder our growth and harm our financial performance. Additionally, the use of AI in credit models is relatively new and its impact from a regulatory standpoint is unproven, and any negative regulatory action based upon this could have an adverse impact on our financial performance.

Our business may be adversely affected by disruptions in the credit markets, including reduction in our ability to finance our business.

We depend on securitization transactions, loan warehouse facilities and other forms of debt financing, as well as whole loan sales, in order to finance the principal amount of most of the loans we make to our customers. See more information about our outstanding debt in Note 8 to the Notes to the Consolidated Financial Statements. However, there is no assurance that these sources of capital will continue to be available in the future on terms favorable to us or at all. The availability of debt financing and other sources of capital depends on many factors, some of which are outside of our control. The risk of volatility surrounding the global economic system and uncertainty surrounding the future of regulatory reforms such as the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, continue to create uncertainty around access to the capital markets. Events of default or breaches of financial, performance or other covenants, as a result of the underperformance of certain pools of loans underpinning our securitizations or other debt facilities, could reduce or terminate our access to funding from institutional investors, including investment banks, traditional and alternative asset managers and other entities. Such events could also result in default rates at a higher interest rate and therefore increase our cost of capital. In addition, our ability to access future capital may be impaired because our interests in our financed pools of loans are "first loss" interests and so these interests will only be realized to the extent all amounts owed to investors or lenders and service providers under our securitizations and debt facilities are paid in full. In the event of a sudden or unexpected shortage or restriction on the availability of funds, we cannot be sure that we will be able to maintain the necessary levels of funding to retain current levels of originations without incurring higher funding costs, a reduction in the term of funding instruments or increasing the rate of whole loan sales or be able to access funding at all. If we are unable to arrange financing on favorable terms, we may not be able to grow our business as planned and we may have to curtail our origination of loans. In addition, in July 2017 the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. It is not possible to predict whether LIBOR will cease to exist after calendar year 2021, whether additional reforms to LIBOR may be enacted, or whether alternative reference rates will gain market acceptance, and any of these outcomes could increase our interest rate risk related to our Secured Financing which is currently tied to LIBOR. Changes in interest rates or foreign currency exchange rates could affect our interest expense, which could result in volatility in our results of operations, financial condition and cash flows.

We have elected the fair value option effective as of January 1, 2018, and we use estimates in determining the fair value of our loans and our asset-backed notes. If our estimates prove incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our results of operations. Further, our election of the fair value option as of January 1, 2018 resulted in a significant one-time impact to our Net Revenue for the year ended December 31, 2018.

Our ability to measure and report our financial position and results of operations is influenced by the need to estimate the impact or outcome of future events on the basis of information available at the time of the issuance of the financial statements. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Management has processes in place to monitor these judgments and assumptions, including review by our internal valuation and loan loss allowance committee, but these processes may not ensure that our judgments and assumptions are correct.

We have elected the fair value option to account for our Fair Value Loans and Fair Value Notes as of January 1, 2018, and we use estimates and assumptions in determining the fair value. Our Fair Value Loans represented 85% of our total assets and Fair Value Notes represented 66% of our total liabilities as of December 31, 2019. Our Fair Value Loans are determined using Level 3 inputs and Fair Value Notes are determined using Level 2 inputs. Changes to these inputs could significantly impact our fair value measurements. Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. In addition, a variety of factors such as changes in the interest rate environment and the credit markets, changes in average life, higher than anticipated delinquency and default levels or financial market illiquidity, may ultimately affect the fair values of our loans receivable and asset-backed notes. Material differences in these ultimate values from those determined based on management's estimates and assumptions may require us to adjust the value of certain assets and liabilities, including in a manner that is not comparable to others in our industry, which could adversely affect our results of operations.

As a result of the election of the fair value option, our operating results for the year ended December 31, 2018 reflect the fair value of the Fair Value Loans, but such fair value was not offset by declines in fair value for loans made in prior periods resulting from credit losses and other factors, as would have occurred if we had elected the fair value option at inception. Over time, as the Fair Value Loans age and a higher percentage of our loan portfolio become Fair Value Loans, we expect the impact of credit losses reflected in the fair value of our Fair Value Loans to exceed changes in fair value that may occur due to interest rate changes or other market conditions, which will reduce our Net Revenue.

If net charge-off rates are in excess of expected loss rates, our business and results of operations may be harmed.

Our personal loans are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. We are therefore limited in our ability to collect on these loans if a customer is unwilling or unable to repay them. A customer's ability to repay us can be negatively impacted by increases in his or her payment obligations to other lenders under mortgage, credit card and other loans. These changes can result from increases in base lending rates or structured increases in payment obligations and could reduce the ability of our customers to meet their payment obligations to other lenders and to us. If a customer defaults on a loan, we may be unsuccessful in our efforts to collect the amount of the loan. Because our net charge-off rate depends on the collectability of the loans, if we experience an unexpected significant increase in the number of customers who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, our revenue and results of operations could be adversely affected. Furthermore, because our personal loans are unsecured loans, they are dischargeable in bankruptcy. If we experience an unexpected, significant increase in the number of customers who successfully discharge their loans in a bankruptcy action, our revenue and results of operations could be adversely affected.

We incorporate our estimate of lifetime loan losses in our measurement of fair value for our Fair Value Loans. To estimate the appropriate level of allowance for loan losses, we consider known and relevant internal and external factors that affect loan receivable collectability, including the total amount of loans receivable outstanding, historical loan losses, our current collection patterns and economic trends. While this evaluation process uses historical and other objective information, the classification of loans and the forecasts and establishment of loan losses and fair value are also dependent on our subjective assessment based upon our experience and judgment. Our methodology for establishing our fair value is based on the guidance in Accounting Standards Codification, 820 and 825, and, in part, on our historic loss experience. If customer behavior changes as a result of economic conditions and if we are unable to predict how the unemployment rate and general economic uncertainty may affect our estimate of lifetime loan losses, the fair value may be reduced for our Fair Value Loans, which will decrease Net Revenue. Our calculations of fair value are estimates, and if these estimates are inaccurate, our results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our calculations of fair value, and unlike traditional banks, we are not subject to periodic review by bank regulatory agencies of our loss estimates or our calculations of fair value. In addition, because our debt financings include delinquency triggers as predictors of losses, increased delinquencies or losses may reduce or terminate the availability of debt financings to us.

Our results of operations and financial condition and our customers' willingness to borrow money from us and ability to make payments on their loans have been, and may in the future be, adversely affected by economic conditions and other factors that we cannot control.

Uncertainty and negative trends in general economic conditions in the United States and abroad, historically have created a difficult operating environment for our business and other companies in our industry. Many factors, including factors that are beyond our control, may impact our results of operations or financial condition, our customers' willingness to incur loan obligations and/ or affect our customers' willingness or capacity to make payments on their loans. These factors include: unemployment levels, housing markets, immigration policies, gas prices, energy costs, government shutdowns, delays in tax refunds, significant tightening of credit markets and interest rates, as well as events such as natural disasters, acts of war, terrorism, catastrophes and pandemics. In addition, major medical expenses, divorce, death or other issues that affect our customers could affect our customers' willingness or ability to make payments on their loans. Further, our business currently is heavily concentrated on consumer lending and, as a result, we are more susceptible to fluctuations and risks particular to U.S. consumer credit than a company with a more diversified lending portfolio. We are also more susceptible to the risks of increased regulations and legal and other regulatory actions that are targeted towards consumer credit. If the United States experiences an economic downturn, or if we become affected by other events beyond our control, we may experience a significant reduction in revenue, earnings and cash flows. If our customers default under a loan receivable held directly by us, we will experience loss of principal and anticipated interest payments, which could adversely affect our cash flow from operations. The cost to service our loans may also increase without a corresponding increase in our interest on loans. We may also become exposed to increased credit risk from our customers and third parties who have obligations to us.

If aspects of our business, including the quality of our loan portfolio or our customers' ability to pay, are significantly affected by economic changes or any other conditions in the future, we cannot be certain that we will adequately adapt our business to such changes, so our business would be adversely affected.

Negative publicity or public perception of our industry or our company could adversely affect our reputation, business and results of operations.

Negative publicity about our industry or our company in the media or on social media platforms, even if inaccurate, could adversely affect our reputation and the confidence in our brand and business model. Our reputation is very important to attracting new customers and retaining existing customers. While we believe that we have a good reputation and that we provide customers with a superior experience, there can be no assurance that we will continue to maintain a good relationship with customers.

Consumer advocacy groups, politicians and certain government and media reports have, in the past, advocated governmental action to prohibit or severely restrict the dollar amount, interest rate, or other terms of consumer loans, particularly "small dollar" loans and those with short terms. The consumer groups and media reports typically focus on the cost to a consumer for this type of loan, which may be higher than the interest typically charged by issuers to consumers with more historical creditworthiness; for example, some groups are critical of loans with APRs greater than 36%. The consumer groups, politicians and government and media reports frequently characterize these short-term consumer loans as predatory or abusive toward consumers. If the negative characterization of short-term consumer loans becomes associated with our business model and loan terms, even if inaccurate, demand for our consumer loans could significantly decrease, and it could be less likely that investors purchase our loans or our asset-backed securities, or our lenders extend or renew lines of credit to us, which could adversely affect our results of operations and financial condition.

Negative perception of our consumer loans or other activities may also result in us being subject to more restrictive laws and regulations and potential investigations, enforcement actions and lawsuits. If there are changes in the laws affecting any of our consumer loans, or our marketing and

servicing of such loans, or if we become subject to such investigations, enforcement actions and lawsuits, our financial condition and results of operations would be adversely affected.

Harm to our reputation can also arise from many other sources, including employee or former employee misconduct, misconduct by outsourced service providers or other counterparties, failure by us or our partners to meet minimum standards of service and quality, and inadequate protection of customer information and compliance failures and claims. Our reputation may also be harmed if we fail to maintain our certification as a Community Development Financial Institution, or CDFI.

If we do not compete effectively in our target markets, our results of operations could be harmed.

The consumer lending market is highly competitive and increasingly dynamic as emerging technologies continue to enter into the marketplace. Technological advances and heightened e-commerce activities have increased consumers' accessibility to products and services, which has intensified the desirability of offering loans to consumers through digital-based solutions. We primarily compete with other consumer finance companies, credit card issuers, financial technology companies and financial institutions, as well as payday lenders and pawn shops focused on low-to-moderate income customers. Many of our competitors operate with different business models, such as lending as a service, lending through partners or point-of-sale lending, have different cost structures or participate selectively in different market segments. We may also face competition from companies that have not previously competed in the consumer lending market for customers with little or no credit history. Many of our current or potential competitors have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. We face competition in areas such as compliance capabilities, financing terms, promotional offerings, fees, approval rates, speed and simplicity of loan origination, ease-of-use, marketing expertise, service levels, products and services, technological capabilities and integration, customer service, strategic partnerships, brand and reputation. Our competitors may also have longer operating histories, lower financing costs or costs of capital, more extensive customer bases, more diversified products and customer bases, operational efficiencies, more versatile technology platforms, greater brand recognition and brand loyalty and broader customer and partner relationships than we have. Our competitors may be better at developing new products, responding more quickly to new technologies and undertaking more extensive marketing campaigns. Furthermore, our existing and potential competitors may decide to modify their pricing and business models to compete more directly with our model. If we are unable to compete with such companies or fail to meet the need for innovation in our industry, the demand for our products could stagnate or substantially decline, or our products could fail to maintain or achieve more widespread market acceptance.

Our success and future growth depend on our Oportun brand and our successful marketing efforts across channels, and if we are unable to attract or retain customers, our business and financial results may be harmed.

We intend to continue to dedicate significant resources to our marketing efforts, particularly as we develop our brand. Our ability to attract qualified customers depends in large part on the success of these marketing efforts and the success of the marketing channels we use to promote our products. In the past, we marketed primarily through word of mouth at our retail locations and direct mail, and more recently, through radio and digital advertising, such as paid and unpaid search, e-mail marketing and paid display advertisements. We expect our future marketing programs to include direct mail, radio, television, print, online display, video, digital advertising, search engine optimization, search engine marketing, social media, events and other grassroots activities, as well as retail and digital sources of leads, such as lead aggregators and retail referral partners. The marketing channels that we employ may become more crowded and saturated by other lenders or the methodologies, policies and regulations applicable to marketing channels may change, which may decrease the effectiveness of our marketing campaigns and increase our customer acquisition costs, which may in turn adversely affect our results of operations.

Our business model relies on our ability to scale rapidly, and if our marketing efforts are not successful or if we are unsuccessful in developing our brand marketing campaigns, it could have an adverse effect on our ability to attract customers. If we fail to successfully promote and maintain our brand or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may lose existing customers to our competitors or be unable to attract new customers, which in turn would harm our business, results of operations and financial condition. Even if our marketing efforts result in increased revenue, we may be unable to recover our marketing costs through increases in loan volume. Any incremental increases in customer acquisition cost could have an adverse effect on our business, results of operations and financial condition. Furthermore, increases in marketing and other customer acquisition costs may not result in increased loan originations at the levels we anticipate or at all, which could result in a higher customer acquisition cost per account.

As we continue to expand our loan origination and acquisition channels, introduce new products and services and enter into new states, we also face the risks that our mobile and other channels could be unprofitable, increase costs, decrease operating margins or take longer than anticipated to achieve our target margins due to: difficulties with user interface or disappointment with the user experience; defects, errors or failures in our mobile service; negative publicity about our financial products and services or our mobile service's performance or effectiveness; delays in releasing to the market new mobile service enhancements; uncertainty in applicable consumer protection laws and regulations to the mobile loan environment; and increased risks of fraudulent activity associated with our mobile channel.

Our current and future business growth strategy involves expanding into new markets with new retail location openings, and we may not integrate or manage new retail locations we open or acquire.

Opening new retail locations and increasing originations at existing retail locations are important elements of our growth strategy. We opened 34, 50 and 42 new retail locations in 2019, 2018 and 2017, respectively. New retail location openings may impose significant costs on us and subject us to numerous risks, including:

- identification of new locations and negotiation of acceptable lease terms; and
- incurrence of additional indebtedness (if necessary to finance new retail locations).

Our continued growth is dependent upon a number of factors, including the availability of suitable retail locations, the ability to obtain any required government permits and licenses, zoning and occupancy requirements, hiring qualified management and customer service personnel, and other factors, some of which are beyond our control. If we fail to anticipate customers' needs or market dynamics related to the region or neighborhood of a new retail location, such retail location may not deliver the expected financial results. A recent trend among some municipalities has been to enact zoning restrictions in certain markets. These zoning restrictions may limit the number of non-bank lenders that can operate in an area or require certain distance requirements between competitors, residential areas or highways. Depending on the way a zoning restriction may be drafted, such restriction may restrict our ability to operate within those zoned areas. We may not be able to continue to expand our business successfully through new retail location openings in the future.

We could experience a decline in repeat customers.

As of December 31, 2019, December 31, 2018 and December 31, 2017, returning customers comprised 80%, 80% and 78%, respectively, of our Owned Principal Balance at End of Period. In order for us to maintain or improve our operating results, it is important that we continue to extend loans to returning customers who have successfully repaid their previous loans. Our repeat loan rates may decline or fluctuate as a result of our expansion into new products and markets or because our customers are able to obtain alternative sources of funding based on their credit history with us, and new customers we acquire in the future may not be as loyal as our current customer base. If our repeat loan rates decline, we may not realize consistent or improved operating results from our existing customer base.

We are, and intend in the future to continue, developing new financial products and services, and our failure to accurately predict their demand or growth could have an adverse effect on our business.

We are, and intend in the future to continue, developing new financial products and services, such as credit cards and auto loans. We intend to continue investing significant resources in developing new tools, features, services, products and other offerings. New initiatives are inherently risky, as each involves unproven business strategies and new financial products and services with which we have limited or no prior development or operating experience.

We can provide no assurance that we will be able to develop, commercially market and achieve acceptance of our new products and services. In addition, our investment of resources to develop new products and services may either be insufficient or result in expenses that are excessive in light of revenue actually originated from these new products and services. Product or service introductions may not always be successful. For example, we invested resources in development, marketing, and support for the pilot launch of OportunPath to a limited number of customers but decided in the fourth quarter of 2019 to discontinue the service in order to strategically realign our resources to focus on other products. In addition, the borrower profile of customers using our new products and services may not be as attractive as the customers that we currently serve, which may lead to higher levels of delinquencies or defaults than we have historically experienced. Failure to accurately predict demand or growth with respect to our new products and services could adversely impact our business, and there is always risk that these new products and services will be unprofitable, will increase our costs or will decrease operating margins or take longer than anticipated to achieve target margins. Further, our development efforts with respect to these initiatives could distract management from current operations and will divert capital and other resources from our existing business.

We are, and intend in the future to continue, expanding into new geographic regions, and our failure to comply with applicable laws or regulations, or accurately predict demand or growth, related to these geographic regions could have an adverse effect on our business.

We intend to continue expanding into new geographic regions. We can provide no assurance that we will achieve similar levels of success, if any, in the new geographic regions where we do not currently operate. In addition, each of the new states where we do not currently operate may have different laws and regulations that apply to our products and services. As such, we expect to be subject to significant additional legal and regulatory requirements, including various federal and state consumer lending laws. We have limited experience in managing risks and the compliance requirements attendant to these additional legal and regulatory requirements in new geographies. The costs of compliance and any failure by us to comply with such regulatory requirements in new geographies could harm our business.

Our proprietary credit risk models rely in part on the use of third-party data to assess and predict the creditworthiness of our customers, and if we lose the ability to license or use such third-party data, or if such third-party data contain inaccuracies, it may harm our results of operations.

We rely on our proprietary credit risk models, which are statistical models built using third-party alternative data, credit bureau data, customer application data and our credit experience gained through monitoring the payment performance of our customers over time. If we are unable to access certain third-party data used in our credit risk models, or our access to such data is limited, our ability to accurately evaluate potential customers will be compromised, and we may be unable to effectively predict probable credit losses inherent in our loan portfolio, which would negatively impact our results of operations. Third-party data sources include credit bureau data and other alternative data sources. Such data is electronically obtained from third parties and is aggregated by our risk engine to be used in our credit risk models to score applicants and make credit decisions and in our verification processes to confirm customer reported information. Data from consumer reporting agencies and other information that we receive from third parties about a customer may be inaccurate or may not accurately reflect the customer's creditworthiness, which may cause us to provide loans to higher risk customers than we intend through our underwriting process and/or inaccurately price the loans we make. We use numerous third-party data sources and multiple credit factors within our proprietary credit risk models, which helps mitigate, but does not eliminate, the risk of an inaccurate individual report. In addition, there are risks that the costs of our access to third-party data may increase or our terms with such third-party data providers could worsen.

We follow procedures to verify each customer's identity, income, and address, which are designed to minimize fraud. These procedures may include visual inspection of customer identification documents to ensure authenticity, review of paystubs or bank statements for proof of income and employment, and review of analysis of information from credit bureaus, fraud detection databases and other alternative data sources for verification of employment,

income and other debt obligations. If any of the information that is considered in the loan review process is inaccurate, whether intentional or not, and such inaccuracy is not detected prior to loan funding, the loan may have a greater risk of default than expected. If any of our procedures are not followed, or if these procedures fail, fraud may occur. Additionally, there is a risk that following the date of the loan application, a customer may have defaulted on, or become delinquent in the payment of, a pre-existing debt obligation, taken on additional debt, lost his or her job or other sources of income or experienced other adverse financial events. Fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negatively impact our results of operations, brand and reputation and require us to take additional steps to reduce fraud risk, which could increase our costs.

If we are unable to collect payment on and service the loans we make to our customers, our business would be harmed.

Our ability to adequately service our loans is dependent upon our ability to grow and appropriately train our customer service and collections staff, our ability to expand existing and open new contact centers as our loans increase, and our ability to reach our customers via phone, text, or email when they default. Additionally, our customer service and collections staff are dependent upon our maintaining adequate information technology, telephony and internet connectivity such that they can perform their job functions. If we fail to adequately leverage these technologies to service and collect amounts owed in respect of our loans, or if consumers opt to block us from calling, texting, emailing or otherwise contacting them when they are in default, then payments to us may be delayed or reduced, which would increase our delinquency rate and loan losses.

Because we receive a significant amount of cash in our retail locations through customer loan repayments, we may be subject to theft and cash shortages due to employee errors.

Since our business requires us to receive a significant amount of cash in each of our retail locations, we are subject to the risk of theft (including by or facilitated by employees) and cash shortages due to employee errors. Although we have implemented various procedures and programs to reduce these risks, maintain insurance coverage for theft and provide security measures for our facilities, we cannot make assurances that theft and employee error will not occur. We have experienced theft and attempted theft in the past.

We are exposed to geographic concentration risk.

The geographic concentration of our loan originations may expose us to an increased risk of loss due to risks associated with certain regions. Certain regions of the United States from time to time will experience weaker economic conditions and higher unemployment and, consequently, will experience higher rates of delinquency and loss than on similar loans nationally. In addition, natural or man-made disasters in specific geographic regions may result in higher rates of delinquency and loss in those areas. A significant portion of our outstanding receivables is originated in certain states, and within the states where we operate, originations are generally more concentrated in and around metropolitan areas and other population centers. Therefore, economic conditions, natural or man-made disasters or other factors affecting these states or areas in particular could adversely impact the delinquency and default experience of the receivables and could adversely affect our business. Further, the concentration of our outstanding receivables in one or more states would have a disproportionate effect on us if governmental authorities in any of those states take action against us or take action affecting how we conduct our business.

As of December 31, 2019, 59%, 25%, 5% and 5% of our Owned Principal Balance at End of Period related to customers from California, Texas, Illinois and Florida, respectively. If any of the events noted in these risk factors were to occur in or have a disproportionate impact in regions where we operate or plan to commence operations, it may negatively affect our business in many ways, including increased delinquencies and loan losses or a decrease in future originations.

Changes in immigration patterns, policy or enforcement could affect some of our customers, including those who may be undocumented immigrants, and consequently impact the performance of our loans, our business and results of operations.

Some of our customers are immigrants and some may not be U.S. citizens or permanent resident aliens. We follow appropriate customer identification procedures as mandated by law, including accepting government issued picture identification that may be issued by non-U.S. governments, as permitted by the USA PATRIOT Act, but we do not verify the immigration status of our customers, which we believe is consistent with industry best practices and is not required by law. While our credit models look to approve customers who have stability of residency and employment, it is possible that a significant change in immigration patterns, policy or enforcement could cause some customers to emigrate from the United States, either voluntarily or involuntarily, or slow the flow of new immigrants to the United States. Immigration reform is a priority of the current administration, which could lead to changes in laws that make it more difficult or less desirable for immigrants to work in the United States, resulting in increased delinquencies and losses on our loans or a decrease in future originations due to more difficulty for potential customers to earn income. In addition, if we or our competitors receive negative publicity around making loans to undocumented immigrants, it may draw additional attention from regulatory bodies or consumer advocacy groups, all of which may harm our brand and business. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action.

Our current level of interest rate spread may decline in the future. Any material reduction in our interest rate spread could adversely affect our results of operations.

We earn over 90% of our revenue from interest payments on the loans we make to our customers. Financial institutions and other funding sources provide us with the capital to fund a substantial portion of the principal amount of our loans to customers and charge us interest on funds that we borrow. In the event that the spread between the interest rate at which we lend to our customers and the rate at which we borrow from our lenders decreases, our Net Revenue will decrease. The interest rates we charge to our customers and pay to our lenders could each be affected by a variety of factors, including our ability to access capital markets, the volume of loans we make to our customers, loan mix, competition and regulatory limitations. See "Part II, Item 7A Quantitative and Qualitative Disclosures about Market Risk."

Market interest rate changes may adversely affect our business forecasts and expectations and are highly sensitive to many macroeconomic factors beyond our control, such as inflation, recession, the state of the credit markets, global economic disruptions, unemployment and the fiscal and monetary policies of the federal government and its agencies. Interest rate changes may require us to make adjustments to the fair value of our Fair Value Loans or Fair Value Notes, which may in turn adversely affect our results of operations. For instance, interest rates recently declined significantly. When interest rates fall, the fair value of our Fair Value Loans increases, which increases Net Revenue. In addition, decreasing interest rates also increase the fair value of our Fair Value Notes, which reduces Net Revenue. Because the duration and fair value of our loans and asset-backed notes are different, the respective changes in fair value did not fully offset each other resulting in a negative impact on Net Revenue. We do not currently hedge our interest rate exposure associated with our debt financing. Any reduction in our interest rate spread could have an adverse effect on our business, results of operations and financial condition. We do not currently hedge our interest rate exposure associated with our debt financing or fair market valuation of our loans.

In connection with our securitizations, secured financing facility, and whole loan sales, we make representations and warranties concerning these loans. If those representations and warranties are not correct, we could be required to repurchase the loans. Any significant required repurchases could have an adverse effect on our ability to operate and fund our business.

In our asset-backed securitizations, our secured financing facility and our whole loan sales, we make numerous representations and warranties concerning the characteristics of the loans we transfer and sell, including representations and warranties that the loans meet the eligibility requirements of those facilities and investors. If those representations and warranties are incorrect, we may be required to repurchase the loans. Failure to repurchase so-called ineligible loans when required would constitute an event of default under our securitizations, our secured financing facility and our whole loan sales and a termination event under the applicable agreement. We can provide no assurance, however, that we would have adequate cash or other qualifying assets available to make such repurchases.

Fraudulent activity could negatively impact our business, operating results, brand and reputation and require us to take steps to reduce fraud risk.

Fraud is prevalent in the financial services industry and is likely to increase as perpetrators become more sophisticated. We are subject to the risk of fraudulent activity associated with customers and third parties handling customer information. Also, we continue to develop and expand our mobile origination channel, which involves the use of internet and telecommunications technologies (including mobile devices) to offer our products and services. These new mobile technologies may be more susceptible to the fraudulent activities of organized criminals, perpetrators of fraud, hackers, terrorists and others. Our resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. If the level of our fraud losses increases, our results of operations could be harmed, our brand and reputation may be negatively impacted, we may be subjected to higher regulatory scrutiny and our costs may increase as we attempt to reduce such fraud.

Security breaches of customers' confidential information that we store may harm our reputation, adversely affect our results of operations, and expose us to liability.

We are increasingly dependent on information technology systems and infrastructure, including mobile technologies, to operate our business. In the ordinary course of our business, we collect, process, transmit and store large amounts of sensitive information, including the personal information, credit information and other sensitive data of our customers and potential customers. It is critical that we do so in a secure manner to maintain the confidentiality, integrity and availability of such sensitive information. We also have arrangements in place with certain of our third-party vendors that require us to share consumer information. We have also outsourced elements of our operations (including elements of our information technology infrastructure) to third parties, and as a result, we manage a number of third-party vendors who may have access to our computer networks or our confidential information. In addition, many of those third parties may in turn subcontract or outsource some of their responsibilities to third parties. As a result, our information technology systems, including the functions of third parties that are involved or have access to those systems, is very large and complex. While all information technology operations are inherently vulnerable to inadvertent or intentional security breaches, incidents, attacks and exposures, the size, complexity, accessibility and distributed nature of our information technology systems, and the large amounts of sensitive information stored on those systems, make such systems potentially vulnerable to unintentional or malicious, internal and external attacks on our technology environment. Potential vulnerabilities can be exploited from inadvertent or intentional actions of our employees, third-party vendors, business partners, or by malicious third parties. Attacks of this nature are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, "hacktivists," nation states and others. In addition to the extraction of sensitive information, such attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information and systems. In addition, the prevalent use of mobile devices increases the risk of data security incidents. Significant disruptions of our, our third-party vendors' and/or business partners' information technology systems or other similar data security incidents could adversely affect our business operations and result in the loss, misappropriation, or unauthorized access, use or disclosure of, or the prevention of access to, sensitive information, which could result in financial, legal, regulatory, business and reputational harm to us.

Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we and our third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, many governments have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause our customers to lose confidence in the effectiveness of our data security measures. Any security breach, whether actual or perceived, would harm our reputation and we could lose customers.

We also face indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including vendors, payment processors, and other parties who have access

to confidential information due to our agreements with them. In addition, any security compromise in our industry, whether actual or perceived, or information technology system disruptions, natural disasters, terrorism, war and telecommunication and electrical failures, could interrupt our business or operations, harm our reputation, erode customer confidence, negatively affect our ability to attract new customers, or subject us to third-party lawsuits, regulatory fines or other action or liability.

Like other financial services firms, we have been and continue to be the subject of actual or attempted unauthorized access, mishandling or misuse of information, computer viruses or malware, and cyber-attacks that could obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, distributed denial of service attacks, data breaches and other infiltration, exfiltration or other similar events. On August 24, 2019, we identified an incident involving unauthorized access to a small number of company email accounts. Forensic investigation indicated that a small amount of consumer and employee sensitive information was contained in these email accounts, which has currently resulted in breach notices sent and credit monitoring provided to approximately 700 consumers.

Our retail locations also process physical customer loan documentation that contain confidential information about our customers, including financial and personally identifiable information. We retain physical records in various storage locations outside of our retail locations. The loss or theft of customer information and data from our retail locations or other storage locations could subject us to additional regulatory scrutiny, possible civil litigation and possible financial liability and losses.

While we regularly monitor data flow inside and outside the company, attackers have become very sophisticated in the way they conceal access to systems, and many companies that have been attacked are not aware that they have been attacked. Any event that leads to unauthorized access, use or disclosure of personal information, including but not limited to personal information regarding our customers, loan applicants or employees, could disrupt our business, harm our reputation, compel us to comply with applicable federal and/or state breach notification laws and foreign law equivalents, subject us to litigation, regulatory investigation and oversight, mandatory corrective action, require us to verify the correctness of database contents, or otherwise subject us to liability under laws, regulations and contractual obligations, including those that protect the privacy and security of personal information. This could result in increased costs to us, and result in significant legal and financial exposure and/or reputational harm. In addition, any failure or perceived failure by us or our vendors to comply with our privacy, confidentiality or data security-related legal or other obligations to third parties, or any security incidents or other inappropriate access events that result in the unauthorized access, release or transfer of sensitive information, which could include personally identifiable information, may result in governmental investigations, enforcement actions, regulatory fines, litigation, or public statements against us by advocacy groups or others, and could cause third parties, to lose trust in us or we could be subject to claims by third parties that we have breached our privacy- or confidentiality- related obligations, which could harm our business and prospects. Moreover, data security incidents and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. There can be no assurance that our security measures intended to protect our information technology systems and infrastructure will successfully prevent service interruptions or security incidents.

We maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will continue to be available on economically reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition and results of operations.

Our ability to collect payment on loans and maintain accurate accounts may be adversely affected by computer viruses, physical or electronic break-ins, technical errors and similar disruptions.

The automated nature of our business may make us attractive targets for hacking and potentially vulnerable to computer malware, physical or electronic break-ins and similar disruptions. Despite efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, in which case there would be an increased risk of fraud or identity theft, and we may experience losses on, or delays in the collection of amounts owed on, a fraudulently induced loan.

In addition, the software that we have developed to use in our daily operations is highly complex and may contain undetected technical errors that could cause our computer systems to fail. Because each loan that we make involves our proprietary automated underwriting process and depends on the efficient and uninterrupted operation of our computer systems, and all of our loans are underwritten using an automated underwriting process that does not require manual review, any failure of our computer systems involving our automated underwriting process and any technical or other errors contained in the software pertaining to our automated underwriting process could compromise our ability to accurately evaluate potential customers, which would negatively impact our results of operations. Our computer systems may encounter service interruptions at any time due to system or software failure, natural disasters, severe weather conditions, health pandemics, terrorist attacks, cyber-attacks, power outages or other events, and any failure of our computer systems could cause an interruption in operations and result in disruptions in, or reductions in the amount of, collections from the loans we make to our customers. While we have taken steps to prevent such activity from affecting our systems, if we are unable to prevent such activity, we may be subject to significant liability, negative publicity and a loss of customers, all of which may negatively affect our business.

Any significant disruption in our computer systems could prevent us from processing or posting payments on loans, reduce the effectiveness of our credit risk models and result in a loss of customers.

In the event of a system outage and physical data loss, our ability to service our loans, process applications or make loans available would be adversely affected. We also rely on facilities, components, and services supplied by third parties, including data center facilities and cloud storage services. Any interference or disruption of our technology and underlying infrastructure or our use of our third-party providers' services could materially and adversely affect our business, relationships with our customers and our reputation. Also, as our business grows, we may be required to expand and improve the capacity, capability and reliability of our infrastructure. If we are not able to effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and infrastructure to reliably support our business, our results of operations may be harmed.

Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing or posting payments on the loans, damage our brand and reputation, divert our employees' attention, subject us to liability and cause customers to abandon our business, any of which could adversely affect our business, results of operations and financial condition.

It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.

Our ability to lend to our customers depends, in part, upon our proprietary technology. We may be unable to protect our proprietary technology effectively which would allow competitors to duplicate our products and adversely affect our ability to compete with them. We rely on a combination of copyright, trade secret, trademark laws and other rights, as well as confidentiality procedures and contractual provisions to protect our proprietary technology, processes and other intellectual property and do not have patent protection. However, the steps we take to protect our intellectual property rights may be inadequate. For example, a third party may attempt to reverse engineer or otherwise obtain and use our proprietary technology without our consent. The pursuit of a claim against a third party for infringement of our intellectual property could be costly, and there can be no guarantee that any such efforts would be successful. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

We have been, and may in the future be, sued by third parties for alleged infringement of their proprietary rights.

Our proprietary technology, including our credit risk models, may infringe upon claims of third-party intellectual property, and we may face intellectual property challenges from such other parties. We may not be successful in defending against any such challenges or in obtaining licenses to avoid or resolve any intellectual property disputes. If we are unsuccessful, such claim or litigation could result in a requirement that we pay significant damages or licensing fees, which would negatively impact our financial performance. We may also be obligated to indemnify parties or pay substantial legal settlement costs, including royalty payments, and to modify applications or refund fees. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations.

For example, in January 2018, we received a complaint by a third party alleging various claims for trademark infringement, unfair competition, trademark dilution and misappropriation against us. The complaint calls for monetary damages and injunctive relief requiring us to cease using our trademarks. We believe this claim is without merit and intend to vigorously defend this matter. The final outcome with respect to the claims in the lawsuits, including our liability, if any, is uncertain. Furthermore, we cannot be certain that any of these claims would be resolved in our favor. For example, an adverse litigation ruling against us could result in a significant damages award against us, could result in injunctive relief, could result in a requirement that we make substantial royalty payments, and could result in the cancellation of certain Oportun trademarks which would require that we rebrand. Moreover, an adverse finding could cause us to incur substantial expense, could be a distraction to management, and any rebranding as a result may not be well received in the market. To the extent that we reach a negotiated settlement, the settlement could require that we pay substantial compensation and could require that we make modifications to our name, branding, marketing materials and advertising that may not be well received in the market. See "Legal Proceedings" for more information regarding these proceedings.

Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies such as ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations. In other cases, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant.

Our credit risk models and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our credit risk models and internal systems rely on internally developed software that is highly technical and complex. In addition, our models and internal systems depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs or other defects. Some errors may only be discovered after the code has been released for external or internal use. Errors, bugs or other defects within the software on which we rely may result in a negative experience for our customers, result in errors or compromise our ability to protect customer data or our intellectual property. Specifically, any defect in our credit risk models could result in the approval of unacceptably risky loans. Such defects could also result in harm to our reputation, loss of customers, loss of revenue, adjustments to the fair value of our Fair Value Loans or Fair Value Notes, challenges in raising debt or equity, or liability for damages, any of which could adversely affect our business and results of operations.

Some aspects of our business processes include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We incorporate open source software into processes supporting our business. Such open source software may include software covered by licenses like the GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that limits our use of the software, inhibits certain aspects of our systems and negatively affects our business operations.

Some open source licenses contain requirements that we make source code available at no cost for modifications or derivative works we create based upon the type of open source software we use. We may face claims from third parties claiming ownership of, or demanding the release or license of, such modifications or derivative works (which could include our proprietary source code or credit risk models) or otherwise seeking to enforce the terms of the applicable open source license. If portions of our proprietary credit risk models are determined to be subject to an open source license, or if the license terms for the open source software that we incorporate change, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our model or change our business activities, any of which could negatively affect our business operations and our intellectual property rights.

In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software.

We may not be able to make technological improvements as quickly as demanded by our customers, which could harm our ability to attract customers and adversely affect our results of operations, financial condition and liquidity.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial and lending institutions to better serve customers and reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology, such as mobile and online services, to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new technology-driven products and services as quickly as competitors or be successful in marketing these products and services to our customers. Furthermore, our technology may become obsolete or uncompetitive, and there is no guarantee that we will be able to successfully develop, obtain or use new technologies to adapt our models and systems. Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to attract customers and adversely affect our results of operations, financial condition and liquidity.

A deterioration in the financial condition of counterparties, including financial institutions, could expose us to credit losses, limit access to liquidity or disrupt our business operations.

We have entered into, and may in the future enter into, financing and derivative transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds, and other financial institutions. Furthermore, the operations of U.S. and global financial services institutions are interconnected, and a decline in the financial condition of one or more financial services institutions, or the perceived lack of creditworthiness of such financial institutions, may expose us to credit losses or defaults, limit access to liquidity or otherwise disrupt the operations of our business. As such, our financing and derivative transactions expose us to credit risk in the event of a default by the counterparty, which can be exacerbated during periods of market illiquidity.

Our vendor relationships subject us to a variety of risks, and the failure of third parties to comply with legal or regulatory requirements or to provide various services that are important to our operations could have an adverse effect on our business.

We have vendors that, among other things, provide us with key services, including financial, technology and other services to support our loan servicing and other activities. The CFPB issued guidance stating that institutions under its supervision may be held responsible for the actions of the companies with which they contract. Accordingly, we could be adversely impacted to the extent our vendors fail to comply with the legal requirements applicable to the particular products or services being offered. Our use of third-party vendors is subject to increasing regulatory attention.

The CFPB and other regulators have issued regulatory guidance that has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement and decreasing the benefit that we receive from using third-party vendors. Moreover, if our regulators conclude that we have not met the heightened standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions.

In some cases, third-party vendors are the sole source, or one of a limited number of sources, of the services they provide to us. Most of our vendor agreements are terminable on little or no notice, and if our current vendors were to stop or were unable to continue providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner on acceptable terms or at all. If any third-party vendor fails to provide the services we require, due to factors outside our control, we could be subject to regulatory enforcement actions, suffer economic and reputational harm and incur significant costs to resolve any such disruptions in service.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense and we may not be able to replace, attract and retain key personnel. We do not maintain key-man insurance for every member of our senior management team. The loss of the service of our senior management team or key team members, and the process to replace any of them, or the inability to attract additional qualified personnel as needed, all of which would involve significant time and expense, could harm our business.

Competition for our highly skilled employees is intense, and we may not be able to attract and retain the employees we need to support the growth of our business.

Competition for highly skilled personnel, including engineering and data analytics personnel, is extremely intense, particularly in the San Francisco Bay Area where our headquarters is located. We have experienced and expect to continue to face difficulty identifying and hiring qualified personnel in many areas, especially as we pursue our growth strategy. We may not be able to hire or retain such personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, employee candidates, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment so significant volatility or a decline in the price of our stock may adversely affect our recruitment strategies.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our customers could be adversely affected.

We are dependent on hiring an adequate number of hourly bilingual employees to run our business and are subject to government regulations concerning these and our other employees, including minimum wage laws.

Our workforce is comprised primarily of bilingual employees who work on an hourly basis. In certain areas where we operate, there is significant competition for hourly bilingual employees and the lack of availability of an adequate number of hourly bilingual employees could adversely affect our operations. In addition, we are subject to applicable rules and regulations relating to our relationship with our employees, including minimum wage and break requirements, health benefits, unemployment and sales taxes, overtime and working conditions and immigration status. We are from time to time subject to employment-related claims, including wage and hour claims. Further, legislated increases in minimum wage, as well as increases in additional labor cost components, such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines would increase our labor costs, which could have an adverse effect on our business.

Our mission to provide inclusive, affordable financial services that empower our customers to build a better future may conflict with the short-term interests of our stockholders.

Our mission is to provide inclusive, affordable financial services that empower our customers to build a better future. Therefore, we have made in the past, and may make in the future, decisions that we believe will benefit our customers and therefore provide long-term benefits for our business, even if our decision negatively impacts our short-term results of operations. For example, we constrain the maximum interest rates we charge in order to further our goal of making our loans affordable for our target customers. Our decisions may negatively impact our short-term financial results or not provide the long-term benefits that we expect and may decrease the spread between the interest rate at which we lend to our customers and the rate at which we borrow from our lenders.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus on the mission that contribute to our business.

We believe that a critical component of our success is our corporate culture and our deep commitment to our mission. We believe this mission-based culture fosters innovation, encourages teamwork and cultivates creativity. Our mission defines our business philosophy as well as the emphasis that we place on our customers, our people and our culture and is consistently reinforced to and by our employees. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture and our long-term mission. Any failure to preserve our culture, including a failure due to the growth from becoming a public company, could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork, and effectively focus on and pursue our mission and corporate objectives.

Misconduct by our employees could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees could be accused of or engage in misconduct that adversely affects our business, including fraud, theft, the redirection, misappropriation or otherwise improper execution of loan transactions, disclosure of personal and business information and the failure to follow protocol when interacting with customers that could lead us to suffer direct losses from the activity as well as serious reputational harm. Employee misconduct could also lead to regulatory sanctions and prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could harm our reputation and our business.

Our international operations and offshore service providers involve inherent risks which could result in harm to our business.

As of December 31, 2019, we had 1,519 employees in three contact centers in Mexico. These employees provide certain English/Spanish bilingual support related to customer-facing contact center activities, administrative and technology support of the contact centers and back-office support services. We have also engaged outsourcing partners in the United States that provide offshore customer-facing contact center activities in Colombia, Jamaica and may, in the future, include additional locations in other countries. In addition, we have engaged vendors that utilize employees or contractors based outside of the United States. As of December 31, 2019, our business process outsourcing partners have provided us, on an exclusive basis, the equivalent of 630 full-time equivalents in Colombia and Jamaica. Additionally, in 2019, we began utilizing outsourcing partners in the United States to provide offshore technology delivery services in India. These activities in Colombia, Jamaica, India and other future locations are subject to inherent risks that are beyond our control, including:

- risks related to government regulation or required compliance with local laws;
- local licensing and reporting obligations;
- difficulties in developing, staffing and simultaneously managing a number of varying foreign operations as a result of distance, language and cultural differences;
- different, uncertain, overlapping or more stringent local laws and regulations;
- political and economic instability, tensions, security risks and changes in international diplomatic and trade relations;
- state or federal regulations that restrict offshoring of business operational functions or require offshore partners to obtain additional licenses, registrations or permits to perform services on our behalf;
- geopolitical events, including natural disasters, public health issues, pandemics, acts of war and terrorism;
- compliance with applicable U.S. laws and foreign laws related to consumer protection, intellectual property, privacy, data security, corruption, money laundering and export/trade control;
- misconduct by our outsourcing partners and their employees or even unsubstantiated allegations of misconduct;
- risks due to lack of direct involvement in hiring and retaining personnel; and
- potentially adverse tax developments and consequences.

Violations of the complex foreign and U.S. laws, rules and regulations that apply to our international operations and offshore activities of our service providers may result in heightened regulatory scrutiny, fines, criminal actions or sanctions against us, our directors our officers or our employees, as well as restrictions on the conduct of our business and reputational damage.

If we discover a material weakness in our internal control over financial reporting that we are unable to remedy or otherwise fail to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to report our financial results on a timely and accurate basis and the market price of our common stock may be adversely affected.

The Sarbanes-Oxley Act requires, among other things, that, as a public company, we maintain effective internal control over financial reporting and disclosure controls and procedures including implementation of financial systems and tools. In 2017, we implemented a company-wide integrated financial reporting and human capital management system, which resulted in identification of significant deficiencies and delays in closing the accounting records for 2017 and the first quarter of 2018 and required significant remediation efforts in 2017 and 2018. If our remediation measures in 2017 and 2018 or future remediation measures are not fully successful, we may identify errors related to prior periods that could require a restatement of our financial statements and which may result in delays in filing our periodic reports. Any failure to maintain effective disclosure controls and procedures or internal control over financial reporting could have an adverse effect on our ability to accurately report our financial information on a timely basis and result in material misstatements in our consolidated financial statements.

To comply with Section 404A of the Sarbanes-Oxley Act, we may incur substantial cost, expend significant management time on compliance-related issues and hire additional accounting, financial and internal audit staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404A in a timely manner or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, we could be subject to sanctions or investigations by the Securities and Exchange Commission, or the SEC, or other regulatory authorities, adversely affect our ability to access the credit markets and sell additional equity and commit additional financial and management resources to remediate deficiencies.

Our business is subject to the risks of natural disasters and other catastrophic events, and to interruption by man-made problems.

A significant natural disaster, such as an earthquake, fire, hurricanes, flood or other catastrophic event (many of which are becoming more acute and frequent as a result of climate change), or interruptions by strikes, crime, terrorism, cyber-attacks, pandemics or other public health crises, power outages or other man-made problems, could have an adverse effect on our business, results of operations and financial condition. Our headquarters is located in the San Francisco Bay Area, and our systems are hosted in multiple data centers across Northern California, a region known for seismic activity and wildfires and related power outages. Additionally, certain of our contact centers and retail locations are located in areas prone to natural disasters, including earthquakes, tornadoes and hurricanes, and certain of our retail locations and our contact centers may be located in areas with high levels of criminal activities.

Our IT systems are backed up regularly to highly available, alternate data centers in a different region, and we have conducted disaster recovery testing of our mission critical systems. Despite any precautions we may take, however, the occurrence of a natural disaster or other unanticipated problems at our data centers could result in lengthy interruptions in our services. In addition, acts of war, terrorism and other geo-political unrest could cause disruptions in our business and lead to interruptions, delays or loss of critical data.

In addition, a large number of customers make payments and apply for loans at our retail locations. If one or more of our retail locations becomes unavailable for any reason, including as a result of localized weather events or natural or man-made disasters, our ability to conduct business and collect payments from customers on a timely basis may be adversely affected, which could result in lower loan originations, higher delinquencies and increased losses.

All of the aforementioned risks may be further increased if our business continuity plans prove to be inadequate and there can be no assurance that both personnel and non-mission critical applications can be fully operational after a declared disaster within a defined recovery time. If our personnel, systems or primary data center facilities are impacted, we may suffer interruptions and delays in our business operations. In addition, to the extent these events impact our customers or their ability to timely repay their loans, our business could be negatively affected.

We may not maintain sufficient business interruption or property insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions in our ability to provide our financial products and services.

Unfavorable outcomes in legal proceedings may harm our business and results of operations.

We are, and may in the future become, subject to litigation, claims, investigations, legal and administrative cases and proceedings, whether civil or criminal, or lawsuits by governmental agencies or private parties, which may affect our results of operations. In 2018, we settled a class action with common stockholders alleging that certain of our directors, officers, former directors and officers, and certain of our convertible preferred stockholders breached their fiduciary duties to our common stockholders in their capacities as officers, directors and/or controlling stockholders by approving certain of our convertible preferred stock financing rounds that diluted the ownership of our common stockholders and that certain defendants allegedly aided and abetted such breaches. In June 2017, certain plaintiffs that were previously part of the class action in the lawsuit described above, filed suit alleging the same claims, but covering a more limited series of financings. See "Legal Proceedings" for more information regarding this and other proceedings.

If the results of any pending or future legal proceedings are unfavorable to us or if we are unable to successfully defend against third-party lawsuits, we may be required to pay monetary damages or fulfill our indemnification obligations or we may be subject to fines, penalties, injunctions or other censure. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues.

Risks Related to our Industry and Regulation

The lending industry is highly regulated. Changes in regulations or in the way regulations are applied to our business could adversely affect our business.

Our business is subject to numerous federal, state and local laws and regulations. Following the financial crisis that began in 2008, supervisory efforts to enact and apply relevant laws, regulations and policies have become more intense. Statutes, regulations and policies affecting lending institutions are continually under review by Congress, state legislatures and federal and state regulatory agencies. Further changes in laws or regulations, or the regulatory application or interpretation of the laws and regulations applicable to us, could adversely affect our ability to operate in the manner in which we currently conduct business. Such changes in, and in the interpretation and enforcement of, laws and regulations may also make it more difficult or costly for us to originate additional loans, or for us to collect payments on our loans to customers or otherwise operate our business by subjecting us to additional licensing, registration and other regulatory requirements in the future. For instance, in 2019, competing bills were introduced in the Senate, one bill which would create a national usury cap of 36% APR, the other which would create a national cap of the lesser of 15% APR or the maximum rate permitted by the state in which the consumer resides. Although there is no evidence that such bills would ever be enacted into law, if such a bill were to be enacted, it would greatly restrict profitability for us.

Furthermore, judges or regulatory agencies could interpret current rules or laws differently than the way we do, leading to such adverse consequences as described above. A failure to comply with any applicable laws or regulations could result in regulatory actions, loss of licenses, lawsuits and damage to our reputation, any of which could have an adverse effect on our business and financial condition and our ability to originate and service loans and perform our obligations to investors and other constituents. It could also result in a default or early amortization event under our debt facilities and reduce or terminate availability of debt financing to us to fund originations.

Our failure to comply with the regulations in the jurisdictions in which we conduct our business could harm our results of operations.

Federal and state agencies have broad enforcement powers over us, including powers to periodically examine and continuously monitor our operations and to investigate our business practices and broad discretion to deem particular practices unfair, deceptive, abusive or otherwise not in accordance with the law. All of our operations are subject to regular examination by state regulators and, in the future, may be subject to regular examination by federal regulators. These examinations may result in requirements to change our policies or practices, and in some cases, we may be required to pay monetary fines or make reimbursements to customers.

State attorneys general have stated their intention to fill any void left by diminished CFPB enforcement and have a variety of tools at their disposal to enforce state and federal consumer financial laws. First, Section 1042 of the Dodd-Frank Act grants state attorneys general the ability to enforce the Dodd-Frank Act and regulations promulgated under the Dodd-Frank Act's authority and to secure remedies provided in the Dodd-Frank Act against

entities within their jurisdiction. State attorneys general also have enforcement authority under state law with respect to unfair or deceptive practices. Generally, under these statutes, state attorneys general may conduct investigations, bring actions, and recover civil penalties or obtain injunctive relief against entities engaging in unfair, deceptive, or fraudulent acts. Attorneys general may also coordinate among themselves to enter into multi-state actions or settlements. Finally, several consumer financial laws like the Truth in Lending Act and Fair Credit Reporting Act grant enforcement or litigation authority to state attorneys general. Should the CFPB decrease its enforcement activity under the Trump administration, we expect to see an increase in actions brought by state attorneys general.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable federal, state and local regulations, but we may not be able to maintain all requisite licenses and permits, and the failure to satisfy those and other regulatory requirements could have an adverse effect on our operations. There is also a chance that a regulator will believe that we or our service providers should obtain additional licenses above and beyond those currently held by us or our service providers, if any. Changes in laws or regulations applicable to us could subject us or our service providers to additional licensing, registration and other regulatory requirements in the future or could adversely affect our ability to operate or the manner in which we conduct business, including restrictions on our ability to open retail locations in certain counties, municipalities or other geographic locations.

A failure to comply with applicable laws and regulations could result in additional compliance requirements, limitations on our ability to collect all or part of the principal of or interest on loans, fines, an inability to continue operations, regulatory actions, loss of our license to transact business in a particular location or state, lawsuits, potential impairment, voiding, or voidability of loans, rescission of contracts, civil and criminal liability and damage to our reputation.

A proceeding relating to one or more allegations or findings of our violation of law could also result in modifications in our methods of doing business, including our servicing and collections procedures. It could result in the requirement that we pay damages and/or cancel the balance or other amounts owing under loans associated with such violation. It could also result in a default or early amortization event under certain of our debt facilities and reduce or terminate availability of debt financing to us to fund originations. To the extent it is determined that the loans we make to our customers were not originated in accordance with all applicable laws as we are required to represent under our securitization and other debt facilities and in loan sales to investors, we could be obligated to repurchase for cash, or swap for qualifying assets, any such loan determined not to have been originated in compliance with legal requirements. We may not have adequate liquidity and resources to make such cash repurchases or swap for qualifying assets.

For more information with respect to the regulatory framework affecting our businesses, see “Business - Regulations and Compliance.”

Financial regulatory reform relating to asset-backed securities has not been fully implemented and could have a significant impact on our ability to access the asset-backed securities market.

We rely upon asset-backed financing for a significant portion of our funds with which to carry on our business. Asset-backed securities and the securitization markets were heavily affected by the Dodd-Frank Act and have also been a focus of increased regulation by the SEC. For example, the Dodd-Frank Act mandates the implementation of rules requiring securitizers or originators to retain an economic interest in a portion of the credit risk for any asset that they securitize or originate. Furthermore, sponsors are prohibited from diluting the required risk retention by dividing the economic interest among multiple parties or hedging or transferring the credit risk the sponsor is required to maintain. Rules relating to securitizations rated by nationally-recognized statistical rating agencies require that the findings of any third-party due diligence service providers be made publicly available at least five business days prior to the first sale of securities, which has led and will continue to lead us to incur additional costs in connection with each securitization.

However, some of the regulations to be implemented under the Dodd-Frank Act relating to securitization have not yet been finalized. Additionally, there is general uncertainty regarding what changes, if any, may be implemented with regard to the Dodd-Frank Act. Any new rules or changes to the Dodd-Frank Act (or the current rules thereunder) could adversely affect our ability and our cost to access the asset-backed securities market.

Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.

In the ordinary course of business, we have been named as a defendant in various legal actions, including class actions and other litigation. Generally, this litigation arises from the dissatisfaction of a consumer with our products or services; some of this litigation, however, has arisen from other matters, including claims of violation of do-not-call, credit reporting and collection laws, bankruptcy and practices. All such legal actions are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. In addition, certain of those actions include claims for indeterminate amounts of damages. Our involvement in any such matter also could cause significant harm to our reputation and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. If resolved against us, legal actions could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business. We have in the past chosen to settle (and may in the future choose to settle) certain matters in order to avoid the time and expense of litigating them. Although none of the settlements has been material to our business, there is no assurance that, in the future, such settlements will not have a material adverse effect on our business.

In addition, a number of participants in the consumer financial services industry have been the subject of putative class action lawsuits, state attorney general actions and other state regulatory actions, federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive or abusive acts or practices, violations of state licensing and lending laws, including state usury laws, actions alleging discrimination on the basis of race, ethnicity, gender or other prohibited bases, and allegations of noncompliance with various state and federal laws and regulations relating to originating and servicing consumer finance loans and other consumer financial services and products. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in significant operational and compliance costs and may prevent us from providing certain products

and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business or adversely affect our business. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes subject to the jurisdiction of the CFPB may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages substantially in excess of the amounts we earned from the underlying activities.

Some of our consumer financing agreements include arbitration clauses. If our arbitration agreements were to become unenforceable for any reason, we could experience an increase to our consumer litigation costs and exposure to potentially damaging class action lawsuits.

In addition, from time to time, through our operational and compliance controls, we identify compliance issues that require us to make operational changes and, depending on the nature of the issue, result in financial remediation to impacted customers. These self-identified issues and voluntary remediation payments could be significant, depending on the issue and the number of customers impacted, and could generate litigation or regulatory investigations that subject us to additional risk.

Internet-based and electronic signature-based loan origination processes may give rise to greater risks than paper-based processes.

We use the internet and internet-enabled mobile phones to obtain application information, distribute certain legally required notices to applicants for, and borrowers of, the loans, and to obtain electronically signed loan documents in lieu of paper documents with tangible borrower signatures. In addition, we have introduced the use of electronic signature-based loan origination processes with a tablet in our retail locations. These processes may entail greater risks than would paper-based loan origination processes, including risks regarding the sufficiency of notice for compliance with consumer protection laws, risks that borrowers may challenge the authenticity of their signature or of the loan documents, risks that a court of law may not enforce electronically signed loan documents and risks that, despite controls, unauthorized changes are made to the electronic loan documents. If any of those factors were to cause any loans, or any of the terms of the loans, to be unenforceable against the borrowers, our ability to service these loans could be adversely affected.

The CFPB is a relatively new agency which has sometimes taken expansive views of its authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other new agency could impact our business.

The CFPB, which commenced operations in July 2011, has broad authority to create and modify regulations under federal consumer financial protection laws and regulations, such as the Truth in Lending Act and Regulation Z, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Electronic Funds Transfer Act and Regulation E, and to enforce compliance with those laws. The CFPB is charged with the examination and supervision of certain participants in the consumer financial services market, including short-term, small dollar lenders, and larger participants in other areas of financial services. The CFPB is also authorized to prevent "unfair, deceptive or abusive acts or practices" through its regulatory, supervisory and enforcement authority. To assist in its enforcement, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including our loan products and our prepaid debit card program. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus. The CFPB may also request reports concerning our organization, business conduct, markets and activities and conduct on-site examinations of our business on a periodic basis if the CFPB were to determine, through its complaint system, that we were engaging in activities that pose risks to consumers.

There continues to be uncertainty about the future of the CFPB and as to how its strategies and priorities, including in both its examination and enforcement processes, will impact our business and our results of operations going forward. Actions by the CFPB could result in requirements to alter or cease offering affected financial products and services, making them less attractive and restricting our ability to offer them. The CFPB could also implement rules that restrict our effectiveness in servicing our financial products and services.

Future actions by the CFPB (or other regulators) against us or our competitors that discourage the use of our or their services or restrict our business activities could result in reputational harm and adversely affect our business. If the CFPB changes regulations that were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies through supervision or enforcement past regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. If future regulatory or legislative restrictions or prohibitions are imposed that affect our ability to offer certain of our products or that require us to make significant changes to our business practices, and if we are unable to develop compliant alternatives with acceptable returns, our business could be adversely affected.

As a prepaid debit card provider, we are subject to extensive and complex federal and state regulations, and new regulations, as well as changes to or inadvertent noncompliance with existing regulations, that could adversely affect our business.

We offer our customers a reloadable debit card marketed under the trade name "Ventiva" in six states in which we operate. Since March 2012, we are registered with the Financial Crimes Enforcement Network as a Money Services Business in relation to our reloadable debit card. Although we do not currently allow the Ventiva card to be reloaded with cash at our retail locations, in connection with our role as program manager for the issuer of our reloadable debit cards, we are required to be compliant with a variety of federal and state statutes and regulations which impact the manner in which we conduct our reloadable debit card business. These include, but are not limited to state money transmitter laws, the USA PATRIOT Act, the Office of Foreign Asset Control, the Bank Secrecy Act, Anti-Money Laundering laws, and Know-Your-Customer requirements, collectively referred to as AML Laws, indirect regulation and direct audit and examination by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. Although we have committed resources to our AML Laws compliance program to ensure compliance with these various requirements, there could be heightened liability for us, our officers and our Board members if a regulatory agency were to deem our compliance program to be deficient or there were to be a break-down in compliance controls related to these regulations or heightened enforcement in this area.

Additionally, each state in which we offer a prepaid debit card has regulations governing money transmitters which could apply to the Ventiva card activities we conduct, or previously conducted, in that particular state. These regulations could require us to obtain a money transmitter license in a particular state. Although we believe that our activities in our states of operation do not require such licensing, the laws applicable to our debit card business or the interpretation thereof change frequently, are often unclear and may differ or conflict between jurisdictions. As a result, ensuring compliance has become more difficult and costly. Any failure, or perceived failure, by us to comply with all applicable statutes and regulations could result in fines, penalties, regulatory enforcement actions, civil liability, criminal liability, and/or limitations on our ability to operate our business.

The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of existing or new governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

We receive, transmit and store a large volume of personally identifiable information and other sensitive data from customers and potential customers. There are federal, state and foreign laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and sensitive data. Specifically, cybersecurity and data privacy issues, particularly with respect to personally identifiable information are increasingly subject to legislation and regulations to protect the privacy and security of personal information that is collected, processed and transmitted. For example, in June 2018, California enacted the California Consumer Privacy Act, or the CCPA, which broadly defines personal information and took effect on January 1, 2020. The CCPA gives California residents expanded privacy rights and protections and provides for civil penalties for CCPA violations, in addition to providing for a private right of action for data breaches. Whereas we have implemented the CCPA, compliance with other current and future customer privacy data protection and information security laws and regulations could result in higher compliance, technical or operating costs. Further, any violations of these laws and regulations may require us to change our business practices or operational structure, address legal claims and sustain monetary penalties and/or other harms to our business. We could also be adversely affected if new legislation or regulations are adopted or if existing legislation or regulations are modified such that we are required to alter our systems or require changes to our business practices or privacy policies.

We may have to constrain our business activities to avoid being deemed an investment company under the Investment Company Act.

The Investment Company Act of 1940, as amended, or the Investment Company Act, contains substantive legal requirements that regulate the manner in which “investment companies” are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in our company being characterized as an investment company, including by relying on certain exemptions from registration as an investment company. We rely on guidance published by the SEC staff or on our analyses of such guidance to determine our qualification under these and other exemptions. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our business operations accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could inhibit our ability to conduct our business operations. There can be no assurance that the laws and regulations governing our Investment Company Act status or SEC guidance regarding the Investment Company Act will not change in a manner that adversely affects our operations. If we are deemed to be an investment company, we may attempt to seek exemptive relief from the SEC, which could impose significant costs and delays on our business. We may not receive such relief on a timely basis, if at all, and such relief may require us to modify or curtail our operations. If we are deemed to be an investment company, we may also be required to institute burdensome compliance requirements and our activities may be restricted.

Our bank sponsorship products may lead to regulatory risk and may increase our regulatory burden.

We are currently in two bank sponsorship programs, one with MetaBank for our prepaid debit card and one with WebBank for our credit card product. In addition, we are undertaking an effort to evaluate different options, including a bank sponsorship program, to offer standard, uniform installment loan products on a nationwide basis. State and federal agencies have broad discretion in their interpretation of laws and their interpretation of requirements related to such programs and may elect to alter standards or the interpretation of the standards applicable to these programs. Therefore, our efforts to enter into a bank sponsorship related to our installment loan product may not ultimately be successful. Furthermore, federal regulation of the banking industry, along with tax and accounting laws, regulations, rules and standards may limit the business activity of banks and affiliates under these structures and control the method by which we can conduct business. Regulation by a federal banking regulator may also subject us to increased compliance, legal and operational costs, and could subject our business model to scrutiny or limit our ability to expand the scope of our activities in a manner that could have a material adverse effect on us.

Anti-money laundering, anti-terrorism financing and economic sanctions laws could have adverse consequences for us.

We maintain a compliance program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including the Bank Secrecy Act and the USA PATRIOT Act and U.S. economic sanctions laws administered by the Office of Foreign Assets Control. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering and terrorist financing and engaging in transactions involving sanctioned countries persons and entities. These controls include procedures and processes to detect and report suspicious transactions, perform customer due diligence, respond to requests from law enforcement, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. No assurance is given that our programs and controls will be effective to ensure compliance with all applicable anti-money laundering and anti-terrorism financing laws and regulations, and our failure to comply with these laws and regulations could subject us to significant sanctions, fines, penalties and reputational harm.

We are subject to governmental export and import controls that could subject us to liability, impair our ability to compete in international markets and adversely affect our business.

Although our business does not involve the commercial sale or distribution of hardware, software or technology, in the normal course of our business activities we may from time to time ship general commercial equipment outside the United States to our subsidiaries or affiliates for their internal use. In addition, we may export, transfer or provide access to software and technology to non-U.S. persons such as employees and contractors, as well as

third-party vendors and consultants engaged to support our business activities. In all cases, the sharing of software and/or technology is solely for the internal use of the company or for the use by business partners to provide services to us, including software development. However, such shipments and transfers may be subject to U.S. and foreign regulations governing the export and import of goods, software and technology. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to significant sanctions, fines, penalties and reputational harm. Further, any change in applicable export, import or economic sanctions regulations or related legislation, shift in approach to the enforcement or scope of existing regulations or change in the countries, persons or technologies targeted by these regulations could adversely affect our business.

Risks Related to our Indebtedness

We have incurred substantial debt and may issue debt securities or otherwise incur substantial debt in the future, which may adversely affect our financial condition and negatively impact our operations.

We have in the past incurred, and expect to continue to incur, substantial debt to fund our loan activities. We depend on securitization transactions, warehouse facilities, whole loan sales and other forms of debt financing in order to finance the growth of our business and the origination of most of the loans we make to our customers. The incurrence of debt could have a variety of negative effects, including:

- default and foreclosure on our and our subsidiaries' assets if asset performance and our operating revenue are insufficient to repay debt obligations;
- mandatory repurchase obligations for any loans conveyed or sold into a debt financing or under a whole loan purchase facility if the representations and warranties we made with respect to those loans were not correct when made;
- acceleration of obligations to repay the indebtedness (or other outstanding indebtedness to the extent of cross default triggers), even if we make all principal and interest payments when due, if we breach any covenants that require the maintenance of certain financial ratios with respect to us or the loan portfolio securing our indebtedness or the maintenance of certain reserves or tangible net worth and do not obtain a waiver for such breach or renegotiate our covenant;
- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;
- our inability to obtain necessary additional financing if changes in the characteristics of our loans or our collection and other loan servicing activities change and cease to meet conditions precedent for continued or additional availability under our debt financings;
- diverting a substantial portion of cash flow to pay principal and interest on such debt, which would reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes;
- creating limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- defaults based on loan portfolio performance or default in our collection and loan servicing obligations could result in our being replaced by a third-party or back-up servicer and notification to our customers to redirect payments;
- downgrades or revisions of agency ratings for our debt financing; and
- monitoring, administration and reporting costs and expenses, including legal, accounting and other monitoring reporting costs and expenses, required under our debt financings.

In addition, our Secured Financing carries a floating rate of interest linked to LIBOR. In July 2017, the U.K. announced the discontinuation of LIBOR which could result in interest rate increases on our Secured Financing which could adversely affect our results of operations.

A breach of early payment triggers or covenants or other terms of our agreements with lenders could result in an early amortization, default, and/or acceleration of the related funding facilities.

The primary funding sources available to support the maintenance and growth of our business include, among others, asset-backed securitization, revolving debt facilities (including the secured financing facility) and whole loan sale facilities. Our liquidity would be adversely affected by our inability to comply with various conditions precedent to availability under these facilities (including the eligibility of our loans), covenants and other specified requirements set forth in our agreements with our lenders which could result in the early amortization, default and/or acceleration of our existing facilities. Such covenants and requirements include financial covenants, portfolio performance covenants and other events. Moreover, we currently act as servicer with respect to the unsecured consumer loans held by our subsidiaries. If we default in our servicing obligations or fail to meet certain financial covenants, an early amortization event or event of default could occur, and/or we could be replaced by our backup servicer or another replacement servicer. If we are replaced as servicer to these loans, there is no guarantee that the backup services will be adequate. Any disruptions in services may cause the inability to collect and process repayments. For more information on covenants, requirements and events, see Note 8 of the Notes to the Consolidated Financial Statements included elsewhere in this report.

During an early amortization period or if an event of default exists, principal and interest collections from the loans in our asset-backed facilities would be applied to repay principal under such facilities and principal collections would no longer be available on a revolving basis to fund purchases of newly originated loans. If an event of default exists under our revolving debt or loan sale facilities, the applicable lenders' or purchasers' commitments to extend further credit or purchase additional loans under the related facility would terminate. If loan collections were insufficient to repay the amounts due under our securitizations and our revolving debt facility, the applicable lenders, trustees and noteholders could seek remedies, including against the collateral pledged under such facilities.

An early amortization event or event of default would negatively impact our liquidity, including our ability to originate new loans, and require us to rely on alternative funding sources. This may increase our funding costs or alternative funding sources might not be available when needed. If we were unable to arrange new or alternative methods of financing on favorable terms, we might have to curtail the origination of loans, and we may be replaced by our backup servicer or another replacement servicer.

Our securitizations and whole loan sales may expose us to certain risks, and we can provide no assurance that we will be able to access the securitization or whole loan sales market in the future, which may require us to seek more costly financing.

We have securitized, and may in the future securitize, certain of our loans to generate cash to originate new loans or pay our outstanding indebtedness. In each such transaction and in connection with our warehouse facilities, we sell and convey a pool of loans to a special purpose entity, or SPE. Concurrently, each SPE issues notes or certificates pursuant to the terms of an indenture. The securities issued by the SPE are secured by the pool of loans owned by the SPE. In exchange for the sale of a portion of the pool of loans to the SPE, we receive cash, which are the proceeds from the sale of the securities. We also contribute a portion of the pool of loans in consideration for the equity interests in the SPE. Subject to certain conditions in the indenture governing the notes issued by the SPE (or the agreement governing the SPE's revolving loan), the SPE is permitted to purchase additional loans from us or distribute to us residual amounts received by it from the loan pool, which residual amounts are the cash amounts remaining after all amounts payable to service providers and the noteholders have been satisfied. We also have the ability to swap pools of loans with the SPE. Our equity interest in the SPE is a residual interest in that it entitles us as the equity owner of the SPE to residual cash flows, if any, from the loans and to any assets remaining in the SPE once the notes are satisfied and paid in full (or in the case of a revolving loan, paid in full and all commitments terminated). As a result of challenging credit and liquidity conditions, the value of the subordinated securities we retain in our securitizations might be reduced or, in some cases, eliminated.

During the financial crisis that began in 2008, the securitization market was constrained, and we can give no assurances that we will be able to complete additional securitizations in the future. Further, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions holding asset-backed securities, could result in decreased investor demand for securities issued through our securitization transactions, or increased competition from other institutions that undertake securitization transactions. In addition, compliance with certain regulatory requirements may affect the type of securitizations that we are able to complete.

If it is not possible or economical for us to securitize our loans in the future, we would need to seek alternative financing to support our operations and to meet our existing debt obligations, which may not be available on commercially reasonable terms, or at all. If the cost of such alternative financing were to be higher than our securitizations, we would likely reduce the fair value of our Fair Value Loans, which would negatively impact our results of operations.

The gain on sale generated by our whole loan sales and servicing fees earned on sold loans also represents a significant source of our earnings. Demand for our loans at the current premiums may be impacted by factors outside our control, including availability of loan pools, demand by investors for whole loan assets and attractiveness of returns offered by competing investment alternatives offered by other loan originators with more attractive characteristics than our loan pools and loan purchaser interest.

Our results of operations are affected by our ability to sell our loans for a premium over their net book value. Potential loan purchasers might reduce the premiums they are willing to pay for the loans that they purchase during periods of economic slowdown or recession to compensate for any increased risks. A reduction in the sale price of the loans we sell under our whole loan sale program would likely result in a reduction in the fair value of our Fair Value Loans, which would negatively impact our results of operations. Any sustained decline in demand for our loans or increase in delinquencies, defaults or foreclosures may reduce the price we receive on future loan sales below our loan origination cost.

Risks Related to Ownership of Our Common Stock

You may be diluted by the future issuance of additional common stock in connection with our equity incentive plans, acquisitions or otherwise.

Our amended and restated certificate of incorporation authorizes us to issue shares of common stock authorized but unissued and rights relating to common stock for the consideration and on the terms and conditions established by our Board in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved 7,469,664 shares for issuance under our 2019 Equity Incentive Plan and 726,186 shares for issuance under our 2019 Employee Stock Purchase Plan, subject to adjustment in certain events. Any common stock that we issue, including under our 2019 Equity Incentive Plan, our 2019 Employee Stock Purchase Plan or other equity incentive plans that we may adopt in the future, could dilute your percentage ownership.

The price of our common stock may be volatile, and you could lose all or part of your investment.

The trading price of our common stock has been and may continue to be volatile and will depend on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock, because you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- failure to meet quarterly or annual guidance with regard to revenue, margins, earnings or other key financial or operational metrics;
- fluctuations in the trading volume of our share or the size of our public float;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and stock market valuations of similar companies;

- failure of financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- public reaction to our press releases, other public announcements and filings with the SEC;
- any major change in our management;
- sales of shares of our common stock by us or our stockholders;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- changes in prevailing interest rates;
- quarterly fluctuations in demand for our loans;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- litigation, government investigations and regulatory actions;
- developments or disputes concerning our intellectual property or other proprietary rights;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- other general market, political and economic conditions, including any such conditions and local conditions in the markets in which our customers, employees, and contractors are located.

If financial or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts or the content and opinions included in their reports. Because we are a new public company, the analysts who publish information about our common stock have had relatively little experience with our company, which could affect their ability to accurately forecast our results and make it more likely that we fail to meet their estimates. If any of the analysts who cover us issue an adverse or misleading opinion regarding our stock price, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our directors, officers and principal stockholders have substantial control over our company, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, executive officers and each of our 5% stockholders and their affiliates, in the aggregate, beneficially own a significant number of the outstanding shares of our common stock. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours, and they may vote in a way with which you disagree or which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

We may need to raise additional funds in the future, including through equity, debt or convertible debt financings, to support business growth and those funds may not be available on acceptable terms, or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new loan products, enhance our risk management model, improve our operating infrastructure, expand to new retail locations or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity, debt or convertible debt financings to secure additional funds. If we raise additional funds by issuing equity securities or securities convertible into equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders.

If we are unable to obtain adequate financing or on terms satisfactory to us when we require it, we may be unable to pursue certain opportunities and our ability to continue to support our growth and to respond to challenges could be impaired.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing standards of the Nasdaq Stock Market and other applicable securities rules and regulations, including changes in corporate governance practices and the establishment and maintenance of effective disclosure and financial controls. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources. We cannot predict or estimate the amount of additional costs we may incur as a result of being a public company or the timing of such costs.

Being a public company also makes it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage, incur substantially higher costs to obtain coverage or only obtain coverage with a significant deductible. These factors could also make it more difficult for us to attract and retain qualified executive officers and qualified members of our Board, particularly to serve on our audit and risk committee and compensation and leadership committee.

In addition, changing laws, regulations and standards or interpretations thereof relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us.

Certain of our market opportunity estimates, growth forecasts, and key metrics could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts relating to the size and expected growth of our target market may prove to be inaccurate. It is impossible to offer every loan product, term or feature that every customer wants, and our competitors may develop and offer loan products, terms or features that we do not offer. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of the individuals covered by our market opportunity estimates will generate any particular level of revenues for us. Even if the markets in which we compete meet our size estimates and growth forecasts, our business could fail to grow at similar rates, if at all, for a variety of reasons outside of our control, including competition in our industry. Furthermore, in order for us to successfully address this broader market opportunity, we will need to successfully expand into new geographic regions where we do not currently operate. Our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be adversely affected.

Certain provisions in our charter documents and under Delaware law could limit attempts by our stockholders to replace or remove our Board, delay or prevent an acquisition of our company, and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our Board. These provisions include the following:

- a classified Board with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our Board;
- our Board has the right to elect directors to fill a vacancy created by the expansion of the Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill board vacancies;
- our stockholders may not act by written consent or call special stockholders' meetings;
- our amended and restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the Board or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company; and
- our Board may issue, without stockholder approval, shares of undesignated preferred stock, which may make it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the Board has approved the transaction. Such provisions could allow our Board to prevent or delay an acquisition of our company.

Certain of our executive officers may be entitled, pursuant to the terms of their employment arrangements, to accelerated vesting of their stock options following a change of control of our company under certain conditions. In addition to the arrangements currently in place with some of our executive officers, we may enter into similar arrangements in the future with other officers. Such arrangements could delay or discourage a potential acquisition.

Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a potential acquisition could limit the opportunity for our stockholders to receive a premium for their shares of our common stock in connection with such acquisition, and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware or the U.S. federal district courts will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, (4) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws, or (5) any action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or the rules and regulations thereunder. However, this provision applies to Securities Act claims and Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce a duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a provision, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Our amended and restated certificate of incorporation further provides that the U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. If a court were to find either exclusive forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition. For example, the Court of Chancery of the State of Delaware recently determined that the exclusive forum of provision of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable. However, this decision may be reviewed and ultimately overturned by the Delaware Supreme Court. If the Court of Chancery's decision were to be overturned, we would enforce the federal district court exclusive forum provision in our amended and restated certificate of incorporation.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters is located in San Carlos, California, where we lease approximately 100,000 square feet of office space pursuant to a lease expiring in February 2026. We lease additional offices in Frisco, Texas; Irvine, California; Los Angeles, California; and Modesto, California and also lease three contact center locations in Mexico. We operate over 335 retail locations and co-locations across California, Illinois, Texas, Utah, Nevada, Arizona, New Mexico, New Jersey and Florida. Our retail locations are co-located within other retail locations, such as grocery stores, or are standalone locations. We lease our locations pursuant to multiple lease agreements, including under month-to-month terms. In addition, we are currently subleasing a portion of our headquarters space to third parties. We plan to open additional retail locations each year as we continue to grow our business.

Item 3. Legal Proceedings

On June 13, 2017, a complaint, captioned Atinar Capital II, LLC and James Gutierrez v. David Strohm, et. al., CGC 17-559515, or the Atinar Lawsuit, was filed by plaintiffs James Gutierrez and Atinar Capital II, LLC (an LLC controlled by Gutierrez), or the Gutierrez Plaintiffs, in the Superior Court of the State of California, County of San Francisco, against certain of our current and former directors and officers, and certain of our stockholders alleging that the defendants breached their fiduciary duties to our common stockholders in their capacities as officers, directors and/or controlling stockholders by approving certain of our convertible preferred stock financing rounds that diluted the ownership of our common stockholders, and that certain defendants allegedly aided and abetted such breaches. On October 17, 2019, after being given leave by the court to amend its complaint, the plaintiffs filed a second amended complaint that added Gutierrez Family Holdings, LLC (another entity controlled by Gutierrez) as an additional plaintiff, and pleading the case in the alternative as a derivative shareholder suit. As part of the derivative shareholder suit, Oportun Financial Corporation was added as a nominal defendant only. The second amended complaint seeks unspecified monetary damages and other relief. On November 18, 2019, we filed a demurrer of the second amended complaint, which is scheduled to be heard by the court on March 3, 2020. We are indemnifying the current and former directors and officers to whom we have indemnification obligations for fees incurred in defending this matter, and if such directors and officers incur any losses in connection with this matter, we may be required to indemnify them for such losses.

We believe that the Atinar Lawsuit is without merit and we intend to vigorously defend the actions. However, the final outcome with respect to the claims in the lawsuit, including our liability, if any, is uncertain. Furthermore, we cannot be certain that any claims in the Atinar Lawsuit would be resolved in our favor. An adverse finding could cause us to incur substantial expense, could be a distraction to management and could result in reputational harm.

On January 2, 2018, a complaint, captioned Opportune LLP v. Oportun, Inc. and Oportun, LLC, Civil Action No. 4:18-cv-00007, or the Opportune Lawsuit, was filed by plaintiff Opportune LLP in the United States District Court for the Southern District of Texas, against us and our wholly-owned subsidiary, Oportun, LLC. The complaint alleged various claims for trademark infringement, unfair competition, trademark dilution and misappropriation against us and Oportun, LLC and called for injunctive relief requiring us and Oportun, LLC to cease using its marks, as well as monetary damages related to the claims. In addition, on January 2, 2018, the plaintiff initiated a cancellation proceeding, Proceeding No. 92067634, before the Trademark Trial and Appeal Board seeking to cancel certain of our trademarks, or the Cancellation Proceeding and, together with the

Opportune Lawsuit, the Opportune Matter. On March 5, 2018, the Trademark Trial and Appeal Board granted our motion to suspend the Cancellation Proceeding pending final disposition of the Opportune Lawsuit. On April 24, 2018, the District Court granted our motion to partially dismiss the complaint, dismissing Plaintiff's misappropriation claim. On February 22, 2019, Plaintiff filed an amended complaint adding an additional claim under the Anti-Cybersquatting Protection Act to the remaining claims in the original complaint. On August 30, 2019, we filed a motion for summary judgment on all of Plaintiff's claims. On January 22, 2020, the District Court issued its decision denying our motion for summary judgment. No trial date has been set.

We believe that the Opportune Matter is without merit. We intend to vigorously defend the Opportune Matter. The final outcome with respect to the claims in the lawsuits, including our liability, if any, is uncertain. Furthermore, we cannot be certain that any claims by the plaintiff would be resolved in our favor. For example, an adverse litigation ruling against us could result in a significant damages award against us, could result in injunctive relief, could result in a requirement that we make substantial royalty payments, and could result in the cancellation of certain Opportun trademarks which would require that we rebrand. Moreover, an adverse finding could cause us to incur substantial expense, could be a distraction to management, and any rebranding as a result may not be well received in the market.

At this stage in these litigation matters, any possible monetary loss or range of monetary loss cannot be estimated. The outcome of litigation is inherently uncertain. If one or more of these legal matters were resolved against us in a reporting period, or settled on unfavorable terms, our consolidated financial statements for that reporting period could be materially adversely affected.

From time to time, we may bring or be subject to other legal proceedings and claims in the ordinary course of business, including legal proceedings with third parties asserting infringement of their intellectual property rights and shareholder claims. Other than as described above, we are not presently a party to any legal proceedings that, if determined adversely to us, we believe would individually or taken together have a material adverse effect on our business, financial condition, cash flows or results of operations.

See Note 15, Leases, Commitments and Contingencies, in the accompanying Notes to the Consolidated Financial Statements for additional information regarding litigation reserves, if any, for legal proceedings in which the Company is involved.

Item 4. Mine Safety Disclosures

None.

PART II

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

Market Information and Stockholders

Oportun's common stock has been listed for trading on the Nasdaq Global Select Market since September 26, 2019 under the symbol "OPRT". As of February 21, 2020, we had 291 record holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name or held in trust by other entities. Therefore, the actual number of stockholders is greater than this number of registered stockholders of record.

Dividend Policy

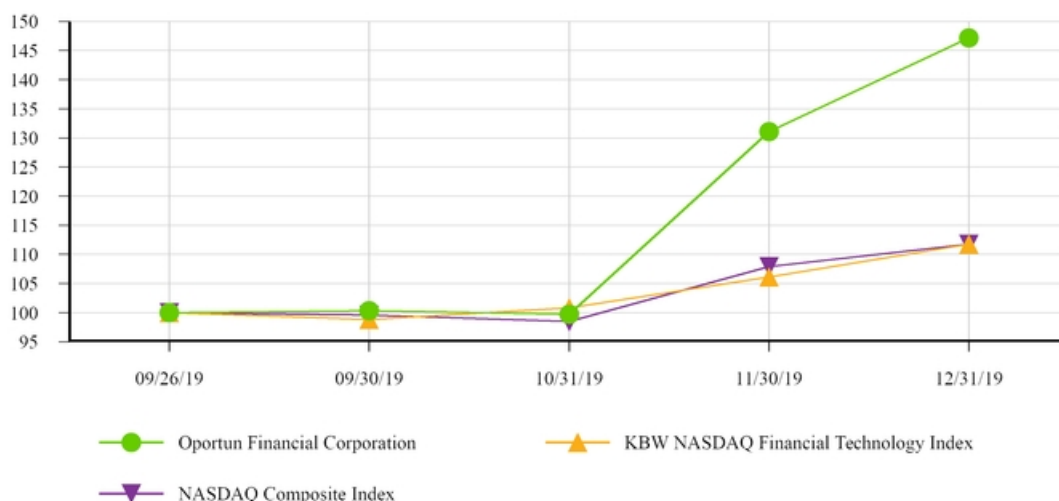
We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. Any future determination to pay dividends will be made at the discretion of our Board subject to applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our future ability to pay cash dividends on our capital stock may also be limited by the terms of any future debt or preferred securities or future credit facility.

Stock Performance

The information in this "Stock Performance" section shall not be deemed to be "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended.

The following data and graph show a comparison of the cumulative total shareholder return for our common stock, KBW NASDAQ Financial Technology Index, and the NASDAQ Global Select Market Composite Index from September 26, 2019 through December 31, 2019. This data assumes simultaneous investments of \$100 on September 26, 2019 and reinvestment of any dividends. The stockholder return shown in the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.

Common Stock Performance Graph



Company Index	9/26/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019
Oportun Financial Corporation	\$ 100.00	\$ 100.31	\$ 99.69	\$ 131.05	\$ 147.19
NASDAQ Composite Index	\$ 100.00	\$ 99.61	\$ 98.48	\$ 107.90	\$ 111.73
KBW Nasdaq Financial Technology Index	\$ 100.00	\$ 98.83	\$ 100.81	\$ 106.10	\$ 106.23

Issuer Purchases of Equity Securities

None.

Unregistered Sales of Equity Securities

We had no unregistered sales of our securities in the reporting period not previously reported.

Use of Proceeds

On September 30, 2019, we completed our initial public offering, or the IPO, in which we sold 4,873,356 shares of common stock at a price to the public of \$15.00 per share for an aggregate offering price of approximately \$73.1 million, including shares sold in connection with the full exercise of the underwriters' option to purchase additional shares. In addition, the selling stockholders sold 2,314,144, shares of our common stock at a price to the public of \$15.00 per share for an aggregate offering price of approximately \$34.7 million, including shares sold in connection with the full exercise of the underwriters' option to purchase additional shares. We did not receive any proceeds from the sale of shares by the selling stockholders in the IPO. The shares of our common stock sold by us and by the selling stockholders on September 30, 2019, represented all securities registered in the registration statement.

The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-232685), which was declared effective by the SEC on September 25, 2019. We received aggregate net proceeds of \$60.5 million, after deducting underwriting discounts and commissions of \$5.1 million and offering expenses paid by us of approximately \$7.5 million subject to certain cost reimbursements. There has been no material change in the planned use of proceeds from our IPO as described in the final prospectus for our IPO, dated September 25, 2019 and filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, on September 27, 2019, or our Prospectus. The representatives of the underwriters of our IPO were Barclays Capital Inc., J.P. Morgan Securities LLC and Jefferies LLC. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors pursuant to our director compensation policy.

Item 6. Selected Financial Data

As a "Smaller Reporting Company" as defined by Item 10 of Regulation S-K, the Company is not required to provide this information

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

An index to our management's discussion and analysis follows:

Topic	
Overview	40
Key Financial and Operating Metrics	41
Historical Credit Performance	42
Results of Operations	44
Fair Value Estimate Methodology for Loans Receivable at Fair Value	49
Non-GAAP Financial Measures	53
Liquidity and Capital Resources	57
Off-Balance Sheet Arrangements	60
Critical Accounting Policies and Significant Judgments and Estimates	60
Recently Issued Accounting Pronouncements	60

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this report and the audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2018 included in the final prospectus for our initial public offering, dated September 25, 2019 and filed with the Securities and Exchange Commission pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, or the Securities Act, on September 27, 2019, or our Prospectus. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a high-growth, mission-driven provider of inclusive, affordable financial services powered by a deep, data-driven understanding of our customers and advanced proprietary technology. Our proprietary lending platform and application of machine learning to our unique alternative data set enable us to provide loans at a fraction of the price of other providers to customers who either do not have a credit history or credit score, known as credit invisibles, or who may have a limited credit history and are "mis-scored," meaning that traditional credit scores do not properly reflect their credit worthiness. In our 14-year history, we have originated more than 3.7 million loans, representing over \$8.4 billion of credit extended, to more than 1.7 million customers. A study commissioned by us and conducted by the Financial Health Network (formerly known as the Center for Financial Services Innovation) estimated that, as of December 31, 2019, our customers have saved more than \$1.7 billion in aggregate interest and fees compared to alternative products available to them.

Our core offering is a simple-to-understand, affordable, unsecured, fully amortizing personal installment loan with fixed payments and fixed interest rates throughout the life of the loan. Our personal loans do not have prepayment penalties or balloon payments and range in size from \$300 to \$10,000 with terms ranging from six to 48 months. As part of our commitment to be a responsible lender, we verify income for 100% of our personal loan customers and only make loans to customers that our ability-to-pay model indicates should be able to afford a loan after meeting their other debts and regular living expenses. We execute our sales and marketing strategy through a variety of acquisition channels including our retail locations, direct mail, broadcast and digital marketing, as well as other channels. We also benefit significantly from word-of-mouth referrals, nearly one-third of new customers in the last 12 months tell us they heard about Oportun from a friend or family member. Our omni-channel network provides our customers with flexibility to apply for a loan at one of over 335 retail locations, over the phone, or via mobile or online through our responsive web-designed origination solution.

As part of our strategy, we have begun to expand beyond our core offering of unsecured installment loans into other financial services that a significant portion of our customers already use and have asked us to provide, such as auto loans and credit cards. In April 2019, we began offering direct auto loans online on a limited basis to customers in California. In November 2019, we began offering an auto refinance product enabling customers to refinance an existing secured auto loan or to consolidate an existing secured auto loan with an unsecured Oportun loan. Currently, our auto loans range from \$5,000 to \$35,000 with terms from 24 to 72 months. In December 2019, we launched the Oportun® Visa® Credit Card, issued by WebBank, Member FDIC as a pilot to a limited number of potential customers.

To fund our growth at a low and efficient cost, we have built a diversified and well-established capital markets funding program, which allows us to partially hedge our exposure to rising interest rates by locking in our interest expense for up to three years. Over the past six years, we have executed 14 bond offerings in the asset-backed securities market, the last 11 of which include tranches that have been rated investment grade. We issued two- and three-year fixed rate bonds which have provided us committed capital to fund future loan originations at a fixed Cost of Debt. In addition to our whole loan sale program, we also have a committed three-year, \$400.0 million secured line of credit, which also helps to fund our loan portfolio growth.

In order to achieve our profit goals, we closely manage our operating expenses, which consist of technology and facilities, sales and marketing, personnel, outsourcing and professional fees and general, administrative and other expenses, with the goal of increasing our investment in our technology platform and development of new capabilities.

We have elected the fair value option to account for all loans receivable held for investment that were originated on or after January 1, 2018, or the Fair Value Loans, and for all asset-backed notes issued on or after January 1, 2018, or the Fair Value Notes, as compared to the loans held for investment that were originated prior to January 1, 2018, or the Loans Receivable at Amortized Cost. We believe the fair value option enables us to report GAAP net income that more closely approximates our net cash flow generation and provides increased transparency into our profitability and asset quality. Loans Receivable at Amortized Cost and asset-backed notes issued prior to January 1, 2018 are accounted for in our 2018 and subsequent financial statements at amortized cost, net of reserves. Loans that we designate for sale are accounted for as held for sale and recorded at the lower of cost or fair value until the loans receivable are sold. We estimate the fair value of the Fair Value Loans using a discounted cash flow model, which considers various factors such as the price that we could sell our loans to a third party in a non-public market, credit risk, net charge-offs, customer payment rates and market conditions such as interest rates. We estimate the fair value of our Fair Value Notes based upon the prices at which our or similar asset-backed notes trade. We reevaluate the fair value of our Fair Value Loans and our Fair Value Notes at the close of each measurement period.

Key Financial and Operating Metrics

We monitor and evaluate the following key metrics in order to measure our current performance, develop and refine our growth strategies, and make strategic decisions.

For a presentation of the actual impact of the election of the fair value option for the periods presented in the financial statements included elsewhere in this report, please see the next section, "Non-GAAP Financial Measures". The Fair Value Pro Forma information is presented in that section because it is non-GAAP presentation.

The following table and related discussion set forth key financial and operating metrics for the Company's operations as of and for the years ended December 31, 2019 and 2018. For similar financial and operating metrics and discussion of the Company's 2018 results compared to its 2017 results, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part I of the Company's registration statement on Form S-1 (File No. 333-232685), which was declared effective by the SEC on September 25, 2019.

(in thousands of dollars, except CAC)	As of or for the Year Ended December 31,	
	2019	2018
Aggregate Originations ⁽¹⁾	\$ 2,051,836	\$ 1,759,908
Number of Loans Originated ⁽¹⁾	726,964	644,551
Active Customers ⁽¹⁾	793,254	695,697
Customer Acquisition Cost ⁽¹⁾	\$ 134	\$ 120
Owned Principal Balance at End of Period ⁽¹⁾	\$ 1,842,928	\$ 1,501,284
Managed Principal Balance at End of Period ⁽¹⁾	\$ 2,198,950	\$ 1,785,143
Average Daily Principal Balance ⁽¹⁾	\$ 1,624,347	\$ 1,282,333
Charge-offs, Net of Recoveries ⁽¹⁾	\$ 134,804	\$ 94,384
30+ Day Delinquent Principal Balance at End of Period ⁽¹⁾	\$ 73,882	\$ 59,467
30+ Day Delinquency Rate ⁽¹⁾	4.0 %	4.0 %
Annualized Net Charge-Off Rate ⁽¹⁾	8.3 %	7.4 %
Operating Efficiency	60.4 %	57.7 %
Adjusted Operating Efficiency	57.2 %	57.8 %
Return on Equity	14.7 %	43.8 %
Adjusted Return on Equity	14.9 %	13.2 %

⁽¹⁾ Credit card amounts have been excluded from these metrics for the year ended December 31, 2019 because they are de minimis.

See "Glossary" at the beginning of this report for formulas and definitions of our key performance metrics.

Aggregate Originations

Aggregate Originations increased to \$2.1 billion for the year ended December 31, 2019 from \$1.8 billion for the year ended December 31, 2018, representing a 16.6% increase. The increase is primarily driven by the continued investment in marketing, increase in the average loan size, strategic growth in new retail locations, the increase in originations through our mobile platform, and a continued high percentage of returning customers who generally qualify for larger loan amounts. We originated 726,964 and 644,551 loans for the year ended December 31, 2019 and 2018, respectively, representing a 12.8% increase.

Active Customers

As of December 31, 2019, Active Customers increased by 14.0% from December 31, 2018 due to our strategic marketing initiatives, which continue to attract new customers and retain existing customers, the expansion of our retail footprint and the enhancement of our mobile capabilities.

Customer Acquisition Cost

For the year ended December 31, 2019 and 2018, our Customer Acquisition Cost was \$134 and \$120 respectively, an increase of 11.7%. The increase is primarily due to an increase in our retail and telesales staff and investment in testing new marketing channels like digital advertising and lead aggregators, as well as the expansion of our direct mail program. As we continue to optimize customer lifetime value, we project that our Customer Acquisition Cost may continue to increase.

Managed Principal Balance at End of Period

Managed Principal Balance at End of Period as of December 31, 2019 increased by 23.2% from December 31, 2018 driven by the increase in Aggregate Originations.

Average Daily Principal Balance

Average Daily Principal Balance increased by 26.7% from \$1.3 billion for the year ended December 31, 2018 to \$1.6 billion for the year ended December 31, 2019. This increase reflects an increase in the number of loans originated, which has grown 12.8% from the year ended December 31, 2018 to the same period in 2019, as well as an increase in average loan size.

30+ Day Delinquency Rate

Our 30+ Day Delinquency Rate was 4.0% as of December 31, 2019 and 2018, respectively due to our ability to successfully manage credit performance. Delinquency rates converged to the prior year level as credit performance strengthened.

Annualized Net Charge-Off Rate

Annualized Net Charge-Off Rate for the years ended December 31, 2019 and 2018 was 8.3% and 7.4%, respectively. Net charge-offs for the year increased due to relative receivables growth and delays in the receipt of tax refunds due to the government shutdown earlier in 2019.

Operating Efficiency and Adjusted Operating Efficiency

For the year ended December 31, 2019 and 2018, Operating Efficiency was 60.4%, and 57.7%, respectively and Adjusted Operating Efficiency was 57.2% and 57.8%, respectively. The increase in Operating Efficiency is a result of operating expenses growing slightly faster than total revenue. The increase in operating expenses is driven by \$14.3 million in investments in new products, as well as additional investments in technology, engineering, data science and public company readiness. Adjusted Operating Efficiency improved due to strong expense discipline compared to revenue and prudent capital allocation in order to permit the investments previously described. For a reconciliation of Operating Efficiency to Adjusted Operating Efficiency, see "Non-GAAP Financial Measures—Fair Value Pro Forma."

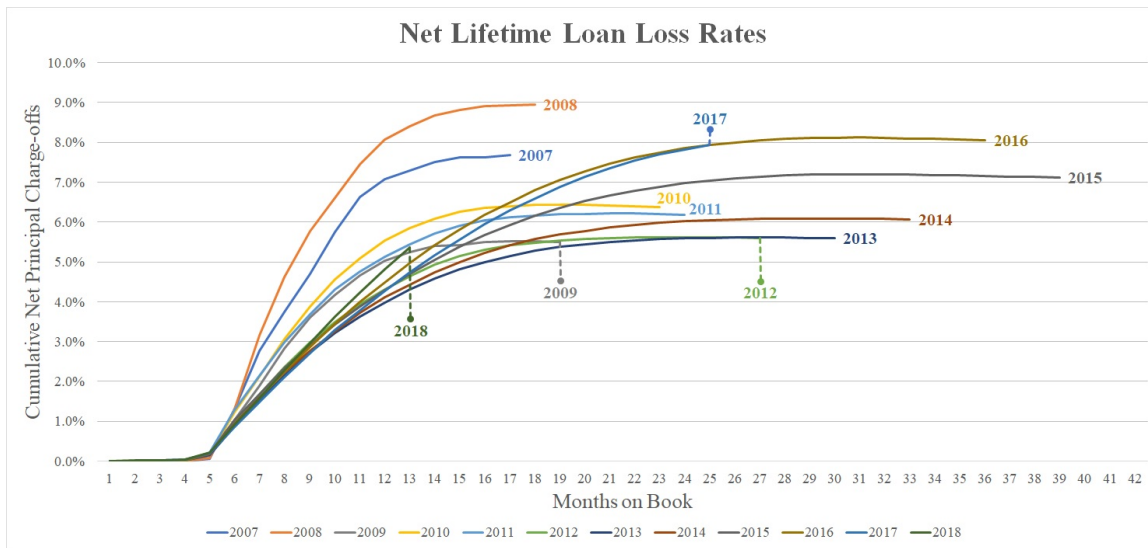
Return on Equity and Adjusted Return on Equity

For the year ended December 31, 2019 and 2018, Return on Equity was 14.7% and 43.8%, respectively, and Adjusted Return on Equity was 14.9% and 13.2%, respectively. The decrease in Return on Equity is primarily due to the one-time impact related to the adoption of fair value accounting in 2018. The increase in Adjusted Return on Equity is due to improved Operating Efficiency and increased Net Revenue on a Fair Value Pro Forma basis, year over year. For a reconciliation of Return on Equity to Adjusted Return on Equity, see "Non-GAAP Financial Measures—Fair Value Pro Forma."

Historical Credit Performance

In addition to monitoring our loss and delinquency performance on an owned portfolio basis, we also monitor the performance of our loans by the period in which the loan was disbursed, generally years or quarters, which we refer to as a vintage. We calculate net lifetime loan loss rate by vintage as a percentage of original principal balance. Net lifetime loan loss rates equal the net lifetime loan losses for a given year through December 31, 2019 divided by the total origination loan volume for that year. Loans are charged off no later than after becoming 120 days contractually delinquent.

The below table shows our net lifetime loan loss rate for each annual vintage since we began lending in 2006. We have managed to stabilize cumulative net lifetime loan losses since the financial crisis that started in 2008. Our proprietary, centralized credit scoring model and continually evolving data analytics have enabled us to maintain consistent net lifetime loan loss rates ranging between 5.5% and 8.1% since 2009. We even achieved a net lifetime loan loss rate of 5.5% during the peak of the recession in 2009. The evolution of our credit models has allowed us to increase our average loan size and commensurately extend our average loan terms. Cumulative net lifetime loan losses for the 2015, 2016, 2017, and 2018 vintages increased partially due to the delay in tax refunds in 2017 and 2019, the impact of natural disasters such as Hurricane Harvey, and the longer duration of the loans. The chart below includes all personal loan originations by vintage, excluding loans originated under the Access Loan Program.



	Year of Origination											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net lifetime loan losses as of December 31, 2019 as a percentage of original principal balance	7.7%	8.9%	5.5%	6.4%	6.2%	5.6%	5.6%	6.1%	7.1%	8.1%*	7.9%*	5.4%*
Outstanding principal balance as of December 31, 2019 as a percentage of original amount disbursed	—%	—%	—%	—%	—%	—%	—%	—%	—%	0.3%	6.7%	47.4%
Dollar weighted average original term for vintage in months	9.3	9.9	10.2	11.7	12.3	14.5	16.4	19.1	22.3	24.2	26.3	29.0

* Vintage is not yet fully mature from a loss perspective.

Results of Operations

The following tables and related discussion set forth our Consolidated Statements of Operations for the years ended December 31, 2019 and 2018. For similar operating and financial data and discussion of the Company's 2018 results compared to its 2017 results, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part I of the Company's registration statement on Form S-1 (File No. 333-232685), which was declared effective by the SEC on September 25, 2019.

(in thousands of dollars)	Years Ended December 31,	
	2019	2018
Revenue		
Interest income	\$ 544,126	\$ 448,777
Non-interest income	56,022	48,802
Total revenue	600,148	497,579
Less:		
Interest expense	60,546	46,919
Provision (release) for loan losses	(4,483)	16,147
Total net increase (decrease) in fair value	(97,237)	22,899
Net revenue	446,848	457,412
Operating expenses:		
Technology and facilities	101,981	82,848
Sales and marketing	97,153	77,617
Personnel	90,647	63,291
Outsourcing and professional fees	57,243	52,733
General, administrative and other	15,392	10,828
Total operating expenses	362,416	287,317
Income before taxes	84,432	170,095
Income tax expense	22,834	46,701
Net income	\$ 61,598	\$ 123,394

Total revenue

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Revenue				
Interest income	\$ 544,126	\$ 448,777	\$ 95,349	21.2%
Non-interest income	56,022	48,802	7,220	14.8%
Total revenue	\$ 600,148	\$ 497,579	\$ 102,569	20.6%
Percentage of total revenue:				
Interest income	90.7%	90.2%		
Non-interest income	9.3%	9.8%		
Total revenue	100.0%	100.0%		

Total Revenue. Total revenue increased by \$102.6 million, or 20.6%, from \$497.6 million for 2018 to \$600.1 million for 2019.

Interest income. Total interest income increased by \$95.3 million, or 21.2%, from \$448.8 million for 2018 to \$544.1 million for 2019. The increase is primarily attributable to growth in our Average Daily Principal Balance, which grew from \$1.3 billion for 2018 to \$1.6 billion for 2019, an increase of 26.7%. This is partially offset by \$8.5 million accretion of deferred origination fees related to the election of fair value accounting in 2018 and a decline in portfolio yield.

Non-interest income. Total non-interest income increased by \$7.2 million, or 14.8%, from \$48.8 million for 2018 to \$56.0 million for 2019. The increase is primarily due to a \$3.6 million increase in servicing revenue from loans sold to Ellington and a \$3.1 million increase in gain on sale of loans.

See Note 2, *Summary of Significant Accounting Policies*, and Note 12, *Revenue*, of the Notes to the Consolidated Financial Statements included elsewhere in this report for further discussion on the Company's interest income, non-interest income and revenue.

Interest expense

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Interest expense	\$ 60,546	\$ 46,919	\$ 13,627	29.0%
Percentage of total revenue	10.1%	9.4%		
Cost of Debt	4.4%	4.4%		
Leverage as a percentage of Average Daily Principal Balance	85.5%	83.5%		

Interest expense. Interest expense increased by \$13.6 million, or 29.0%, from \$46.9 million for 2018 to \$60.5 million for 2019. We financed approximately 85.5% of our loans receivable through debt for 2019 as compared to 83.5% for 2018, and our Average Daily Debt Balance increased from \$1.1 billion to \$1.4 billion for 2019, an increase of 30.3%. While interest expense has increased in aggregate as we have grown our loans receivable, we have maintained a stable Cost of Debt as we have become a more established issuer and have been able to refinance and increase the size of our securitizations.

See Note 2, *Summary of Significant Accounting Policies*, and Note 8, *Borrowings*, in the Notes to the Consolidated Financial Statements included in this report for further information on the Company's Interest expense and the Company's secured financing facility and asset-backed notes.

Provision (release) for loan losses

Provision (release) for loan losses represents a provision to maintain an allowance for loan losses adequate to provide for losses over the next 12 months for our Loans Receivable at Amortized Cost. Our allowance for loan losses represents our estimate of the credit losses inherent in our loans and is based on a variety of factors, including current economic conditions, our historical loan loss experience, recent trends in delinquencies and loan seasoning. There is no provision for loan losses for the Fair Value Loans because lifetime loan losses are incorporated in the measurement of fair value for loans receivable. We expect the provision for loan losses for Loans Receivable at Amortized Cost will decrease as these loans run off, assuming losses remain constant.

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Charge-offs, net of recoveries on loans receivable at amortized cost	\$ 17,871	\$ 71,398	\$ (53,527)	(75.0)%
Excess provision on loans receivable at amortized cost	(22,354)	(55,251)	32,897	(59.5)%
Provision (release) for loan losses	\$ (4,483)	\$ 16,147	\$ (20,630)	(127.8)%
Allowance for loan losses rate on amortized cost portfolio	9.45 %	8.13%		
Percentage of total revenue:	(0.7)%	3.2%		

Provision (release) for loan losses. Provision (release) for loan losses decreased by \$20.6 million, or 127.8%, from \$16.1 million for 2018 to \$(4.5) million for 2019, mainly due to the partial liquidation of the amortized cost portfolio. The amortized cost portfolio balance at the end of 2019 is \$42.5 million compared to \$323.8 million at the end of 2018.

Total net increase (decrease) in fair value

Net increase (decrease) in fair value reflects changes in fair value of Fair Value Loans and Fair Value Notes on an aggregate basis and is based on a number of factors, including benchmark interest rates, credit spreads, remaining cumulative charge-offs and customer payment rates. Increases in the fair value of loans increase Net Revenue. Conversely, decreases in the fair value of loans decrease Net Revenue. Increases in the fair value of asset-backed notes result in a decrease of Net Revenue. Decreases in the fair value of asset-backed notes increase Net Revenue.

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Fair value mark-to-market adjustment:				
Fair value mark-to-market adjustment on fair value loans	\$ 31,670	\$ 49,998	\$ (18,328)	(36.7)%
Fair value mark-to-market adjustment on asset-backed notes	(11,974)	(4,113)	(7,861)	*
Total fair value mark-to-market adjustment	19,696	45,885	(26,189)	*
Charge-offs, net of recoveries on loans receivable at fair value	(116,933)	(22,986)	(93,947)	*
Total net increase (decrease) in fair value	\$ (97,237)	\$ 22,899	\$ (120,136)	*
Percentage of total revenue:				
Fair value mark-to-market adjustment	3.3 %	9.2 %		
Charge-offs, net of recoveries on loans receivable at fair value	(19.5)%	(4.6)		
Total net increase (decrease) in fair value	(16.2)%	4.6 %		
Discount rate	7.77 %	9.20 %		
Remaining cumulative charge-offs	9.61 %	10.52 %		
Average life in years	0.81	0.85		

* Not meaningful.

Net increase (decrease) in fair value. Net decrease in fair value for 2019 was \$97.2 million. This amount represents a total fair value mark-to-market increase of \$19.7 million offset by \$116.9 million of charge-offs, net of recoveries on Fair Value Loans. The total fair value mark-to-market adjustment consists of a \$31.7 million mark-to-market adjustment on Fair Value Loans due to (a) a decrease in the discount rate from 9.20% as of December 31, 2018 to 7.77% as of December 31, 2019 caused by declining interest rates and credit spreads, (b) a decrease in remaining cumulative charge-offs from 10.52% as of December 31, 2018 to 9.61% as of December 31, 2019, and offset by (c) a decline in average life from 0.85 years as of December 31, 2018 to 0.81 years as of December 31, 2019 due to further seasoning of the Fair Value Loan portfolio. The \$(120.0) million mark-to-market adjustment on Fair Value Notes is due to a decrease in interest rates.

Charge-offs, net of recoveries

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Charge-offs, net of recoveries on loans receivable at amortized cost	\$ 17,871	\$ 71,398	\$ (53,527)	(75.0)%
Charge-offs, net of recoveries on loans receivable at fair value	116,933	22,986	93,947	*
Total charge-offs, net of recoveries	\$ 134,804	\$ 94,384	\$ 40,420	42.8 %
Average Daily Principal Balance	1,624,347	1,282,333	342,014	26.7 %
Annualized Net Charge-Off Rate	8.3%	7.4%		

* Not meaningful

Charge-offs, net of recoveries. We optimized growth while maintaining an annualized net charge-off rate of 8.3% for the year ended December 31, 2019. We believe this experience indicates the strength of our proprietary credit scoring technology as well as the efficacy and scalability of our business model.

Operating expenses

Operating expenses consist of technology and facilities, sales and marketing, personnel, outsourcing and professional fees and general, administrative and other expenses. For Fair Value Loans, we no longer capitalize direct loan origination expenses, instead expensing them in operating expenses as incurred. For Fair Value Notes, we no longer capitalize financing expenses, instead including them within operating expenses as incurred.

Technology and facilities

Technology and facilities expenses are the largest component of our operating expenses, representing the costs required to build our omni-channel network, and consist of three components. The first component is comprised of costs associated with our technology, engineering, information security, cybersecurity, platform development, maintenance, and end user services, including fees for software licenses, consulting, legal and other services as a result of our efforts to grow our business, as well as personnel expenses. The second includes rent for retail and corporate locations, utilities, insurance,

telephony costs, property taxes, equipment rental expenses, licenses and fees and depreciation and amortization. Lastly, this category also includes all software licenses, subscriptions, and technology service costs to support our corporate operations, excluding sales and marketing.

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Technology and facilities	\$ 101,981	\$ 82,848	\$ 19,133	23.1%
Percentage of total revenue	17.0%	16.7%		

Technology and facilities. Technology and facilities expense increased by \$19.1 million, or 23.1%, from \$82.8 million for 2018 to \$102.0 million for 2019. As we have continued to build our omni-channel network, we have increased the number of retail locations from 312 at December 31, 2018 to 337 at December 31, 2019, an increase of 8.0%, and our headcount has grown 7.6% during the same period. We also had a \$4.7 million increase in service costs related to higher usage of software and cloud services, \$3.0 million increase in professional services and other related costs due to growth in staffing at our India technology service center and \$2.4 million increase related to new products and services.

Sales and marketing

Sales and marketing expenses consist of two components and represents the costs to acquire our customers. The first component is comprised of the expense to acquire a customer through various paid marketing channels including direct mail, radio, television, digital marketing and brand marketing. The second component is the costs associated with our telesales, lead generation and retail operations, including personnel expenses, but excluding costs associated with retail locations. For Fair Value Loans, sales and marketing-related direct origination expenses are expensed when incurred.

(in thousands of dollars, except CAC)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Sales and marketing	\$ 97,153	\$ 77,617	\$ 19,536	25.2%
Percentage of total revenue	16.2%	15.6%		
Customer Acquisition Cost (CAC)	\$ 134	\$ 120	\$ 14	11.7%

Sales and marketing. Sales and marketing expenses to acquire our customers increased by \$19.5 million, or 25.2%, from \$77.6 million for 2018 to \$97.2 million for 2019. As we expanded our omni-channel network, we added headcount to our retail locations and telesales, leading to increased personnel-related and outsourced service costs of \$10.0 million. To grow our loan originations, we increased our investment in marketing initiatives by \$11.0 million across various marketing channels, including direct mail, digital advertising channels, lead aggregators, brand marketing and \$1.8 million investment in new products and services. This was partially offset by a decline in dues and subscription expenses of \$1.9 million. As a result of our increased marketing investment, our CAC has increased by 11.7% from 2018 to 2019.

Personnel

Personnel expenses represent compensation and benefits that we provide to our employees, and include salaries, wages, bonuses, commissions, related employer taxes, medical and other benefits provided and stock-based compensation expense for all of our staff with the exception of our telesales, lead generation, retail operations and technology which are included in sales and marketing expenses and technology and facilities, respectively.

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Personnel	\$ 90,647	\$ 63,291	\$ 27,356	43.2%
Percentage of total revenue	15.1%	12.7%		

Personnel. Personnel expense increased by \$27.4 million, or 43.2%, from \$63.3 million for 2018 to \$90.6 million for 2019, primarily driven by a 13.7% increase in corporate employee headcount associated with preparing to become a public company, \$7.2 million due to increased stock compensation triggered by the successful completion of the IPO and \$5.1 million increased investment related to new products and services.

Outsourcing and professional fees

Outsourcing and professional fees consist of costs for various third-party service providers and contact center operations, primarily for the sales, customer service, collections and store operation functions. Our contact centers located in Mexico and our third-party contact centers located in Colombia and Jamaica provide support for the business including application processing, verification, customer service and collections. We utilize third parties to operate the contact centers in Colombia and Jamaica and include the costs in outsourcing and other professional fees. Professional fees also include the cost of legal and audit services, credit reports, recruiting, cash transportation, collection services and fees and consultant expenses. For Fair Value Loans, direct loan origination expenses related to application processing are expensed when incurred. In addition, outsourcing and professional fees include any financing expenses, including legal and underwriting fees, related to our Fair Value Notes.

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Outsourcing and professional fees	\$ 57,243	\$ 52,733	\$ 4,510	8.6%
Percentage of total revenue	9.5%	10.6%		

Outsourcing and professional fees. Outsourcing and professional fees increased by \$4.5 million, or 8.6%, from \$52.7 million for 2018 to \$57.2 million for 2019. The increase resulted primarily from an increased use of professional services of \$4.5 million to support public company readiness, a \$2.9 million increase in spending on risk analytics, outsourcing costs of \$2.5 million in part to increase our usage of offshore service centers, an increase in legal costs of \$2.0 million and \$1.4 million of expenses related to new products and services. These increases were partially offset by a \$6.1 million decrease in debt financing fees as we executed four offerings of asset-backed notes in 2018 compared to one offering of asset-backed notes in 2019.

General, administrative and other

General, administrative and other expenses include non-compensation expenses for employees, who are not a part of the technology and sales and marketing organization, which include travel, lodging, meal expenses, office supplies, printing and shipping. Also included are franchise taxes, bank fees, foreign currency gains and losses, transaction gains and losses, debit card expenses and litigation reserve.

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
General, administrative and other	\$ 15,392	\$ 10,828	\$ 4,564	42.1%
Percentage of total revenue	2.6%	2.2%		

General, administrative and other. General, administrative and other expense increased by \$4.6 million, or 42.1%, from \$10.8 million for 2018 to \$15.4 million for 2019, primarily due to increases in travel expenses, postage and shipping expenses, and other general and administrative expenses due to new products and services and continuing growth of the business.

Income taxes

Income taxes consist of U.S. federal, state and foreign income taxes, if any. For the years ended December 31, 2019 and 2018 we recognized tax expense attributable to U.S. federal, state and Mexico income taxes.

(in thousands of dollars)	Year Ended December 31,		2019 vs. 2018 Change	
	2019	2018	\$	%
Income tax expense	\$ 22,834	\$ 46,701	\$ (23,867)	(51.1)%
Percentage of total revenue	3.8%	9.4%		
Effective tax rate	27.0%	27.5%		

Income tax expense. Income tax expense decreased by \$23.9 million or 51.1%, from \$46.7 million for 2018 to \$22.8 million for 2019, primarily as a result of higher pretax income for 2018 due to the one-time impact of our election of the fair value option for Fair Value Loans and Fair Value Notes.

See Note 2, *Summary of Significant Accounting Policies*, and Note 13, *Income Taxes*, of the Notes to the Consolidated Financial Statements included elsewhere in this report for further discussion on the Company's income taxes.

Fair Value Estimate Methodology for Loans Receivable at Fair Value

Election of Fair Value Option

We have elected the fair value option to account for loans held for investment and asset-backed notes effective as of January 1, 2018. We believe the fair value option for loans held for investment and asset-backed notes is a better fit for us given our high growth, short duration, high quality assets and funding structure. As compared to the loans held for investment that were originated prior to January 1, 2018, or Loans Receivable at Amortized Cost, we believe the fair value option enables us to report GAAP net income that more closely approximates our net cash flow generation and provides increased transparency into our profitability and asset quality. Loans Receivable at Amortized Cost and asset-backed notes issued prior to January 1, 2018 are accounted for in our 2018 and 2019 financial statements at amortized cost, net. Upon adoption of ASU 2019-05, effective January 1, 2020, the Company will elect the fair value option on all remaining loans receivable currently recorded at amortized cost. Upon adoption of ASU 2019-05, the Company will (i) release the remaining allowance for loan losses on Loan Receivables at Amortized Cost; (ii) recognize the unamortized net originations fee income; and (iii) measure the remaining loans originated prior to January 1, 2018 at fair value. Loans that we designate for sale will continue to be accounted for as held for sale and recorded at the lower of cost or fair value until the loans are sold.

Summary

Fair value is an electable option under GAAP to account for any financial instruments, including loans receivable and debt. It differs from amortized cost accounting in that loans receivable and debt are recorded on the balance sheet at fair value rather than on a cost basis. Under the fair value option credit losses are recognized through income as they are incurred rather than through the establishment of an allowance and provision for losses. The fair value of instruments under this election is updated at the end of each reporting period, with changes since the prior reporting period reflected in the Consolidated Statements of Operations and Comprehensive Income as net increase (decrease) in fair value which impacts Net Revenue. Changes in interest rates, credit spreads, realized and projected credit losses and cash flow timing will lead to changes in fair value and therefore impact earnings. These changes in the fair value of the Fair Value Loans may be partially offset by changes in the fair value of the Fair Value Notes, depending upon the relative duration of the instruments.

Comparison of Fair Value and Amortized Cost Accounting

The primary differences between fair value and amortized cost accounting are:

- Loans and notes are recorded at their fair value, not their principal balance or cost basis;
- The fair value of the loans takes into consideration net charge-offs for the remaining life of the loans, thus no separate allowance for loan loss is required;
- Upfront fees and expenses of loans and notes are no longer deferred but recognized at origination in income or expense, respectively;
- Changes in the fair value of loans and notes impact Net Revenue; and
- Net charge-offs are recognized as they occur as part of the change in fair value for loans.

Fair Value Estimate Methodology for Loans Receivable at Fair Value

We calculate the fair value of Fair Value Loans using a model that projects and discounts expected cash flows. The fair value is a function of:

- Portfolio yield;
- Average life;
- Prepayments;
- Remaining cumulative charge-offs; and
- Discount rate.

Portfolio yield is the expected interest and fees collected from the loans as an annualized percentage of outstanding principal balance. Portfolio yield is based upon (a) the contractual interest rate, reduced by expected delinquencies and interest charge-offs and (b) late fees, net of late fee charge-offs based upon expected delinquencies. Origination fees are not included in portfolio yield since they are generally capitalized as part of the loan's principal balance at origination.

Average life is the time-weighted average of expected principal payments divided by outstanding principal balance. The timing of principal payments is based upon the contractual amortization of loans, adjusted for the impact of prepayments, Good Customer Program refinances, and charge-offs.

Prepayments are the expected remaining cumulative principal payments that will be repaid earlier than contractually required over the life of the loan, divided by the outstanding principal balance.

Remaining cumulative charge-offs is the expected net principal charge-offs over the remaining life of the loans, divided by the outstanding principal balance.

Discount rate is the sum of the interest rate and the credit spread. The interest rate is based upon the interpolated LIBOR/swap curve rate that corresponds to the average life. The credit spread is based upon the credit spread implied by the whole loan purchase price at the time the flow sale agreement was entered into, updated for changes in credit spreads on our Fair Value Notes, which serve as a proxy for how a whole loan buyer would adjust their yield requirements relative to the originally agreed price.

It is also possible to estimate the fair value of our loans using a simplified calculation. The table below illustrates a simplified calculation to aid investors in understanding how fair value may be estimated using the last eight quarters:

- Subtracting the servicing fee from the weighted average portfolio yield over the remaining life of the loans to calculate net portfolio yield;
- Multiplying the net portfolio yield by the weighted average life in years of the loans receivable, which is based upon the contractual amortization of the loans and expected remaining prepayments and charge-offs to calculate net cash flow;
- Subtracting the remaining cumulative charge-offs from the net portfolio yield to calculate the net cash flow;
- Subtracting the product of the discount rate and the average life from the net cash flow to calculate the gross fair value premium as a percentage of loan principal balance; and
- Subtracting the accrued interest and fees as a percentage of loan principal balance from the gross fair value premium as a percentage of loan principal balance to calculate the fair value premium as a percentage of loan principal balance.

The table below reflects the application of this methodology for the eight quarters since the election of the fair value option on January 1, 2018:

	Three Months Ended							
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Weighted average portfolio yield over the remaining life of the loans	31.45 %	32.08 %	32.43 %	32.59 %	32.76 %	32.84 %	32.80 %	32.55 %
Less: Servicing fee	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%
Net portfolio yield	26.45 %	27.08 %	27.43 %	27.59 %	27.76 %	27.84 %	27.80 %	27.55 %
Multiplied by: Weighted average life in years	0.814	0.781	0.792	0.804	0.850	0.875	0.924	0.970
Pre-loss cash flow	21.53 %	21.13 %	21.67 %	22.07 %	23.60 %	24.50 %	25.58 %	26.72 %
Less: Remaining cumulative charge-offs	(9.61)%	(9.87)%	(10.05)%	(10.00)%	(10.52)%	(11.23)%	(9.48)%	(8.77)%
Net cash flow	11.92 %	11.26 %	11.62 %	12.07 %	13.08 %	13.27 %	16.10 %	17.95 %
Less: Discount rate multiplied by average life	(6.33)%	(6.19)%	(6.62)%	(7.09)%	(7.82)%	(7.87)%	(8.13)%	(8.45)%
Gross fair value premium as a percentage of loan principal balance	5.59 %	5.07 %	5.00 %	4.98 %	5.26 %	5.40 %	7.97 %	9.50 %
Less: Accrued interest and fees as a percentage of loan principal balance	(1.05)%	(0.97)%	(0.93)%	(0.97)%	(1.01)%	(0.82)%	(0.90)%	(0.84)%
Fair value premium as a percentage of loan principal balance	4.54 %	4.10 %	4.07 %	4.01 %	4.25 %	4.58 %	7.07 %	8.66 %
Discount Rate	7.77 %	7.93 %	8.38 %	8.86 %	9.20 %	8.94 %	8.84 %	8.71 %

The table below reflects the application of this methodology for eight quarters under Fair Value Pro Forma as if we had elected the fair value option since inception:

	Three Months Ended							
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Weighted average portfolio yield over the remaining life of the loans	31.47 %	31.89 %	32.37 %	32.45 %	32.68 %	32.74 %	31.96 %	30.78 %
Less: Servicing fee	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%
Net portfolio yield	26.47 %	26.89 %	27.37 %	27.45 %	27.68 %	27.74 %	26.96 %	25.78 %
Multiplied by: Weighted average life in years	0.804	0.765	0.764	0.754	0.762	0.750	0.785	0.785
Pre-loss cash flow	21.28 %	20.71 %	20.80 %	20.59 %	21.03 %	20.81 %	21.30 %	20.11 %
Less: Remaining cumulative charge-offs	(9.51)%	(9.83)%	(9.94)%	(9.83)%	(10.18)%	(11.00)%	(9.47)%	(8.95)%
Net cash flow	11.77 %	10.88 %	10.86 %	10.76 %	10.85 %	9.81 %	11.83 %	11.16 %
Less: Discount rate multiplied by average life	(6.25)%	(6.11)%	(6.37)%	(6.65)%	(6.98)%	(6.64)%	(6.92)%	(6.72)%
Gross fair value premium as a percentage of loan principal balance	5.52 %	4.77 %	4.49 %	4.11 %	3.87 %	3.17 %	4.91 %	4.44 %
Less: Accrued interest and fees as a percentage of loan principal balance	(1.04)%	(0.96)%	(0.92)%	(0.96)%	(1.00)%	(0.94)%	(0.92)%	(0.94)%
Fair value premium as a percentage of loan principal balance	4.48 %	3.81 %	3.57 %	3.15 %	2.87 %	2.23 %	3.99 %	3.50 %
Discount Rate	7.77 %	7.93 %	8.38 %	8.86 %	9.19 %	8.85 %	8.76 %	8.61 %

The illustrative tables included above are designed to assist investors in understanding the impact of our election of the fair value option. For a presentation of the actual impact of the election of the fair value option for the periods presented in the financial statements included elsewhere in this report, please see the next section, "Non-GAAP Financial Measures." The Fair Value Pro Forma information is presented in that section because they are non-GAAP presentations, as they show the impact of Fair Value Pro Forma adjustment for periods that before January 1, 2018.

Credit Performance Sensitivity

Increases in expected future charge-offs will decrease expected cash flow and decrease fair value of the loans. Conversely, decreases in expected future charge-offs will increase expected cash flow and increase fair value of the loans.

The following table presents estimates at December 31, 2019 under Fair Value Pro Forma as if we had elected the fair value option since inception:

Remaining Cumulative Charge-offs	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(1.6)%	\$ (29,838)
110% of expected	(0.8)%	(15,099)
100% of expected	— %	—
90% of expected	0.8 %	15,288
80% of expected	1.6 %	30,971

The following table presents estimates at December 31, 2018 under Fair Value Pro Forma as if we had elected the fair value option since inception:

Remaining Cumulative Charge-offs	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(1.5)%	\$ (22,163)
110% of expected	(0.7)%	(11,168)
100% of expected	— %	—
90% of expected	0.8 %	11,345
80% of expected	1.5 %	22,871

Interest Rate Sensitivity

Changes in benchmark interest rates are likely to impact the discount rate the market uses to value our loans and notes. Decreases in discount rate increase the fair value of the loans and notes and increases in the discount rate decrease the fair value of the loans and notes. The amount of change for the notes is greater because they have a longer average life (1.3 years on average) than the loans (0.80 years). Because an increase in the fair value of a liability is a net decrease in fair value, if the discount rate decreases for both the loans and notes then Net Revenue will be reduced; and if the discount rate increases for both, then Net Revenue will be increased.

Given the differences in average life between the loans and the debt, if the yield or spread curves experience a change in slope rather than vertical shift, then the fair value of the loans and notes will change independently. This occurred in, for example, the year ended December 31, 2018 when the yield curve inverted, and the discount rate increased for the Fair Value Loans and decreased for the Fair Value Notes. In the year ended December 31, 2019, the discount rate of the Fair Value Loans fell more than the discount rate for the Fair Value Notes. While the interest rate curve may twist, we believe credit spreads are more likely to shift vertically, albeit the magnitude of the shift for loans may be greater than debt since the debt cash flows are the senior portion of the loan cash flows.

The following table presents estimates at December 31, 2019 under Fair Value Pro Forma as if we had elected the fair value option since inception:

Change in Interest Rates	Projected percentage change in the fair value of our Fair Value Loans	Projected percentage change in the fair value of our Fair Value Notes	Projected change in net fair value recorded in earnings (\$ in thousands)
-100 Basis Points	0.7 %	1.5 %	\$ (8,661)
-50 Basis Points	0.4 %	0.8 %	(4,465)
-25 Basis Points	0.2 %	0.4 %	(2,390)
Basis Interest Rate	— %	— %	—
+25 Basis Points	(0.2)%	(0.3)%	1,719
+50 Basis Points	(0.4)%	(0.7)%	3,752
+100 Basis Points	(0.7)%	(1.4)%	7,776

The following table presents estimates at December 31, 2018 under Fair Value Pro Forma as if we had elected the fair value option since inception:

Change in Interest Rates	Projected percentage change in the fair value of our Fair Value Loans	Projected percentage change in the fair value of our Fair Value Notes	Projected change in net fair value recorded in earnings (\$ in thousands)
-100 Basis Points	0.7 %	2.2 %	\$ (16,540)
-50 Basis Points	0.3 %	1.1 %	(8,205)
-25 Basis Points	0.2 %	0.5 %	(4,091)
Basis Interest Rate	— %	— %	—
+25 Basis Points	(0.2)%	(0.5)%	4,030
+50 Basis Points	(0.3)%	(1.1)%	8,038
+100 Basis Points	(0.7)%	(2.1)%	15,952

Prepayment Sensitivity

Increases in prepayments will decrease the average life and thus decrease the fair value of the loans. Conversely, decreases in prepayments will increase the average life of the loans and thus increase the fair value of the loans.

The following table presents estimates at December 31, 2019 under Fair Value Pro Forma as if we had elected the fair value option since inception:

Remaining Cumulative Prepayments	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(0.2)%	\$ (3,268)
110% of expected	(0.1)%	(1,709)
100% of expected	— %	—
90% of expected	0.1 %	1,679
80% of expected	0.2 %	3,523

The following table presents estimates at December 31, 2018 under Fair Value Pro Forma as if we had elected the fair value option since inception:

Remaining Cumulative Prepayments	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(0.1)%	\$ (1,244)
110% of expected	— %	(648)
100% of expected	— %	—
90% of expected	0.1 %	703
80% of expected	0.1 %	1,461

Drivers of Fair Value for Fair Value Notes

The fair value of Fair Value Notes is set based upon marks provided by a third-party marking service, which either uses prices at which our Fair Value Notes or similar securities traded. Debt investors trade a bond based upon the interpolated swap curve rate that corresponds to the bond's average life plus a credit spread (the bond yield or discount rate).

For an analysis of the effects of changes in Interest Rates, Remaining Cumulative Charge-offs, and Remaining Cumulative Prepayments on GAAP financial information, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Non-GAAP Financial Measures

We believe that the provision of non-GAAP financial measures in this report, including Adjusted EBITDA, Adjusted Net Income, Adjusted Operating Efficiency and Adjusted Return on Equity, can provide useful measures for period-to-period comparisons of our core business and useful information to investors and others in understanding and evaluating our operating results. However, non-GAAP financial measures are not calculated in accordance with United States generally accepted accounting principles, or GAAP, and should not be considered as an alternative to any measures of financial performance calculated and presented in accordance with GAAP. There are limitations related to the use of these non-GAAP financial measures versus their most directly comparable GAAP measures, which include the following:

- Other companies, including companies in our industry, may calculate these measures differently, which may reduce their usefulness as a comparative measure.
- These measures do not consider the potentially dilutive impact of stock-based compensation.

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements.
- Although excess provision represents the portion of provision for loan losses not attributable to net principal charge-offs occurring in the current period, it is expected that net principal charge-offs in the amount of the excess provision will occur in future periods.
- Although the fair value mark-to-market adjustment is a non-cash adjustment, it does reflect our estimate of the price a third party would pay for our Fair Value Loans or our Fair Value Notes.
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us.

Fair Value Pro Forma

We have elected the fair value option to account for all Fair Value Loans held for investment and all Fair Value Notes issued on or after January 1, 2018. In order to facilitate comparisons to prior periods, we have provided below unaudited financial information for the years ended December 31, 2019 and 2018 on a pro forma basis, or the Fair Value Pro Forma, as if we had elected the fair value option since our inception for all loans originated and held for investment and all asset-backed notes issued.

Fair Value Pro Forma Consolidated Statements of Operations Data:

(in thousands)	Year Ended December 31, 2019			Year Ended December 31, 2018			Period-to-period Change in FVFP	
	As Reported	FV Adjustments	FV Pro Forma	As Reported	FV Adjustments	FV Pro Forma	\$	%
Revenue:								
Interest income	\$ 544,126	\$ (1,755)	\$ 542,371	\$ 448,777	\$ (12,619)	\$ 436,158	\$ 106,213	24%
Non-interest income	56,022	—	56,022	48,802	—	48,802	7,220	15%
Total revenue	600,148	(1,755)	598,393	497,579	(12,619)	484,960	113,433	23%
Less:								
Interest expense	60,546	(1,412)	59,134	46,919	(2,900)	44,019	15,115	34%
Provision (release) for loan losses	(4,483)	4,483	—	16,147	(16,147)	—	—	—%
Net increase (decrease) in fair value	(97,237)	(13,361)	(110,598)	22,899	(122,196)	(99,297)	(11,301)	11%
Net revenue	446,848	(18,187)	428,661	457,412	(115,768)	341,644	87,017	25%
Operating expenses:								
Technology and facilities	101,981	—	101,981	82,848	—	82,848	19,133	23%
Sales and marketing	97,153	—	97,153	77,617	—	77,617	19,536	25%
Personnel	90,647	—	90,647	63,291	—	63,291	27,356	43%
Outsourcing and professional fees	57,243	—	57,243	52,733	—	52,733	4,510	9%
General, administrative and other	15,392	—	15,392	10,828	—	10,828	4,564	42%
Total operating expenses	362,416	—	362,416	287,317	—	287,317	75,099	26%
Income before taxes	84,432	(18,187)	66,245	170,095	(115,768)	54,327	11,918	22%
Income tax expense	22,834	(5,018)	17,816	46,701	(31,808)	14,893	2,923	20%
Net income (loss)	\$ 61,598	\$ (13,169)	\$ 48,429	\$ 123,394	\$ (83,960)	\$ 39,434	\$ 8,995	23%

Fair Value Pro Forma Consolidated Balance Sheet Data:

(in thousands)	December 31, 2019			December 31, 2018			Period-to-period Change in FVFP	
	As Reported	FV Adjustments	FV Pro Forma	As Reported	FV Adjustments	FV Pro Forma	\$	%
Cash and cash equivalents	\$ 72,179	\$ —	\$ 72,179	\$ 70,475	\$ —	\$ 70,475	\$ 1,704	2%
Restricted cash	63,962	—	63,962	58,700	—	58,700	5,262	9%
Loans receivable (1)	1,920,559	5,011	1,925,570	1,523,250	21,182	1,544,432	381,138	25%
Other assets	145,174	(6,579)	138,595	87,514	(2,510)	85,004	53,591	63%
Total assets	2,201,874	(1,568)	2,200,306	1,739,939	18,672	1,758,611	441,695	25%
Total debt (2)	1,549,223	1,557	1,550,780	1,310,266	(311)	1,309,955	240,825	18%
Other liabilities	163,885	(1,621)	162,264	83,124	7,318	90,442	71,822	79%
Total liabilities	1,713,108	(64)	1,713,044	1,393,390	7,007	1,400,397	312,647	22%
Total stockholder's equity	488,766	(1,504)	487,262	346,549	11,665	358,214	129,048	36%
Total liabilities and stockholders' equity	\$ 2,201,874	\$ (1,568)	\$ 2,200,306	\$ 1,739,939	\$ 18,672	\$ 1,758,611	\$ 441,695	25%

(1) The information included in the As Reported figure includes loans receivable at fair value and loans receivable at amortized cost, net of unamortized deferred origination costs and fees and allowance for loan losses.

(2) The information included in the As Reported figure includes asset-backed notes at fair value and asset-backed notes at amortized cost, net of deferred financing costs. As Reported and FV Pro Forma figures include our secured financing facility measured under amortized cost accounting.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined as our net income (loss), adjusted for the impact of our election of the fair value option and further adjusted to eliminate the effect of certain items as described below. We believe that Adjusted EBITDA is an important measure because it allows management, investors and our Board to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period-to-period by making the adjustments described below. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of taxes, certain non-cash items, variable charges and timing differences.

- We believe it is useful to exclude the impact of income tax expense (benefit), as reported, because historically it has included irregular income tax items that do not reflect ongoing business operations.
- We believe it is useful to exclude the impact of depreciation and amortization and stock-based compensation expense because they are non-cash charges.
- We believe it is useful to exclude the impact of the litigation reserve because this item does not reflect ongoing business operations.
- We also reverse origination fees for Fair Value Loans, net. As a result of our election of the fair value option for our Fair Value Loans, we recognize the full amount of any origination fees as revenue at the time of loan disbursement in advance of our collection of origination fees through principal payments. As a result, we believe it is beneficial to exclude the uncollected portion of such origination fees, because such amounts do not represent cash that we received.
- We also reverse the fair value mark-to-market adjustment because it is a non-cash adjustment as shown in the table below.

Components of Fair Value Mark-to-Market Adjustment - Fair Value Pro Forma (in thousands)	Year Ended December 31,	
	2019	2018
Fair value mark-to-market adjustment on Fair Value Loans	\$ 39,460	\$ (5,926)
Fair value mark-to-market adjustment on asset-backed notes	(15,253)	1,013
Total fair value mark-to-market adjustment - Fair Value Pro Forma	\$ 24,207	\$ (4,913)

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for the years ended December 31, 2019 and 2018 as if the fair value option had been in place since inception for all loans held for investment and all asset-backed notes:

Adjusted EBITDA (in thousands)	Year Ended December 31,	
	2019	2018
Net income (1)	\$ 61,598	\$ 123,394
Adjustments:		
Fair Value Pro Forma net income adjustment	(13,169)	(83,960)
Income tax expense	17,816	14,893
Depreciation and amortization	14,101	11,823
Stock-based compensation expense (2)	19,183	6,772
Litigation reserve	905	—
Origination fees for Fair Value Loans, net	(1,908)	(3,576)
Fair value mark-to-market adjustment	(24,207)	4,913
Adjusted EBITDA	\$ 74,319	\$ 74,259

(1) The year ended December 31, 2019 Net income figure includes operating expenses of \$14.3 million (\$10.4 million net of tax) associated with the launch of new products and services (auto, credit card, and OportunPath).

(2) The increase in stock-based compensation expense for the year ended December 31, 2019 compared to 2018 was primarily due to the recognition of compensation cost in connection with the performance-based condition relating to certain awards being considered probable on the effective date of the IPO.

Adjusted Net Income

We define Adjusted Net Income as our net income (loss), adjusted for the impact of our election of the fair value option, and further adjusted to exclude income tax expense (benefit) and stock-based compensation expenses. We believe that Adjusted Net Income is an important measure of operating performance because it allows management, investors, and our Board to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period to period.

- We believe it is useful to exclude the impact of income tax expense (benefit), as reported, because historically it has included irregular tax items that do not reflect our ongoing business operations.
- We believe it is useful to exclude stock-based compensation expense, net of tax, because it is a non-cash charge.
- We believe it is useful to exclude the impact of the litigation reserve, net of tax, because this item does not reflect ongoing business operations.
- We include the impact of normalized income tax expense by applying the income tax rate noted in the table.

The following table presents a reconciliation of net income (loss) to Adjusted Net Income for the years ended December 31, 2019 and 2018 on as if the fair value option had been in place since inception for all loans held for investment and all asset-backed notes:

Adjusted Net Income (in thousands)	Year Ended December 31,	
	2019	2018
Net income (1)	\$ 61,598	\$ 123,394
Adjustments:		
Fair Value Pro Forma net income adjustment	(13,169)	(83,960)
Income tax expense	17,816	14,893
Stock-based compensation expense (2)	19,183	6,772
Litigation reserve	905	—
Adjusted income before taxes	86,333	61,099
Normalized income tax expense	23,548	16,750
Adjusted Net Income	\$ 62,785	\$ 44,349
Income tax rate (3)	27.0%	27.5%

(1) The year ended December 31, 2019 Net income figure includes operating expenses of \$14.3 million (\$10.4 million net of tax) associated with the launch of new products and services (auto, credit card and OportunPath).

(2) The increase in stock-based compensation expense for the year ended December 31, 2019 compared to 2018 was primarily due to the recognition of compensation cost in connection with the performance-based condition relating to certain awards being considered probable on the effective date of the IPO.

(3) Income tax rate is based on the effective tax rate.

Adjusted Earnings Per Share ("Adjusted EPS")

Adjusted Earnings Per Share is a non-GAAP financial measure that allows management, investors and our Board to evaluate the operating results, operating trends and profitability of the business in relation to diluted adjusted weighted-average shares outstanding post initial public offering. In addition, it provides a useful measure for period-to-period comparisons of our business, as it considers the effect of conversion of all convertible preferred shares as of the beginning of each annual period.

The following table presents a reconciliation of diluted EPS to Adjusted EPS for the years ended December 31, 2019 and 2018. For the reconciliation of net income (loss) to Adjusted Net Income, see the immediately preceding table "Adjusted Net Income."

(in thousands, except share and per share data)	Year Ended December 31,	
	2019	2018
Diluted earnings per share	\$ 0.40	\$ 4.47
Adjusted EPS		
Adjusted Net Income	\$ 62,785	\$ 44,349
Basic weighted-average common shares outstanding	9,347,103	2,585,405
Weighted-average common shares outstanding based on assumed convertible preferred conversion	14,005,753	19,370,949
Weighted average effect of dilutive securities:		
Stock options	1,300,758	1,114,816
Restricted stock units (1)	101,671	—
Warrants	12,320	14,882
Diluted adjusted weighted-average common shares outstanding	24,767,605	23,086,052
Adjusted Earnings Per Share	\$ 2.53	\$ 1.92

(1) The increase in restricted stock units included in the diluted adjusted weighted-average common shares outstanding for the year ended December 31, 2019 compared to 2018 was primarily due to the performance-based condition relating to certain awards being considered probable on the effective date of the IPO, the voluntary stock option exchange offer and the issuance of restricted stock units for annual awards.

Adjusted Return on Equity

We define Adjusted Return on Equity as annualized Adjusted Net Income divided by average Fair Value Pro Forma total stockholders' equity. Average Fair Value Pro Forma stockholders' equity is an average of the beginning and ending Fair Value Pro Forma stockholders' equity balance for each period. We believe Adjusted Return on Equity is an important measure because it allows management, investors and our Board to evaluate the profitability of the business in relation to equity and how well we generate income from the equity available.

The following table presents a reconciliation of Return on Equity to Adjusted Return on Equity for the years ended December 31, 2019 and 2018. For the reconciliation of net income (loss) to Adjusted Net Income, see the immediately preceding table "Adjusted Net Income."

(in thousands)	As of or for the Year Ended December 31,	
	2019	2018
Return on Equity	14.7%	43.8%
Adjusted Return on Equity		
Adjusted Net Income	\$ 62,785	\$ 44,349
Fair Value Pro Forma average stockholders' equity	\$ 422,738	\$ 335,275
Adjusted Return on Equity	14.9%	13.2%

Adjusted Operating Efficiency

We define Adjusted Operating Efficiency as Fair Value Pro Forma total operating expenses (excluding stock-based compensation expense and litigation reserve) divided by Fair Value Pro Forma Total Revenue. We believe Adjusted Operating Efficiency is an important measure because it allows management, investors and our Board to evaluate how efficient we are at managing costs relative to revenue.

The following table presents a reconciliation of Operating Efficiency to Adjusted Operating Efficiency for the years ended December 31, 2019 and 2018:

(in thousands)	As of or for the Year Ended December 30,	
	2019	2018
Operating Efficiency	60.4%	57.7%
Adjusted Operating Efficiency		
Total revenue	\$ 600,148	\$ 497,579
Fair Value Pro Forma total revenue adjustments	(1,755)	(12,619)
Fair Value Pro Forma Total Revenue	598,393	484,960
Total operating expense	362,416	287,317
Stock-based compensation expense (1)	(19,183)	(6,772)
Litigation Reserve	(905)	—
Total Fair Value Pro Forma adjusted operating expenses	\$ 342,328	\$ 280,545
Adjusted Operating Efficiency	57.2%	57.8%

(1) The increase in stock-based compensation expense for the year ended December 31, 2019 compared to 2018 was primarily due to the recognition of compensation cost in connection with the performance-based condition relating to certain awards being considered probable on the effective date of the IPO.

Liquidity and Capital Resources

Sources of liquidity

To date, we have funded our lending activities and operations primarily through private issuances of debt, placements of convertible preferred stock, cash from operating activities, and the sale of loans to a third-party financial institution. We anticipate issuing additional securitizations, entering into additional secured financings and continuing whole loan sales.

Current debt facilities

The following table summarizes our current debt facilities available for funding our lending activities and our operating expenditures as of December 31, 2019:

Debt Facility	Scheduled Amortization Period Commencement Date	Interest Rate		Principal (in thousands)
		LIBOR (minimum of 0.00%) +		
Secured Financing	10/1/2021	2.45%	\$ 62,000	
Asset-Backed Securitization-Series 2019-A Notes	8/1/2022	3.22%	250,000	
Asset-Backed Securitization-Series 2018-D Notes	12/1/2021	4.50%	175,002	
Asset-Backed Securitization-Series 2018-C Notes	10/1/2021	4.39%	275,000	
Asset-Backed Securitization-Series 2018-B Notes	7/1/2021	4.09%	213,159	
Asset-Backed Securitization-Series 2018-A Notes	3/1/2021	3.83%	200,004	
Asset-Backed Securitization-Series 2017-B Notes	10/1/2020	3.51%	200,000	
Asset-Backed Securitization-Series 2017-A Notes	6/1/2020	3.36%	160,001	
			<u>\$ 1,535,166</u>	

The outstanding amounts set forth in the table above are consolidated on our balance sheet whereas loans sold to a third-party financial institution are not on our balance sheet once sold. We currently act as servicer in exchange for a servicing fee with respect to the loans purchased by the third-party financial institution.

Lenders do not have direct recourse to Oportun Financial Corporation or Oportun, Inc.

Debt

Our ability to utilize our secured financing facility as described herein is subject to compliance with various requirements, including:

- *Eligibility Criteria.* In order for our loans to be eligible for purchase by Oportun Funding V, they must meet all applicable eligibility criteria;
- *Concentration Limits.* The collateral pool is subject to certain concentration limits that, if exceeded, would reduce our borrowing base availability by the amount of such excess; and
- *Covenants and Other Requirements.* The secured financing facility contains several financial covenants, portfolio performance covenants and other covenants or requirements that, if not complied with, may result in an event of default and/or an early amortization event causing the accelerated repayment of amounts owed.

As of December 31, 2019, we were in compliance with all financial covenants required per the debt facility.

For more information regarding our current asset-backed secured financing facility, see Notes 4 and 8 of the Notes to the Consolidated Financial Statements included elsewhere in this report.

Our ability to utilize our asset-backed securitization facilities as described herein is subject to compliance with various requirements including:

- *Eligibility Criteria.* In order for our loans to be eligible for purchase by our wholly owned special purpose subsidiaries they must meet all applicable eligibility criteria; and
- *Covenants and Other Requirements.* Our securitization facilities contain pool concentration limits, pool performance covenants and other covenants or requirements that, if not complied with, may result in an event of default, and/or an early amortization event causing the accelerated repayment of amounts owed.

As of December 31, 2019, we were in compliance with all covenants and requirements of all our asset-backed notes.

For more information regarding our asset-backed securitization facilities, see Note 4 and 8 of the Notes to the Consolidated Financial Statements included elsewhere in this report.

Whole loan sales

In November 2014, we initially entered into a whole loan sale agreement with an institutional investor that was amended most recently for a one-year term on September 12, 2019, providing, among other things, to extend the term through November 10, 2020. Pursuant to this agreement, we have committed to sell at least 10% of our loan originations, subject to certain eligibility criteria, with an option to sell an additional 5%. We currently sell 15% of our loan originations to the institutional investor. We retain all rights and obligations involving the servicing of the loans and earn servicing revenue of 5% of the daily average principal balance of loans sold each month.

In addition, under a pilot program, we entered into a separate whole loan sale arrangement with an institutional investor with a commitment to sell 100% of our loans originated under our Access Loan Program. We recognize servicing revenue of 5% of the daily average principal balance of sold loans for the month.

We will continue to evaluate additional loan sale opportunities in the future and have not made any determinations regarding the percentage of loans we may sell.

The loans are randomly selected and sold at a pre-determined purchase price above par and we recognize a gain on the loans. We sell loans twice per week. We have not repurchased any of the loans sold related to this agreement and do not anticipate repurchasing loans sold in the future. We therefore do not record a reserve related to our repurchase obligations from the whole loan sale agreement.

Cash, cash equivalents, restricted cash and cash flows

The following table summarizes our cash and cash equivalents, restricted cash and cash flows for the periods indicated:

(in thousands of dollars)	Year Ended December 31,	
	2019	2018
Cash, cash equivalents and restricted cash	\$ 136,141	\$ 129,175
Cash provided by (used in)		
Operating activities	218,374	138,374
Investing activities	(497,680)	(471,427)
Financing activities	\$ 286,272	\$ 368,073

Our cash is held for working capital purposes and originating loans. Our restricted cash represents collections held in our securitizations and is applied currently after month-end to pay interest expense and satisfy any amount due to whole loan buyer with any excess amounts returned to us.

Cash flows

Operating Activities

Our net cash provided by operating activities was \$218.4 million and \$138.4 million for the years ended December 31, 2019 and 2018, respectively. Cash flows from operating activities primarily include net income or losses adjusted for (i) non-cash items included in net income or loss, including depreciation and amortization expense, amortization of deferred financing and loan costs, amortization of debt discount, fair value adjustments, net, origination fees for loans at fair value, net, gain on loan sales, stock-based compensation expense, provision for loan losses and deferred tax assets, (ii) originations of loans sold and held for sale, and proceeds from sale of loans and (iii) changes in the balances of operating assets and liabilities, which can vary significantly in the normal course of business due to the amount and timing of various payments.

Investing Activities

Our net cash used in investing activities was \$497.7 million and \$471.4 million for the years ended December 31, 2019 and 2018, respectively. Our investing activities consist primarily of loan originations and loan repayments. We currently do not own any real estate. We invest in purchases of property and equipment and incur system development costs. Purchases of property and equipment, and capitalization of system development costs may vary from period to period due to the timing of the expansion of our operations, the addition of employee headcount and the development cycles of our system development.

Financing Activities

Our net cash provided by financing activities was \$286.3 million and \$368.1 million for the years ended December 31, 2019 and 2018, respectively. During those time periods, net cash provided by financing activities was primarily driven by borrowings on our secured financing facility and asset-backed notes, partially offset by repayments on those borrowings, and net proceeds from our initial public offering.

Operating and capital expenditure requirements

We believe that our existing cash balance, anticipated positive cash flows from operations and available borrowing capacity under our credit facilities will be sufficient to meet our anticipated cash operating expense and capital expenditure requirements through at least the next 12 months. If our available cash balances are insufficient to satisfy our liquidity requirements, we will seek additional equity or debt financing. The sale of equity may result in dilution to our stockholders and those securities may have rights senior to those of our common shares. If we raise additional funds through the issuance of additional debt, the agreements governing such debt could contain covenants that would restrict our operations and such debt would rank senior to shares of our common stock. We may require additional capital beyond our currently anticipated amounts and additional capital may not be available on reasonable terms, or at all.

Contractual Obligations

As a “Smaller Reporting Company” as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Off-Balance Sheet Arrangements

We do not engage in off-balance sheet financing arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, total revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Significant Judgments and Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2, *Summary of Significant Accounting Policies*, in our Notes to the Consolidated Financial Statements included elsewhere in this report, we believe fair value of loans held for investment as critical to the process of making significant judgments and estimates in the preparation of our consolidated financial statements.

Fair Value of Loans Held for Investment

We have elected the fair value option for our Fair Value Loans. We primarily use a discounted cash flow model to estimate fair value based on the present value of estimated future cash flows. This model uses inputs that are not observable but reflect our best estimates of the assumptions a market participant would use to calculate fair value. The following describes the primary inputs that require significant judgment:

- *Remaining Cumulative Charge-offs* - Remaining cumulative charge-offs are estimates of the principal payments that will not be repaid over the life of a loan held for investment. Remaining cumulative loss expectations are adjusted to reflect the expected principal recoveries on charged-off loans. Remaining cumulative loss expectations are primarily based on the historical performance of our loans but also incorporate adjustments based on our expectations of future credit performance and are quantified by the remaining cumulative charge-off rate.
- *Remaining Cumulative Prepayments* - Remaining cumulative prepayments are estimates of the principal payments that will be repaid earlier than contractually required over the life of a loan held for investment. Remaining cumulative prepayment rates are primarily based on the historical performance of our loans but also incorporate adjustments based on our expectations of future customer behavior and refinancings through our Good Customer Program.
- *Average Life* - Average life is the time weighted average of the estimated principal payments divided by the principal balance at the measurement date. The timing of estimated principal payments is impacted by scheduled amortization of loans, charge-offs, and prepayments.
- *Discount Rates* - The discount rates applied to the expected cash flows of loans held for investment reflect our estimates of the rates of return that investors would require when investing in financial instruments with similar risk and return characteristics. Discount rates are based on our estimate of the rate of return likely to be received on new loans. Discount rates for aged loans are adjusted to reflect the market relationship between interest rates and remaining time to maturity.

The Company developed an internal model to estimate the Fair Value Loans. To generate future expected cash flows, the model combines receivable characteristics with assumptions about borrower behavior based on the Company's historical loan performance. These cash flows are then discounted using a required rate of return that management estimates would be used by a market participant.

The Company tested the fair value model by comparing modeled cash flows to historical loan performance to ensure that the model was complete, accurate and reasonable for the Company's use. The Company also engaged a third party to create an independent fair value estimate for the Fair Value Loans, which provides a set of fair value marks using the Company's historical loan performance data and whole loan sale prices to develop independent forecasts of borrower behavior. Their model used these assumptions to generate loan level cash flows which were then aggregated and compared to the Company's within an acceptable range.

The Company's internal valuation and loan loss allowance committee provides governance and oversight over the fair value pricing and loan loss allowance calculations and related financial statement disclosures. Additionally, this committee provides a challenge of the assumptions used and outputs of the model, including the appropriateness of such measures and periodically reviews the methodology and process to determine the fair value pricing and loan loss allowance. Any significant changes to the process must be approved by the committee.

Recently Issued Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements included elsewhere in this report for a discussion of recent accounting pronouncements and future application of accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices, credit performance of loans and interest rates. We do not use derivative financial instruments for speculative, hedging or trading purposes, although in the future we may enter into interest rate or exchange rate hedging arrangements to manage the risks described below. Certain unobservable inputs may (in isolation) have either a directionally consistent or opposite impact on the fair value of the financial instrument for a given change in that input. When multiple inputs are used within the valuation techniques for loans, a change in one input in a certain direction may be offset by an opposite change from another input.

Credit Performance Sensitivity

In a strong economic climate, credit losses may decrease due to low unemployment and rising wages, which will increase the fair value of our Fair Value Loans, which increases Net Revenue. In a weak economic climate, credit losses may increase due to high unemployment and falling wages, which will decrease the fair value of our Fair Value Loans, which decreases Net Revenue. Changes in credit losses will also impact our Loans Receivable at Amortized Cost but given that these loans represent only 2% of our loans receivable as of December 31, 2019, are now significantly seasoned and are amortizing, the impact of changes to charge-offs on our Loans Receivable at Amortized Cost are not expected to be material.

The following table presents estimates at December 31, 2019. Actual results could differ materially from these estimates:

Remaining Cumulative Charge-Offs	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(1.6)%	\$ (29,324)
110% of expected	(0.8)%	\$ (14,899)
100% of expected	— %	\$ —
90% of expected	0.8 %	\$ 14,815
80% of expected	1.6 %	\$ 30,138

The following table presents estimates at December 31, 2018. Actual results could differ materially from these estimates:

Remaining Cumulative Charge-Offs	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(1.5)%	\$ (18,050)
110% of expected	(0.8)%	\$ (9,095)
100% of expected	— %	\$ —
90% of expected	0.8 %	\$ 9,237
80% of expected	1.6 %	\$ 18,620

Market Rate Sensitivity

The fair values of our Fair Value Loans are estimated using a discounted cash flow methodology, where the discount rate considers various inputs such as the price that we can sell loans to a third party in a non-public market, market conditions such as interest rates, and credit spreads. The discount rates may change due to expected loan performance. We recorded a fair value mark-to-market adjustment related to our Fair Value Loans and Fair Value Notes of \$19.7 million for the year ended December 31, 2019, a decrease of approximately \$26.2 million compared to the prior year.

Interest Rate Sensitivity

We charge fixed rates on our loans and the average life of our loan portfolio is approximately 0.8 years. The fair value of fixed rate loans will generally change when interest rates change, because interest rates will impact the discount rate the market uses to value our loans. As of December 31, 2019, we had \$1.5 billion of fixed-rate asset-backed notes outstanding with an average life of 1.3 years. Our borrowing cost does not vary with interest rates for our asset-backed notes, but the fair value will generally change when interest rates change, because interest rates will impact the discount rate the market uses to value our notes. As of December 31, 2019, we had \$62.0 million of outstanding borrowings under our secured financing. The interest rate of the secured financing is 1-month LIBOR plus a spread of 2.45% with a LIBOR floor of 0.00% and the maximum borrowing amount is \$400.0 million. Changes in interest rates in the future will likely affect our borrowing costs of our secured financing.

In a strong economic climate, interest rates may rise, which will decrease the fair value of our Fair Value Loans, which reduces Net Revenue. Rising interest rates will also decrease the fair value of our Fair Value Notes, which increases Net Revenue. Conversely, in a weak economic climate, interest rates may fall, which will increase the fair value of our Fair Value Loans, which increases Net Revenue. Decreasing interest rates will also increase the fair value of our Fair Value Notes, which reduces Net Revenue. Because the duration and fair value of our loans and asset-backed notes are different, the respective changes in fair value will not fully offset each other. Changes in interest rates will not impact the carrying value of our loans held for investment and originated prior to January 1, 2018, or the Loans Receivable at Amortized Cost, as these loans are reported at their amortized cost, which is the outstanding principal balance, net of unamortized deferred origination fees and costs and the allowance for loan losses, so there will be no impact to Net Revenue related to these loans.

The following table presents estimates at December 31, 2019. Actual results could differ materially from these estimates:

Change in Interest Rates	Projected percentage change in the fair value of our Fair Value Loans	Projected percentage change in the fair value of our Fair Value Notes	Projected change in net fair value recorded in earnings (\$ in thousands)
-100 Basis Points	0.7 %	1.8 %	\$ (6,257)
-50 Basis Points	0.4 %	0.9 %	\$ (3,103)
-25 Basis Points	0.2 %	0.4 %	\$ (1,545)
Basis Interest Rate	— %	— %	\$ —
+25 Basis Points	(0.2)%	(0.4)%	\$ 1,532
+50 Basis Points	(0.4)%	(0.9)%	\$ 3,052
+100 Basis Points	(0.7)%	(1.7)%	\$ 6,053

The following table presents estimates at December 31, 2018. Actual results could differ materially from these estimates:

Change in Interest Rates	Projected percentage change in the fair value of our Fair Value Loans	Projected percentage change in the fair value of our Fair Value Notes	Projected change in net fair value recorded in earnings (\$ in thousands)
-100 Basis Points	0.7 %	2.5 %	\$ (12,272)
-50 Basis Points	0.4 %	1.2 %	\$ (6,086)
-25 Basis Points	0.2 %	0.6 %	\$ (3,038)
Basis Interest Rate	— %	— %	\$ —
+25 Basis Points	(0.2)%	(0.6)%	\$ 2,970
+50 Basis Points	(0.4)%	(1.2)%	\$ 5,931
+100 Basis Points	(0.7)%	(2.4)%	\$ 11,768

Prepayment Sensitivity

In a strong economic climate, customers' incomes may increase which may lead them to prepay their loans more quickly. In a weak economic climate, customers incomes may decrease which may lead them to prepay their loans more slowly. Additionally, changes in the eligibility requirements for our Good Customer Program, which allows customers with existing loans to take out a new loan and use a portion of the proceeds to pay-off their existing loan, could impact prepayment rates. In the future, we may implement programs or products that may include a consolidation feature that would enable the customer to use the proceeds from one loan to pay off their personal loan, which could cause prepayment rates on personal loans to increase. Increased competition may also lead to increased prepayment, if our customers take out a loan from another lender to refinance our loan.

The following table presents estimates at December 31, 2019. Actual results could differ materially from these estimates:

Remaining Cumulative Prepayments	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(0.2)%	\$ (3,340)
110% of expected	(0.1)%	\$ (1,809)
100% of expected	— %	\$ —
90% of expected	0.1 %	\$ 1,520
80% of expected	0.2 %	\$ 3,331

The following table presents estimates at December 31, 2018. Actual results could differ materially from these estimates:

Remaining Cumulative Prepayments	Projected percentage change in the fair value of our Fair Value Loans	Projected change in net fair value recorded in earnings (\$ in thousands)
120% of expected	(0.1)%	\$ (1,239)
110% of expected	(0.1)%	\$ (646)
100% of expected	— %	\$ —
90% of expected	0.1 %	\$ 700
80% of expected	0.1 %	\$ 1,456

Foreign Currency Exchange Risk

All of our revenue and substantially all of our operating expenses are denominated in U.S. dollars. Our non-U.S. dollar operating expenses in Mexico made up 6.3% of total operating expenses in 2019. All of our interest income is denominated in U.S. dollars and is therefore not subject to foreign currency exchange risk.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the stockholders and the Board of Directors of Oportun Financial Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Oportun Financial Corporation and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Deloitte & Touche LLP

San Francisco, CA

February 28, 2020

We have served as the Company's auditor since 2010.

OPORTUN FINANCIAL CORPORATION
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31,	
	2019	2018
Assets		
Cash and cash equivalents	\$ 72,179	\$ 70,475
Restricted cash	63,962	58,700
Loans receivable at fair value	1,882,088	1,227,469
Loans receivable at amortized cost	42,546	323,814
Less:		
Unamortized deferred origination costs and fees, net	(103)	(1,707)
Allowance for loan losses	(3,972)	(26,326)
Loans receivable at amortized cost, net	38,471	295,781
Loans held for sale	715	—
Interest and fees receivable, net	17,185	13,177
Right of use assets - operating	50,503	—
Deferred tax assets	1,563	1,039
Other assets	75,208	73,298
Total assets	\$ 2,201,874	\$ 1,739,939
Liabilities and stockholders' equity		
Liabilities		
Secured financing	\$ 60,910	\$ 85,289
Asset-backed notes at fair value	1,129,202	867,278
Asset-backed notes at amortized cost	359,111	357,699
Amount due to whole loan buyer	33,354	27,941
Lease liabilities	53,357	—
Deferred tax liabilities	24,868	13,925
Other liabilities	52,306	41,258
Total liabilities	1,713,108	1,393,390
Stockholders' equity		
Convertible preferred stock, \$0.0001 par value - 0 and 16,550,904 shares authorized at December 31, 2019 and December 31, 2018; 0 and 14,043,977 shares issued and outstanding (liquidation preference of \$0 and \$261,343) at December 31, 2019 and December 31, 2018, respectively	—	16
Convertible preferred stock, additional paid-in capital	—	257,887
Preferred stock, \$0.0001 par value - 100,000,000 and 0 shares authorized at December 31, 2019 and December 31, 2018; 0 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	—	—
Preferred stock, additional paid-in capital	—	—
Common stock, \$0.0001 par value - 1,000,000,000 and 28,181,818 shares authorized at December 31, 2019 and December 31, 2018; 27,262,639 shares issued and 27,003,157 shares outstanding at December 31, 2019; 3,194,731 shares issued and 2,935,249 shares outstanding at December 31, 2018	6	3
Common stock, additional paid-in capital	418,299	44,411
Convertible preferred and common stock warrants	63	130
Accumulated other comprehensive loss	(162)	(132)
Retained earnings	76,679	52,662
Treasury stock at cost, 259,482 shares at December 31, 2019 and December 31, 2018, respectively	(6,119)	(8,428)
Total stockholders' equity	488,766	346,549
Total liabilities and stockholders' equity	\$ 2,201,874	\$ 1,739,939

See Notes to the Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except share and per share data)

	Year Ended December 31,		
	2019	2018	2017
Revenue			
Interest income	\$ 544,126	\$ 448,777	\$ 327,935
Non-interest income	56,022	48,802	33,019
Total revenue	<u>600,148</u>	<u>497,579</u>	<u>360,954</u>
Less:			
Interest expense	60,546	46,919	36,399
Provision (release) for loan losses	(4,483)	16,147	98,315
Net increase (decrease) in fair value	(97,237)	22,899	—
Net revenue	<u>446,848</u>	<u>457,412</u>	<u>226,240</u>
Operating expenses:			
Technology and facilities	101,981	82,848	70,896
Sales and marketing	97,153	77,617	58,060
Personnel	90,647	63,291	47,186
Outsourcing and professional fees	57,243	52,733	31,171
General, administrative and other	15,392	10,828	16,858
Total operating expenses	<u>362,416</u>	<u>287,317</u>	<u>224,171</u>
Income before taxes	84,432	170,095	2,069
Income tax expense	22,834	46,701	12,275
Net income (loss)	<u>\$ 61,598</u>	<u>\$ 123,394</u>	<u>\$ (10,206)</u>
Change in post-termination benefit obligation	(30)	10	(119)
Total comprehensive income (loss)	<u>\$ 61,568</u>	<u>\$ 123,404</u>	<u>\$ (10,325)</u>
Net income (loss) attributable to common stockholders	\$ 4,262	\$ 16,597	\$ (10,206)
Share data:			
Earnings (loss) per share:			
Basic	\$ 0.46	\$ 6.42	\$ (4.22)
Diluted	\$ 0.40	\$ 4.47	\$ (4.22)
Weighted average common shares outstanding:			
Basic	9,347,103	2,585,405	2,419,810
Diluted	10,761,852	3,715,103	2,419,810

See Notes to the Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION
Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except share data)

For the Years Ended December 31, 2019, 2018 and 2017

	Convertible Preferred Stock			Convertible Preferred and Common Stock Warrants		Common Stock			Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock	Total Stockholders' Equity
	Shares	Par Value	Additional Paid-in Capital	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital				
	Balance – January 1, 2019	14,043,977	\$ 16	\$ 257,887	24,959	\$ 130	2,935,249	\$ 3				
Issuance of common stock upon exercise of stock options	—	—	—	—	—	105,909	—	791	—	—	—	791
Repurchase of stock options	—	—	—	—	—	—	—	(86)	—	—	—	(86)
Issuance of common stock upon initial public offering, net of offering costs	—	—	—	—	—	4,873,356	—	60,479	—	—	—	60,479
Stock-based compensation expense	—	—	—	—	—	—	—	19,183	—	—	—	19,183
Conversion of convertible preferred stock to common stock in connection with initial public offering	(14,043,977)	(16)	(257,887)	7,643	—	19,075,167	3	295,356	—	(37,456)	—	—
Issuance of convertible preferred stock and conversion to common stock upon exercise of warrants, net	—	—	—	(9,090)	(67)	3,969	—	67	—	—	—	—
Vesting of restricted stock units, net	—	—	—	—	—	9,507	—	(92)	—	—	—	(92)
Cumulative effect of adoption of ASC 842	—	—	—	—	—	—	—	—	—	(125)	—	(125)
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	(30)	—	—	(30)
Secured non-recourse affiliate note	—	—	—	—	—	—	—	(1,810)	—	—	2,309	499
Net income	—	—	—	—	—	—	—	—	—	61,598	—	61,598
Balance – December 31, 2019	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>23,512</u>	<u>\$ 63</u>	<u>27,003,157</u>	<u>\$ 6</u>	<u>\$ 418,299</u>	<u>\$ (162)</u>	<u>\$ 76,679</u>	<u>\$ (6,119)</u>	<u>\$ 488,766</u>
Balance – January 1, 2018	14,460,517	\$ 16	\$ 267,974	24,959	\$ 130	2,328,278	\$ 3	\$ 24,700	\$ (142)	\$ (70,732)	\$ (5,222)	\$ 216,727
Issuance of common stock upon exercise of stock options	—	—	—	—	—	192,979	—	1,030	—	—	—	1,030
Repurchase of common stock	—	—	—	—	—	(30,287)	—	—	—	—	(896)	(896)
Secured non-recourse affiliate note	—	—	—	—	—	—	—	1,822	—	—	(2,310)	(488)
Stock-based compensation expense	—	—	—	—	—	—	—	6,772	—	—	—	6,772
Issuance of common stock upon conversion of convertible preferred stock	(416,540)	—	(10,087)	—	—	444,279	—	10,087	—	—	—	—
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	10	—	—	10
Net income	—	—	—	—	—	—	—	—	—	123,394	—	123,394
Balance – December 31, 2018	<u>14,043,977</u>	<u>\$ 16</u>	<u>\$ 257,887</u>	<u>24,959</u>	<u>\$ 130</u>	<u>2,935,249</u>	<u>\$ 3</u>	<u>\$ 44,411</u>	<u>\$ (132)</u>	<u>\$ 52,662</u>	<u>\$ (8,428)</u>	<u>\$ 346,549</u>
Balance – January 1, 2017	14,373,976	\$ 16	\$ 265,073	111,500	\$ 1,031	2,420,094	\$ 3	\$ 19,299	\$ (23)	\$ (61,587)	\$ (248)	\$ 223,564
Issuance of common stock upon exercise of stock options	—	—	—	—	—	162,837	—	705	—	—	—	705
Repurchase of common stock	—	—	—	—	—	(164,850)	—	—	—	—	(3,898)	(3,898)
Payment of employee tax obligation paid with equivalent shares	—	—	—	—	—	(37,795)	—	(769)	—	—	—	(769)
Stock-based compensation expense	—	—	—	—	—	—	—	5,705	—	—	—	5,705
Repurchase of stock options	—	—	—	—	—	—	—	(1,447)	—	—	—	(1,447)
Issuance of convertible preferred and common stock on exercise of warrants	86,541	—	2,901	(86,541)	(901)	—	—	—	—	—	—	2,000
Cumulative adjustment due to new accounting standards update (ASU 2016-09)	—	—	—	—	—	—	—	—	—	1,061	—	1,061
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	(119)	—	—	(119)
Settlement of secured non-recourse affiliate note	—	—	—	—	—	(52,008)	—	1,207	—	—	(1,076)	131
Net loss	—	—	—	—	—	—	—	—	—	(10,206)	—	(10,206)
Balance – December 31, 2017	<u>14,460,517</u>	<u>\$ 16</u>	<u>\$ 267,974</u>	<u>24,959</u>	<u>\$ 130</u>	<u>2,328,278</u>	<u>\$ 3</u>	<u>\$ 24,700</u>	<u>\$ (142)</u>	<u>\$ (70,732)</u>	<u>\$ (5,222)</u>	<u>\$ 216,727</u>

See Notes to the Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Consolidated Statements of Cash Flow

(in thousands)

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities			
Net income (loss)	\$ 61,598	\$ 123,394	\$ (10,206)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	14,101	11,823	10,589
Net decrease (increase) in fair value	97,237	(22,899)	—
Origination fees for loans receivable at fair value, net	(3,777)	(17,506)	—
Gain on loan sales	(36,537)	(33,468)	(22,254)
Stock-based compensation expense	19,183	6,772	5,705
Provision (release) for loan losses	(4,483)	16,147	98,315
Deferred tax provision	10,419	42,023	8,291
Other, net	9,728	6,101	9,559
Originations of loans sold and held for sale	(355,617)	(292,386)	(220,529)
Proceeds from sale of loans	391,438	328,253	241,277
Changes in operating assets and liabilities:			
Interest and fee receivable, net	(7,128)	(6,889)	(3,453)
Other assets	(47,628)	(28,205)	(6,036)
Amount due to whole loan buyer	5,413	5,898	8,560
Other liabilities	64,427	(684)	19,300
Net cash provided by operating activities	218,374	138,374	139,118
Cash flows from investing activities			
Originations of loans	(1,487,103)	(1,322,102)	(1,062,692)
Repayments of loan principal	1,015,646	868,619	731,325
Purchase of fixed assets	(8,875)	(14,559)	(8,548)
Capitalization of system development costs	(17,348)	(3,385)	(3,473)
Net cash used in investing activities	(497,680)	(471,427)	(343,388)
Cash flows from financing activities			
Borrowings under secured financing	144,000	481,000	441,240
Proceeds from initial public offering, net of offering costs	60,479	—	—
Borrowings under asset-backed notes	249,951	863,165	360,001
Payments of secured financing	(169,000)	(549,780)	(323,460)
Repayment of asset-backed notes	—	(424,837)	(237,544)
Repayments of capital lease obligations	(270)	(259)	(397)
Payments of deferred financing costs	—	(862)	(5,874)
Net payments related to stock-based activities	1,112	(354)	(3,278)
Net cash provided by financing activities	286,272	368,073	230,688
Net increase in cash and cash equivalents and restricted cash	6,966	35,020	26,418
Cash and cash equivalents and restricted cash, beginning of period	129,175	94,155	67,737
Cash and cash equivalents and restricted cash, end of period	\$ 136,141	\$ 129,175	\$ 94,155
Supplemental disclosure of cash flow information			
Cash and cash equivalents	\$ 72,179	\$ 70,475	\$ 48,349
Restricted cash	63,962	58,700	45,806
Total cash and cash equivalents and restricted cash	\$ 136,141	\$ 129,175	\$ 94,155
Cash paid for income taxes, net of refunds	\$ 2,933	\$ 20,440	\$ 4,402
Cash paid for interest	\$ 58,038	\$ 42,428	\$ 31,064
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 12,759	\$ —	\$ —
Supplemental disclosures of non-cash investing and financing activities			
Right of use assets obtained in exchange for operating lease obligations	\$ 59,564	\$ —	\$ —
Additional common stock issued to Series G shareholders upon initial public offering	\$ 37,456	\$ —	\$ —
Secured non-recourse affiliate note settled with common stock	\$ —	\$ —	\$ 1,076
Non-cash investment in capitalized assets	\$ 687	\$ 544	\$ 543

See Notes to the Consolidated Financial Statements.

1. Organization and Description of Business

Oportun Financial Corporation (together with its subsidiaries, "Oportun" or the "Company") is a technology-powered and mission-driven provider of inclusive, affordable financial services to customers who do not have a credit score, known as credit invisibles, or who may have a limited credit history and are "mis-scored," meaning that the Company believes that traditional credit scores do not properly reflect such customers' credit worthiness. The Company's primary product offerings are small dollar, unsecured installment loans and other products and services that are affordably priced and that help customers establish a credit history. The Company has developed a proprietary lending platform that enables the Company to underwrite the risk of low-to-moderate income customers that are credit invisible or mis-scored, leveraging data collected through the application process and data obtained from third-party data providers, and a technology platform for application processing, loan accounting and servicing. The Company is headquartered in San Carlos, California. The Company has been certified by the United States Department of the Treasury as a Community Development Financial Institution ("CDFI") since 2009.

The Company uses securitization transactions, warehouse facilities and other forms of debt financing, as well as whole loan sales, to finance the principal amount of most of the loans it makes to its customers.

Segments

Segments are defined as components of an enterprise for which discrete financial information is available and evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer and the Company's Chief Financial Officer are collectively considered to be the CODM. The CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. As such, the Company's operations constitute a single reportable segment.

Initial Public Offering

On September 30, 2019, the Company completed its initial public offering ("IPO"), in which it issued and sold 4,873,356 shares of common stock and selling stockholders sold 2,314,144 shares of common stock, including the underwriters' over-allotment, at a price of \$15.00 per share with net proceeds of approximately \$60.5 million, after deducting underwriting discounts and commissions of \$5.1 million and offering expenses paid by us of approximately \$7.5 million. In connection with the IPO, all 14,043,977 shares of the Company's outstanding redeemable convertible preferred stock automatically converted into 19,075,167 shares of common stock. Additionally, on September 26, 2019, 3,969 shares of common stock were issued in connection with the cashless exercise of 9,090 Series F-1 convertible preferred stock warrants.

On September 9, 2019, the Company effected a one-for-eleven reverse stock split of its issued and outstanding shares of common stock and convertible preferred stock. The par value of the common and convertible preferred stock was not adjusted as a result of the reverse stock split. Accordingly, all share and per share amounts for all periods presented in the accompanying consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this reverse stock split.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. All share and per share amounts for all periods presented in the accompanying consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the Company's one-for-eleven reverse stock split. See "Initial Public Offering" above for additional information.

Use of Estimates - The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements; therefore, actual results could differ from those estimates and assumptions.

Consolidation and Variable Interest Entities - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company's policy is to consolidate the financial statements of entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a voting interest entity or variable interest entity ("VIE") and if the accounting guidance requires consolidation.

VIEs are entities that, by design, either (i) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (ii) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. The Company determines whether it has a controlling financial interest in a VIE by considering whether its involvement with the VIE is significant and whether it is the primary beneficiary of the VIE based on the following:

- The Company has the power to direct the activities of the VIE that most significantly impact the entity's economic performance;
- The aggregate indirect and direct variable interests held by us have the obligation to absorb losses or the right to receive benefits from the entity that could be significant to the VIE; an
- Qualitative and quantitative factors regarding the nature, size, and form of the Company's involvement with the VIE.

Foreign Currency Re-measurement - The functional currency of the Company's foreign subsidiaries is the U.S. dollar. Monetary assets and liabilities of these subsidiaries are re-measured into U.S. dollars from the local currency at rates in effect at period-end and nonmonetary assets and liabilities are re-measured at historical rates. Revenue and expenses are re-measured at average exchange rates in effect during each period. Foreign currency gains and losses from re-measurement and transaction gains and losses are recorded as other expense in the Consolidated Statements of Operations and Comprehensive Income.

Concentration of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and loans receivable.

As of December 31, 2019, 59%, 25%, 5%, and 5% of the owned principal balance related to customers from California, Texas, Illinois and Florida, respectively. Owned principal balance related to customers from each of the remaining states of operation continues to be at or below 2%. As of December 31, 2018, 65%, 24%, 5%, 2%, 2%, 2% of the owned principal balance related to customers from California, Texas, Illinois, Nevada, Arizona and Florida, respectively, and the owned principal balance related to customers from Idaho, Missouri, New Jersey, New Mexico, Utah and Wisconsin were not material.

Cash and Cash Equivalents - Cash and cash equivalents consist of unrestricted cash balances and short-term, liquid investments with an original maturity date of three months or less at the time of purchase.

Restricted Cash - Restricted cash represents cash held at a financial institution as part of the collateral for the Company's secured financing, asset-backed notes and loans designated for sale.

Loans Receivable at Fair Value - The Company elected the fair value option to account for new loan originations held for investment on or after January 1, 2018. Under the fair value option, direct loan origination fees are taken into income immediately and direct loan origination costs are expensed in the period the loan originates. Loans are charged off at the earlier of when loans are determined to be uncollectible or when loans are 120 days contractually past due and recoveries are recorded when cash is received. The Company estimates the fair value of the loans using a discounted cash flow model, which considers various unobservable inputs such as remaining cumulative charge-offs, remaining cumulative prepayments, average life and discount rate. The Company re-evaluates the fair value of loans receivable at the close of each measurement period. Changes in fair value are recorded in "Net increase (decrease) in fair value" in the Consolidated Statements of Operations and Comprehensive Income in the period of the fair value changes.

Loans Receivable at Amortized Cost - Loans originated prior to January 1, 2018 are carried at amortized cost, which is the outstanding unpaid principal balance, net of deferred loan origination fees and costs and the allowance for loan losses.

The Company estimates direct loan origination costs associated with completed and successfully originated loans. The direct loan origination costs include employee compensation and independent third-party costs incurred to originate loans. Direct loan origination costs are offset against any loan origination fees and deferred and amortized over the life of the loan using effective interest rate method for loans originated before January 1, 2018.

Fair Value Measurements - The Company follows applicable guidance that establishes a fair value measurement framework, provides a single definition of fair value and requires expanded disclosure summarizing fair value measurements. Such guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability.

Fair value guidance establishes a three-level hierarchy for inputs used in measuring the fair value of a financial asset or financial liability.

- Level 1 financial instruments are valued based on unadjusted quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.
- Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.
- Level 3 financial instruments are valued using pricing inputs that are unobservable and reflect the Company's own assumptions that market participants would use in pricing the asset or liability.

Loans Held for Sale - Loans held for sale are recorded at the lower of cost or fair value until the loans are sold. Loans held for sale are sold within four days of origination. Cost of loans held for sale is inclusive of unpaid principal plus net deferred origination costs.

Troubled Debt Restructuring ("TDR") - In certain limited circumstances, the Company grants concessions to customers for economic or legal reasons related to a customer's financial difficulties that would otherwise not have been considered. Financial difficulty is typically evidenced by a customer's delinquency status and not having access to funds to pay the debt, participation in a credit counseling arrangement or bankruptcy proceedings,

among others. The Company restructures a loan as a TDR only if the customer can demonstrate willingness to pay under the terms of a TDR for the foreseeable future. When a loan is restructured as a TDR, the Company may grant one or a combination of the following concessions:

- Reduction of interest rate;
- Extension of term, typically longer than the remaining term of the original loan; or
- Forgiveness of a portion or all of the unpaid interest and late fees.

When a loan is restructured as a TDR, the customer signs a new loan document; however, the restructured loan is considered part of the Company's ongoing effort to recover its investment in the original loan.

A loan that has been classified as a TDR remains so until the loan is paid off or charged off.

For loans recorded at amortized cost, when a loan is restructured as a TDR, the unamortized portion of deferred origination fees, net of origination costs, is amortized based on the term of the TDR, which is typically longer than the remaining term of the un-restructured loan. When a TDR is charged off, the unamortized portion of deferred origination fees, net of origination costs, is also written off.

For loans recorded at fair value, when a loan is restructured as a TDR, any new loan origination fees and costs, if any, are recognized in "Interest income" and "Operating expenses", respectively, in the Consolidated Statements of Operations and Comprehensive Income, when the TDR documents are signed, and any changes in fair value of the original loan are recorded in "Net increase (decrease) in fair value" in the Consolidated Statements of Operations and Comprehensive Income in the period of the fair value changes.

Allowance for Loan Losses - The Company's allowance for loan losses is an estimate of losses inherent in the Loans Receivable at Amortized Cost at the balance sheet date. Loans are charged off against the allowance at the earlier of when loans are determined to be uncollectible or when loans are 120 days contractually past due. Loan recoveries are recorded when cash is received.

The Company sets the allowance for loan losses on a total portfolio basis by analyzing historical charge-off rates for the loan portfolio, and certain credit quality indicators. The evaluation of the allowance for loan losses is inherently subjective, requiring significant management judgment about future events. In evaluating the sufficiency of the allowance for loan losses, management considers factors that affect loan loss experience, including current economic conditions, recent trends in delinquencies and loan seasoning, and the probability of recession forecasts that correlate to the improvement or deterioration of loan performance. Accordingly, the Company's actual net charge-offs could differ materially from the Company's estimate. The provision for loan loss reflects the activity for the applicable period and provides an allowance at a level that management believes is adequate to cover probable losses in the loan portfolio as of December 31, 2019 and 2018.

For Loans Receivable at Amortized Cost, TDRs are evaluated for loan losses separately during the period prior to the first two payments having been made. Afterwards, TDRs are evaluated for loan losses collectively with the total loan portfolio based on delinquency status.

Fixed Assets - Fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which is generally three years for computer and office equipment and furniture and fixtures, and three to five years for purchased software, vehicles and leasehold improvements. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss, if any, is included in the Consolidated Statements of Operations and Comprehensive Income. Maintenance and repairs are charged to the Consolidated Statements of Operations and Comprehensive Income as incurred.

The Company does not own any buildings or real estate. The Company enters into term leases for its headquarters, call center and store locations. Leasehold improvements are capitalized and depreciated over the lesser of their physical life or lease term of the building.

Systems Development Costs - The Company capitalizes software developed or acquired for internal use in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC No. 350-40, *Internal-Use Software*. The Company has internally developed its proprietary Web-based technology platform, which consists of application processing, credit scoring, loan accounting, servicing and collections, debit card processing, and data and analytics.

The Company capitalizes its costs to develop software when preliminary development efforts are successfully completed; management has authorized and committed project funding; and it is probable the project will be completed and the software will be used as intended. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred. When the software developed for internal use has reached its technological feasibility, such costs are amortized on a straight-line basis over the estimated useful life of the assets, which is generally three years. Costs incurred for upgrades and enhancements that are expected to result in additional functionality are capitalized and amortized over the estimated useful life of the upgrades.

Impairment - We review long-lived assets, including fixed assets, right of use assets and system development costs, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. We determined that there were no events or changes in circumstances that indicated our long-lived assets were impaired for the years ended December 31, 2019, 2018 and 2017.

Revenue Recognition - The Company's primary sources of revenue consist of interest and non-interest income.

Interest Income

Interest income includes interest on loans and fees on loans. Generally, the Company's loans require semi-monthly or biweekly customer payments of interest and principal. Fees on loans include billed late fees offset by charged-off fees and provision for uncollectible fees. The Company charges customers a late fee if a scheduled installment payment becomes delinquent. Depending on the loan, late fees are assessed when the loan is eight to 16 days delinquent. Late fees are recognized when they are billed. When a loan is charged off, uncollected late fees are also written off. For Loans Receivable at Fair Value, interest income includes (i) billed interest and late fees, plus (ii) origination fees recognized at loan disbursement, less (iii) charged-off interest and late fees, less (iv) provision for uncollectible interest and late fees. Additionally, direct loan origination expenses are recognized in operating expenses as incurred. In comparison, for Loans Receivable at Amortized Cost, interest income includes: (a) billed interest and late fees, less (b) charged-off interest and late fees, less (c) provision for uncollectible interest and late fees, plus (d) amortized origination fees recognized over the life of the loan, less (e) amortized cost of direct loan origination expenses recognized over the life of the loan.

Interest income is recognized based upon the amount the Company expects to collect from its customers. When a loan becomes delinquent for a period of 90 days or more, interest income continues to be recorded until the loan is charged off. Delinquent loans are charged off at month-end during the month it becomes 120 days' delinquent. For both loans receivable at amortized cost and loans receivable at fair value, the Company mitigates the risk of income recorded for loans that are delinquent for 90 days or more by establishing a 100% provision and the provision for uncollectible interest and late fees is offset against interest income. Previously accrued and unpaid interest is also charged off in the month the Company receives a notification of bankruptcy, a judgment or mediated agreement by the court, or loss of life, unless there is evidence that the principal and interest are collectible.

For Loans Receivable at Fair Value, loan origination fees and costs are recognized when incurred.

Non-Interest Income

Non-interest income includes gain on loan sales, servicing fees, debit card income, sublease income and other income.

Gain on Loan Sales - The Company recognizes a gain on sale from the difference between the proceeds received from the purchaser and the carrying value of the loans on the Company's books. Loans are sold within four days of origination; therefore, the Company does not record any provision for loan losses on loans designated for sale. The Company sells a certain percentage of new loans twice weekly.

The Company accounts for loan sales in accordance with ASC No. 860, *Transfers and Servicing*. In accordance with this guidance, a transfer of a financial asset, a group of financial assets, or a participating interest in a financial asset is accounted for as a sale if all of the following conditions are met:

- The financial assets are isolated from the transferor and its consolidated affiliates as well as its creditors.
- The transferee or beneficial interest holders have the right to pledge or exchange the transferred financial assets.
- The transferor does not maintain effective control of the transferred assets.

For the years ended December 31, 2019, 2018 and 2017 all sales met the requirements for sale treatment. The Company records the gain on the sale of a loan at the sale date in an amount equal to the proceeds received less outstanding principal, accrued interest, late fees and net deferred origination costs.

Servicing Fees - The Company retains servicing rights on sold loans. Servicing fees comprise the 5.0% per annum servicing fee based upon the average daily principal balance of loans sold that the Company earns for servicing loans sold to a third-party financial institution. The servicing fee compensates the Company for the costs incurred in servicing the loans, including providing customer services, receiving customer payments and performing appropriate collection activities. Management believes the fee approximates a market rate and accordingly has not recognized a servicing asset or liability.

Debit card income is the revenue from interchange fees when customers use our reloadable debit card for purchases as well as the associated card user fees. **Sublease income** is the rental income from subleasing a portion of our headquarters. **Other income** includes marketing incentives paid directly to us by the merchant clearing company based on transaction volumes, interest earned on cash and cash equivalents and restricted cash, and gain (loss) on asset sales.

Interest expense - Interest expense consists of interest expense associated with the Company's asset-backed notes and secured financing, and it includes origination costs as well as fees for the unused portion of the secured financing facility. Asset-backed notes at amortized cost are borrowings that originated prior to January 1, 2018, and origination costs are amortized over the life of the borrowing using the effective interest rate method. As of January 1, 2018, the Company elected the fair value option for all new borrowings under asset-backed notes issued on or after that date. Accordingly, all origination costs for such asset-backed notes at fair value are expensed as incurred.

Income Taxes - The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that is more likely than not to be realized.

Under the provisions of ASC No. 740-10, *Income Taxes*, the Company evaluates uncertain tax positions by reviewing against applicable tax law all positions taken by the Company with respect to tax years for which the statute of limitations is still open. ASC No. 740-10 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Company recognizes interest and penalties related to the liability for unrecognized tax benefits, if any, as a component of the income tax expense line in the accompanying Consolidated Statements of Operations and Comprehensive Income.

The Tax Cuts and Jobs Act was enacted December 22, 2017 and provides for a modified territorial tax system; beginning in 2018, GILTI provisions will be applied providing an incremental tax on low taxed foreign income. The GILTI provisions require the Company to include in the U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. During 2018, the Company made an accounting policy election to treat taxes related to GILTI as a current period expense.

Stock-Based Compensation - The Company applies the provisions of ASC No. 718-10, *Stock Compensation*. ASC 718-10 establishes accounting for stock-based employee awards based on the fair value of the award which is measured at grant date. Accordingly, stock-based compensation cost is recognized in operating expenses in the Consolidated Statements of Operations and Comprehensive Income over the requisite service period. The fair value of stock options granted or modified is estimated using the Black-Scholes option pricing model.

The Company granted restricted stock units ("RSUs") to employees that vest upon the satisfaction of time-based criterion of up to four years and some include a performance criterion, a liquidity event in connection with an initial public offering or a change in control. These RSUs are not considered vested until both criteria have been met, if applicable, and provided that the participant is in continuous service on the vesting date. Compensation cost for awards with performance criteria, measured on the grant date, will be recognized when both the service and performance conditions are probable of being achieved. For grants and awards with just a service condition, the Company recognizes stock-based compensation expenses using the straight-line basis over the requisite service period net of forfeitures. For grants and awards with both service and performance conditions, the Company recognizes expenses using the accelerated attribution method.

Treasury Stock - From time to time, the Company repurchases shares of its common stock in a tender offer. Treasury stock is reported at cost, and no gain or loss is recorded on stock repurchase transactions. Repurchased shares are held as treasury stock until they are retired or re-issued. The Company did not retire or re-issue any treasury stock for the years ended December 31, 2019 and 2018.

Basic and Diluted Earnings per Share - Basic earnings per share is computed by dividing net income per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. The Company computes earnings per share using the two-class method required for participating securities. The Company considers all series of convertible preferred stock to be participating securities due to their noncumulative dividend rights. As such, net income allocated to these participating securities which includes participation rights in undistributed earnings, are subtracted from net income to determine total undistributed net income to be allocated to common stockholders. All participating securities are excluded from basic weighted-average common shares outstanding.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. It is computed by dividing net income attributable to common stockholders by the weighted-average common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method or the two-class method, whichever is more dilutive.

Recently Adopted Accounting Standards

Leases - In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which requires lessees to recognize a right-of-use asset and a liability for the obligation to make payments on leases with terms greater than 12 months and to disclose information related to the amount, timing and uncertainty of cash flows arising from leases, including various qualitative and quantitative requirements. Management has reviewed this update and other ASUs that were subsequently issued to further clarify the implementation guidance outlined in ASU 2016-02. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any existing leases as of the adoption date. The Company did not elect to apply the hindsight practical expedient when determining lease term and assessing impairment of right-of-use assets. The Company adopted the amendments of these ASUs as of January 1, 2019. See Note 15, Leases, Commitments and Contingencies for additional information on the adoption of ASU 2016-02.

Accounting Standards to be Adopted

Allowance for Loan Losses and Fair Value Option - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*. This guidance significantly changes the way entities will be required to measure credit losses. Under the new standard, estimated credit loss will be based upon an expected credit loss approach rather than an incurred loss approach that is currently required. In May 2019, the FASB issued ASU 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition*. This ASU provides an option to irrevocably elect the fair value option applied on an instrument-by-instrument basis for certain financial assets upon the adoption of Topic 326. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Loss (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which defers the effective date for public filers that are considered small reporting companies as defined by the Securities and Exchange Commission to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted in fiscal years beginning after 15 December 2018, including interim periods in those fiscal years. The Company will early adopt ASU 2016-13 and ASU 2019-05 effective January 1, 2020.

The Company has previously elected fair value option for all loans originated after January 1, 2018. In addition, upon adoption of ASU 2019-05 effective January 1, 2020, the Company will elect fair value option on all remaining loans receivable currently at amortized cost. As a result, the adoption of ASU 2016-13 is not expected to have a material impact on the Company's consolidated financial statements and disclosures. Upon the adoption of ASU 2019-05, the Company will (i) release the remaining allowance for loan losses on Loan Receivables at Amortized Cost; (ii) recognize the unamortized net originations fee income and (iii) measure the remaining loans originated prior to January 1, 2018 at fair value. These adjustments will result in an increase to opening retained earnings as of January 1, 2020 of approximately \$4.8 million.

Fair Value Disclosures - In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which amends ASC 820, *Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The ASU is effective for all entities for fiscal years beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this ASU. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements.

Cloud Computing Arrangements - In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use-Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for fiscal years, and interim periods, beginning after December 15, 2019. Early adoption is permitted. The Company will prospectively capitalize all eligible implementation costs related to cloud computing arrangements starting January 1, 2020.

Income Taxes - In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles of accounting for income taxes and to improve the consistent application of GAAP for other areas of accounting for income taxes by clarifying and amending existing guidance. The ASU is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect that the new guidance will have on its consolidated financial statements and disclosures.

3. Earnings (Loss) per Share

Basic and diluted (loss) earnings per share are calculated as follows:

(in thousands, except share and per share data)	Year Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ 61,598	\$ 123,394	\$ (10,206)
Less: Additional common stock issued to Series G shareholders	(37,456)	—	—
Less: Net income allocated to participating securities ⁽¹⁾	(19,880)	(106,797)	—
Net income (loss) attributable to common stockholders	\$ 4,262	\$ 16,597	\$ (10,206)
Basic weighted-average common shares outstanding	9,347,103	2,585,405	2,419,810
Weighted average effect of dilutive securities:			
Stock options	1,300,758	1,114,816	—
Restricted stock units ⁽²⁾	101,671	—	—
Warrants	12,320	14,882	—
Diluted weighted-average common shares outstanding	10,761,852	3,715,103	2,419,810
Earnings (loss) per share:			
Basic	\$ 0.46	\$ 6.42	\$ (4.22)
Diluted	\$ 0.40	\$ 4.47	\$ (4.22)

⁽¹⁾ In a period of net income, both earnings and dividends (if any) are allocated to participating securities. In a period of net loss, only dividends (if any) are allocated to participating securities.

⁽²⁾ The increase in restricted stock units included in the diluted weighted-average common shares outstanding for the year ended December 31, 2019 compared to 2018 was primarily due to the performance-based condition relating to certain awards being considered probable on the effective date of the IPO, the voluntary stock option exchange offer and the issuance of restricted stock units for annual awards.

The following common share equivalent securities have been excluded from the calculation of diluted weighted-average common shares outstanding because the effect is anti-dilutive for the periods presented:

(in thousands, except share and per share data)	Year Ended December 31,		
	2019	2018	2017
Stock options	2,231,060	—	1,138,870
Warrants	—	—	16,920
Convertible preferred stock	12,630,249	17,497,594	17,569,360
Total anti-dilutive common share equivalents	14,861,309	17,497,594	18,725,150

Restricted stock units granted with performance criterion were not reflected in the computation of diluted earnings (loss) per share for the years ended December 31, 2018 and 2017 as the performance condition was not considered probable. Per the provisions of ASC Topic 260, *Earnings per Share*, diluted earnings (loss) per share only reflects those shares that would be issued if the reporting period were the end of the contingency period. Accordingly, total outstanding restricted stock units of 0; 503,515; and 162,236 were not reflected in the denominator in the computation of diluted earnings (loss) per share for the years ended December 31, 2019, 2018 and 2017.

The income available to common stockholders, which is the numerator in calculating diluted earnings (loss) per share, does not include any compensation cost related to these restricted stock unit awards for the years ended December 31, 2018 and 2017. For the year ended December 31, 2019, the income available to common stockholders includes \$7.9 million catch-up relating to these restricted stock units because of the performance criteria being considered probable on the effective date of the IPO.

4. Variable Interest Entities

As part of the Company's overall funding strategy, the Company transfers a pool of designated loans receivable to wholly owned special-purpose subsidiaries, or VIEs, to collateralize certain asset-backed financing transactions. The Company has determined that it is the primary beneficiary of these VIEs because it has the power to direct the activities that most significantly impact the VIEs' economic performance and the obligation to absorb the losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Such power arises from the Company's contractual right to service the loans receivable securing the VIEs' asset-backed debt obligations. The Company has an obligation to absorb losses or the right to receive benefits that are potentially significant to the VIEs because it retains the residual interest of each asset-backed financing transaction either in the form of an asset-backed certificate or as an uncertificated residual interest. Accordingly, the Company includes the VIEs' assets, including the assets securing the financing transactions, and related liabilities in its consolidated financial statements.

Each VIE issues a series of asset-backed securities that are supported by the cash flows arising from the loans receivable securing such debt. Cash inflows arising from such loans receivable are distributed monthly to the transaction's noteholders and related service providers in accordance with the transaction's contractual priority of payments. The creditors of the VIEs above have no recourse to the general credit of the Company as the primary beneficiary of the VIEs and the liabilities of the VIEs can only be settled by the respective VIE's assets. The Company retains the most subordinated economic interest in each financing transaction through its ownership of the respective residual interest in each VIE. The Company has no obligation to repurchase loans receivable that initially satisfied the financing transaction's eligibility criteria but subsequently became delinquent or defaulted loans receivable.

The following table represents the assets and liabilities of consolidated VIEs recorded on the Company's consolidated balance sheets:

(in thousands)	December 31,	
	2019	2018
Consolidated VIE assets		
Restricted cash	\$ 28,821	\$ 29,184
Loans receivable at fair value	1,745,465	1,174,684
Loans receivable at amortized cost	41,747	319,129
Interest and fee receivable	15,874	13,036
Total VIE assets	1,831,907	1,536,033
Consolidated VIE liabilities		
Secured financing ⁽¹⁾	62,000	87,000
Asset-backed notes at fair value	1,129,202	867,278
Asset-backed notes at amortized cost ⁽¹⁾	360,001	360,001
Total VIE liabilities	\$ 1,551,203	\$ 1,314,279

⁽¹⁾ Amounts exclude deferred financing costs. See Note 8, Borrowings for additional information.

5. Loans Receivable at Amortized Cost, Net

Loans receivable at amortized cost, net, consisted of the following:

(in thousands)	December 31,	
	2019	2018
Loans receivable at amortized cost	\$ 42,546	\$ 323,814
Deferred origination costs and fees, net	(103)	(1,707)
Allowance for loan losses	(3,972)	(26,326)
Loans receivable at amortized cost, net	<u>\$ 38,471</u>	<u>\$ 295,781</u>

Loans receivable at amortized cost are the unpaid principal balances of the loans. Accrued and unpaid interest and late fees on the loans estimated to be collected from customers are included in interest and fees receivable in the consolidated balance sheets. At December 31, 2019 and 2018, accrued and unpaid interest on loans were \$0.3 million and \$2.3 million, respectively. Accrued and unpaid late fees were immaterial at December 31, 2019 and 2018.

Credit Quality Information - The Company uses a proprietary credit scoring algorithm to assess the creditworthiness of individuals who have limited or no credit profile. Data used in the algorithm is obtained from customers, alternative credit reporting agencies, as well as information from traditional credit bureaus.

The Company's proprietary credit scoring platform determines the amount and duration of the loan. The amount of the loan is determined based on the credit risk and cash flow of the individual. Lower risk individuals with higher cash flows are eligible for larger loans with longer duration. Higher risk individuals with lower cash flows are eligible for smaller loans with shorter duration. Larger loans typically have lower interest rates than smaller loans.

After the loan is disbursed, the Company monitors the credit quality of its loans receivable on an ongoing and a total portfolio basis. The following are credit quality indicators that the Company uses to monitor its exposure to credit risk, to evaluate allowance for loan losses and help set the Company's strategy in granting future loans:

- *Delinquency Status* - The delinquency status of the Company's loan receivables reflects, among other factors, changes in the mix of loans in the portfolio, the quality of receivables, the success of collection efforts and general economic conditions.
- *Geographic Region* - In July 2018, the Company stopped calculating estimated loss rates on a geographic region basis and began using the discounted cash flow model to project net charge-offs for the next 12 months for all vintages to calculate the estimated loss rate on a total portfolio basis. Until June 30, 2018, the Company calculated estimated loss rates for two geographic regions. Northern and Central California were considered as one region. Southern California, Texas and all other states, collectively, were considered as another region, and have higher estimated loss rates compared to the Northern and Central California region. The estimated loss rate for the geographic region covering Southern California, Texas and all other states for loans originated prior to January 1, 2018 and outstanding as of June 30, 2018 was approximately 105 basis points higher than the geographic region covering Northern and Central California. See Note 2, Summary of Significant Accounting Policies, for a discussion of concentrations of credit risk related to geographic regions.

The recorded investment in loans receivable at amortized cost based on credit quality indicators were as follows:

Credit Quality Indicator (in thousands)	December 31,	
	2019	2018
Geographic Region		
Northern and Central California	\$ 12,167	\$ 91,307
Southern California, Texas and all other states	30,379	232,507
	<u>\$ 42,546</u>	<u>\$ 323,814</u>
Delinquency Status		
30-59 days past due	\$ 2,304	\$ 10,891
60-89 days past due	1,615	7,089
90-119 days past due	1,459	5,872
	<u>\$ 5,378</u>	<u>\$ 23,852</u>

Past Due Loans Receivable - In accordance with the Company's policy, for loans recorded at amortized cost, income from interest and fees continues to be recorded for loans that are delinquent 90 days or more. The Company addresses the valuation risk on loans recorded at amortized cost that are delinquent 90 days or more by reserving them at 100%.

The recorded investment in loans receivable at amortized cost that are 90 or more days' delinquent and still accruing income from interest and fees were as follows:

(in thousands)	December 31,	
	2019	2018
Non-TDRs	\$ 720	\$ 4,440
TDRs	739	1,432
Total	\$ 1,459	\$ 5,872

Troubled Debt Restructurings ("TDR") - For the years ended December 31, 2019 and 2018, TDRs were primarily related to concessions involving interest rate reduction and extension of term.

As of December 31, 2019 and 2018, TDRs comprised 21% and 6% respectively, of the Company's total owned loan portfolio at amortized cost. The increase in the percentage is reflective of the lower balance of the loan portfolio at amortized cost from 2018 to 2019.

The amount of unamortized origination fees, net of origination costs, that were written off as a result of TDR restructurings of loans recorded at amortized cost during the years ended December 31, 2019, 2018 and 2017 was not material.

The Company's TDR loans receivable at amortized cost based on delinquency status were as follows:

(in thousands)	December 31,	
	2019	2018
TDRs current to 29 days delinquent	\$ 6,367	\$ 14,035
TDRs 30 or more days delinquent	2,462	5,246
Total	\$ 8,829	\$ 19,281

A loan that has been classified as a TDR remains so until the loan is paid off or charged off. A TDR loan that misses its first two scheduled payments is charged off at the end of the month upon reaching 30 days' delinquency. A TDR loan that makes the first two scheduled payments is charged off according to the Company's normal charge-off policy at 120 days' delinquency.

For loans recorded at amortized cost, previously accrued but unpaid interest and fees are also written off when the loan is charged off upon reaching 120 days' delinquency or when collection is not deemed probable.

Information on TDRs that defaulted and were charged off during the periods indicated were as follows:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Recorded investment in TDRs that subsequently defaulted and were charged off	\$ 10,225	\$ 15,649	\$ 13,768
Unpaid interest and fees charged off	1,286	1,983	1,684

When a loan recorded at amortized cost is restructured as a TDR, a portion of all of the accrued but unpaid interest and late fees may be forgiven. The following table shows the financial effects of TDRs that occurred during the periods indicated:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Contractual interest and fees forgiven	\$ —	\$ 157	\$ 255

Allowance for Loan Losses - For loans receivable at amortized cost, the Company sets the allowance for loan losses on a total portfolio by analyzing historical charge-off rates for the loan portfolio and the credit quality indicators discussed earlier.

The Provision (release) for loan losses reflects the activity for the applicable period and provides an allowance at a level that management believes is adequate to cover probable loan losses at the balance sheet date. The Company estimates an allowance for loan losses only for loans receivable at amortized cost.

Activity in the allowance for loan losses was as follows:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Balance - beginning of period	\$ 26,326	\$ 81,577	\$ 59,943
Provision (release) for loan losses	(4,483)	16,147	98,315
Loans charged off	(30,702)	(82,605)	(83,940)
Recoveries	12,831	11,207	7,259
Balance - end of period	\$ 3,972	\$ 26,326	\$ 81,577

6. Loans Held for Sale

The originations of loans sold and held for sale during the year ended December 31, 2019 was \$355.6 million and the Company recorded a gain on sale of \$36.5 million and servicing revenue of \$15.4 million. The originations of loans sold and held for sale during the year ended December 31, 2018 was \$292.4 million and the Company recorded a gain on sale of \$33.5 million and servicing revenue of \$11.8 million. The originations of loans sold and held for sale during the year ended December 31, 2017 was \$220.5 million and the Company recorded a gain on sale of \$22.3 million and servicing revenue of \$8.3 million.

Whole Loan Sale Program - In November 2014, the Company entered into a whole loan sale agreement with an institutional investor, as amended from time to time. The term of the current agreement expires on November 10, 2020. Pursuant to this agreement, the Company has committed to sell at least 10% of its unsecured loan originations, with an option to sell an additional 5%, subject to certain eligibility criteria and minimum and maximum volumes. The Company is currently selling 15% of its unsecured loan originations to the institutional investor.

In addition, in July 2017, the Company entered into a separate whole loan sale arrangement with an institutional investor as amended from time to time, providing for a commitment to sell 100% of the Company's loans originated under its Access Loan Program.

7. Other Assets

Other assets consist of the following:

(in thousands)	December 31,	
	2019	2018
Fixed assets		
Computer and office equipment	\$ 10,432	\$ 8,459
Furniture and fixtures	10,768	9,542
Purchased software	4,527	3,955
Vehicles	171	842
Leasehold improvements	27,701	23,006
Total cost	53,599	45,804
Less: Accumulated depreciation	(30,765)	(22,609)
Total fixed assets, net	\$ 22,834	\$ 23,195
System development costs:		
System development costs	\$ 36,795	\$ 19,022
Less: Accumulated amortization	(18,456)	(13,530)
Total system development costs, net	\$ 18,339	\$ 5,492
Tax receivable	\$ 13,107	\$ 24,597
Servicer fee and whole loan receivables	6,621	5,769
Prepaid expenses	12,217	9,237
Deferred IPO costs	—	3,211
Other	2,090	1,797
Total other assets	\$ 75,208	\$ 73,298

Fixed Assets

Depreciation and amortization expense for the years ended December 31, 2019, 2018 and 2017 were \$8.8 million, \$8.3 million, and \$7.5 million, respectively.

System Development Costs

Amortization of system development costs for years ended December 31, 2019, 2018 and 2017 was \$4.9 million, \$3.5 million, and \$3.1 million, respectively. System development costs capitalized in the years ended December 31, 2019, 2018 and 2017, were \$17.9 million, \$3.3 million, and \$3.5 million, respectively.

8. Borrowings

The following table presents information regarding the Company's secured financing facility:

Variable Interest Entity	December 31, 2019			
	Current Balance	Commitment Amount	Maturity Date	Interest Rate
(in thousands)				
Oportun Funding V, LLC	\$ 60,910	\$ 400,000	10/1/2021	LIBOR (minimum of 0.00%) + 2.45%

Variable Interest Entity	December 31, 2018			
	Current Balance	Commitment Amount	Maturity Date	Interest Rate
(in thousands)				
Oportun Funding V, LLC	\$ 85,289	\$ 400,000	10/1/2021	LIBOR (minimum of 0.00%) + 2.45%

The Company elected the fair value option for all asset-backed notes issued on or after January 1, 2018. The following table presents information regarding asset-backed notes:

Variable Interest Entity	December 31, 2019					
	Initial note amount issued (a)	Initial collateral balance (b)	Current balance (a)	Current collateral balance (b)	Weighted average interest rate(c)	Original revolving period
(in thousands)						
Asset-backed notes recorded at fair value:						
Oportun Funding XIII, LLC (Series 2019-A)	\$ 279,412	\$ 294,118	\$ 251,090	\$ 299,813	3.22%	3 years
Oportun Funding XII, LLC (Series 2018-D)	175,002	184,213	178,980	187,447	4.50%	3 years
Oportun Funding X, LLC (Series 2018-C)	275,000	289,474	280,852	294,380	4.39%	3 years
Oportun Funding IX, LLC (Series 2018-B)	225,001	236,854	216,306	241,000	4.09%	3 years
Oportun Funding VIII, LLC (Series 2018-A)	200,004	222,229	201,974	225,945	3.83%	3 years
Total asset-backed notes recorded at fair value	<u>\$ 1,154,419</u>	<u>\$ 1,226,888</u>	<u>\$ 1,129,202</u>	<u>\$ 1,248,585</u>		
Asset-backed notes recorded at amortized cost:						
Oportun Funding VII, LLC (Series 2017-B)	\$ 200,000	\$ 222,231	\$ 199,413	\$ 225,925	3.51%	3 years
Oportun Funding VI, LLC (Series 2017-A)	160,001	188,241	159,698	191,223	3.36%	3 years
Total asset-backed notes recorded at amortized cost	<u>\$ 360,001</u>	<u>\$ 410,472</u>	<u>\$ 359,111</u>	<u>\$ 417,148</u>		

Variable Interest Entity	December 31, 2018					
	Initial note amount issued (a)	Initial collateral balance (b)	Current balance (a)	Current collateral balance (b)	Weighted average interest rate(c)	Original revolving period
(in thousands)						
Asset-backed notes recorded at fair value:						
Oportun Funding XII, LLC (Series 2018-D)	\$ 175,002	\$ 184,213	\$ 177,086	\$ 188,710	4.50%	3 years
Oportun Funding X, LLC (Series 2018-C)	275,000	289,474	277,662	297,443	4.39%	3 years
Oportun Funding IX, LLC (Series 2018-B)	225,001	236,854	213,751	241,353	4.09%	3 years
Oportun Funding VIII, LLC (Series 2018-A)	200,004	222,229	198,779	226,465	3.83%	3 years
Total asset-backed notes recorded at fair value:	\$ 875,007	\$ 932,770	\$ 867,278	\$ 953,971		
Asset-backed notes recorded at amortized cost:						
Oportun Funding VII, LLC (Series 2017-B)	\$ 200,000	\$ 222,231	\$ 198,677	\$ 226,465	3.51%	3 years
Oportun Funding VI, LLC (Series 2017-A)	160,001	188,241	159,022	191,447	3.36%	3 years
Total asset-backed notes recorded at amortized cost	\$ 360,001	\$ 410,472	\$ 357,699	\$ 417,912		

(a) Initial note amount issued includes notes retained by the Company as applicable and the current balances are measured at fair value for asset-backed notes recorded at fair value and reflects pay-downs subsequent to note issuance and exclude notes retained by the Company.

(b) Includes the unpaid principal balance of loans receivables, cash, cash equivalents and restricted cash pledged by the Company.

(c) Weighted average interest rate excludes notes retained by the Company.

As of December 31, 2019 and 2018, the Company was in compliance with all covenants and requirements of the secured financing facility and asset-backed notes.

9. Other Liabilities

Other liabilities consist of the following:

(in thousands)	December 31,	
	2019	2018
Accounts payable	\$ 5,919	\$ 7,277
Accrued compensation	22,226	15,303
Accrued expenses	15,110	10,335
Deferred rent	—	2,208
Taxes payable	4,233	1,610
Accrued interest	3,842	3,368
Other	976	1,157
Total other liabilities	\$ 52,306	\$ 41,258

10. Stockholders' Equity

Convertible Preferred Stock - Immediately prior to the completion of the IPO, all 14,043,977 shares of convertible preferred stock were converted into 19,075,167 shares of the Company's common stock. The conversion of all of the Company's convertible preferred stock included an additional 1,873,355 shares of common stock issued for the conversion of the Series G convertible preferred stock to reflect the conversion rate of the Series G convertible preferred stock. The additional 1,873,355 shares issued to Series G convertible preferred stockholders resulted in a \$37.5 million reduction to retained earnings and a corresponding increase to additional paid-in capital.

The Company's Board of Directors will have the authority, without further action by the Company's stockholders, to issue up to 100,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the Board of Directors. There were no shares of convertible preferred stock issued or outstanding as of December 31, 2019. A summary of the Company's convertible preferred stock as of December 31, 2018 is as follows:

Series (in thousands, except share data)	December 31, 2018			
	Shares Authorized	Shares Issued and Outstanding	Liquidation Amount	Proceeds - Net of Issuance Costs
A-1	23,636	22,945	\$ 57	\$ 45
B-1	418,181	397,197	2,760	3,878
C-1	609,090	577,315	13,505	19,184
D-1	863,636	837,399	19,588	27,950
E-1	454,545	435,374	14,090	20,037
F	1,000,000	939,500	43,425	22,794
F-1	4,545,454	4,310,729	36,426	36,756
G	5,727,272	3,889,093	48,981	48,785
H	2,909,090	2,634,425	82,511	78,474
	16,550,904	14,043,977	\$ 261,343	\$ 257,903

Common Stock - As of December 31, 2019 and 2018, the Company was authorized to issue 1,000,000,000 and 28,181,818 shares of common stock with a par value of \$0.0001 per share, respectively. As of December 31, 2019, 27,262,639 and 27,003,157 shares were issued and outstanding, respectively, and 259,482 shares were held in treasury stock. As of December 31, 2018, 3,194,731 and 2,935,249 shares were issued and outstanding, respectively, and 259,482 shares were held in treasury stock.

An aggregate of 30,287 shares of Company common stock were tendered pursuant to a tender offer conducted by the Company for a total purchase price of \$0.9 million on October 3, 2018. Shares repurchased are reflected in the treasury stock components of stockholders' equity.

Warrants - On September 26, 2019, 3,969 shares of convertible preferred stock were issued in connection with the cashless exercise of 9,090 Series F-1 convertible preferred stock warrants. All 3,969 shares were converted to common stock in connection with the IPO. Additionally, at the closing of the IPO, the outstanding 15,869 Series G convertible preferred stock warrants automatically converted into warrants exercisable for 23,512 shares of common stock.

11. Equity Compensation and Other Benefits

2019 Equity Incentive Plan

We currently have one stockholder-approved plan from which we can issue stock-based awards, which was approved by our stockholders in fiscal year 2019 (the "2019 Plan"). The 2019 Plan became effective on September 25, 2019 and replaced the Amended and Restated 2005 Stock Option / Stock Issuance Plan and the 2015 Stock Option/Stock Issuance Plan (collectively, the "Previous Plans"). The Previous Plans solely exist to satisfy outstanding options previously granted under those plans. The 2019 Plan provides for the grant of incentive stock options, or ISOs, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based awards, and other awards, or collectively, awards. ISOs may be granted only to the Company's employees, including officers, and the employees of its affiliates. All other awards may be granted to the employees, including officers, non-employee directors and consultants and the employees and consultants of the Company's affiliates. The maximum number of shares of our common stock that may be issued under the 2019 Plan will not exceed 7,469,664 shares, of which, 1,870,745 were available for future awards as of December 31, 2019.

2019 Employee Stock Purchase Plan

In September 2019, the Board adopted, and stockholders approved, the Company's 2019 Employee Stock Purchase Plan (the "ESPP"). The ESPP became effective on September 25, 2019. The purpose of the ESPP is to secure the services of new employees, to retain the services of existing employees and to provide incentives for such individuals to exert maximum efforts toward the Company's success and that of its affiliates. The ESPP includes two components. One component is designed to allow eligible U.S. employees to purchase common stock in a manner that may qualify for favorable tax treatment under Section 423 of the Code. In addition, purchase rights may be granted under a component that does not qualify for such favorable tax treatment when necessary or appropriate to permit participation by eligible employees who are foreign nationals or employed outside of the United States while complying with applicable foreign laws. The maximum aggregate number of shares of common stock that may be issued under the ESPP is 726,186 shares and as of December 31, 2019, no shares have been issued under the ESPP.

Generally, all regular employees, including executive officers, employed by the Company or by any of its designated affiliates, will be eligible to participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings (as defined in the ESPP) for the purchase of common stock under the ESPP. Unless otherwise determined by the Board, common stock will be purchased for the accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of the fair market value of a share of the Company's common stock on the first date of an offering or (b) 85% of the fair market value of a share of the common stock on the date of purchase.

Stock Options

The term of an option may not exceed 10 years as determined by the Board, and each option generally vests over a four-year period with 25% vesting on the first anniversary date of the grant and 1/36th of the remaining amount vesting at monthly intervals thereafter. Option holders are allowed to exercise unvested options to acquire restricted shares. Upon termination of employment, option holders have a period of up to three months in which to exercise any remaining vested options. The Company has the right to repurchase at the original purchase price any unvested but issued common shares upon termination of service. Unexercised options granted to participants who separate from the Company are forfeited and returned to the pool of stock options available for grant.

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model. The fair value is then amortized ratably over the requisite service periods of the awards, which is generally the vesting period.

The fair value of stock option grants was estimated with the following assumptions:

	Year Ended December 31,		
	2019	2018	2017
Expected volatility (employee)	50.8 % - 51.2 %	42.6 % - 43.2 %	43.1 % - 44.2 %
Risk-free interest rate (employee)	1.8 - 2.6	2.6 - 2.9	1.9 - 2.3
Expected term (employee, in years)	5.9 - 6.1	5.7 - 6.1	5.7 - 6.1
Expected dividend	—%	—%	—%

These assumptions are defined as follows:

- *Expected Volatility* - Since the Company does not have enough trading history to use the volatility of its own common stock, the option's expected volatility is estimated based on historical volatility of a peer group's common stock.
- *Risk-Free Interest Rate*- The risk-free interest rate is based on the U.S. Treasury zero-coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.
- *Expected Term* - The option's expected term represents the period that the Company's stock-based awards are expected to be outstanding.
- *Expected Dividend* - The Company has no plans to pay dividends.

As there was no public market for the Company's common stock prior to the IPO, the fair value underlying the Company's common stock was determined by the Company's Board. The valuations of the Company's common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. In the absence of a public market, the Company relied upon contemporaneous valuations performed by an independent third-party valuation firm, the Company's actual operating and financial performance, forecasts, including the current status of the technical and commercial success of the Company's operations, the potential for an initial public offering, the macroeconomic environment, interest rates, market outlook, and competitive environment, among other factors.

Stock Option Activity - A summary of the Company's stock option activity under the 2005 Plan, the 2015 Plan, and the 2019 Plan at December 31, 2019 is as follows:

(in thousands, except share and per share data)	Options Outstanding	Options Weighted-Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value
Balance – January 1, 2019	4,593,202	16.31	6.67	\$ 38,723
Options granted	682,679	19.08		
Options exercised	(105,909)	7.44		
Options canceled	(1,219,282)	26.04		
Balance – December 31, 2019	3,950,690	14.03	5.87	\$ 40,264
Options vested and expected to vest - December 31, 2019	3,950,690	14.03	5.87	\$ 40,264
Options vested and exercisable - December 31, 2019	2,795,568	11.20	4.68	\$ 36,298

Information on stock options granted, exercised and vested is as follows:

(in thousands, except per share data)	Year Ended December 31,		
	2019	2018	2017
Weighted average fair value per share of options granted	\$ 9.54	\$ 11.92	\$ 10.08
Cash received from options exercised, net	791	1,030	705
Aggregate intrinsic value of options exercised	1,028	4,114	3,061
Fair value of shares vested	6,735	6,063	5,350

The following table summarizes the outstanding and vested stock options:

Range of Weighted-Average Exercise Prices	As of December 31, 2019					
	Options Outstanding			Options Vested and Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
0.01 - 5.00	1,295,156	2.78	1.92	1,295,156	1.92	
5.01 - 10.00	75,011	4.38	8.21	75,011	8.21	
10.01 - 15.00	305,266	4.73	10.38	305,266	10.38	
15.01 - 20.00	1,164,459	7.91	19.00	548,712	19.64	
20.01 - 25.00	632,767	8.23	22.30	248,896	22.43	
25.01 - 30.00	468,445	7.14	26.88	312,941	26.71	
30.01 - 35.00	9,586	5.47	32.64	9,586	32.64	
	<u>3,950,690</u>			<u>2,795,568</u>		

As of December 31, 2019 and 2018, the Company's total unrecognized compensation cost related to nonvested stock-based option awards granted to employees was, \$10.1 million and \$16.0 million, respectively, which will be recognized over a weighted-average vesting period of approximately 2.4 years and 2.8 years, respectively.

Stock Option Exchange Offer

On August 22, 2019, the Company completed a one-time voluntary stock option exchange offer that allowed eligible participants the opportunity to exchange certain stock options for RSUs, subject to a new vesting schedule (the "RSU Exchange Offer"), or for a cash payment (the "Cash Exchange Offer,") together with the RSU Exchange Offer, (the "Exchange Offers").

As a result of the Exchange Offers, options to purchase 1,040,154 shares of the Company's common stock were accepted for exchange and 455,218 replacement RSUs were issued. The replacement RSUs have a vesting commencement date of August 1, 2019 and vesting schedule of two to four years. The RSUs will first vest on August 1, 2020, with the remainder vesting on a quarterly basis thereafter. The RSUs were granted under, and subject to, the terms and conditions of the Company's 2015 Stock Option/Stock Issuance Plan (the "2015 Plan"). The incremental compensation cost from the exchange is \$3.2 million, recognized over the vesting period of the replacement award. The amount of cash payments provided in the Cash Exchange Offer was insignificant.

Restricted Stock Units

The Company's restricted stock units ("RSUs") vest upon the satisfaction of time-based criterion of up to four years. The service-based requirement will be satisfied in installments as follows: 25% of the total number of RSUs awarded will have the service-based requirement satisfied during the month in which the 12-month anniversary of the vesting commencement date occurs, and thereafter 1/16th of the total award in a series of 12 successive equal quarterly installments or 1/4th of the total award in a series of three successive equal annual installments following the first anniversary of the initial service vest date. Some awards also include a performance criterion, a liquidity event in connection with the Company's initial public offering or a change in control. The liquidity event requirement will be satisfied as to any then-outstanding RSUs on the first to occur of the following events prior to the expiration date: (1) the closing of a change in control; or (2) the first trading day following the expiration of the lock-up period. These RSUs are not considered vested until both criteria have been met, if applicable, and provided that participant is providing continuous service on the vesting date. The performance-based condition of such RSUs was considered probable on the effective date of the IPO completed in September 2019. As a result, \$7.9 million of compensation expense was recognized in connection with these performance-based awards upon completion of the IPO.

Stock-based compensation cost for RSUs is measured based on the fair market value of the Company's common stock on the date of grant. For RSUs granted before the IPO there was no public market for the Company's common stock. The Company retained an independent third-party valuation firm to determine the fair value of its common stock before the IPO. The Company's Board reviewed and approved the valuations.

A summary of the Company's RSU activity under the 2015 Plan and the 2019 Plan for the year ended December 31, 2019 is as follows:

	RSU Outstanding	Weighted Average Grant-Date Fair Value
Balance – January 1, 2019	503,491	26.24
Granted (1)	1,198,179	17.50
Vested	14,534	23.65
Forfeited (1)	40,813	17.47
Balance – December 31, 2019 (1)	1,646,323	20.12
Expected to vest after December 31, 2019 (1)	1,646,323	20.12

(1) Replacement RSUs are fair valued using the grant date fair market value on the date of exchange (August 22, 2019).

As of December 31, 2019 and 2018, the Company's total unrecognized compensation cost related to nonvested restricted stock unit awards granted to employees was, \$21.2 million and \$8.9 million, respectively, which will be recognized over a weighted average vesting period of approximately 3.0 years and 3.6 years, respectively.

Stock-based Compensation - Total stock-based compensation expense included in the Consolidated Statements of Operations and Comprehensive Income is as follows:

(in thousands of dollars)	Year Ended December 31,		
	2019	2018	2017
Technology and facilities	\$ 2,699	\$ 1,262	\$ 1,088
Sales and marketing	123	113	116
Personnel	16,361	5,397	4,501
Total stock-based compensation	\$ 19,183	\$ 6,772	\$ 5,705

The Company accounts for forfeitures as they occur and does not estimate forfeitures as of the award grant date. The Company capitalized compensation expense related to stock-based compensation the years ended December 31, 2019, 2018, and 2017 of \$0.9 million, \$0.1 million and \$0.1 million, respectively.

Cash flows from the tax benefits for tax deductions resulting from the exercise of stock options in excess of the compensation expense recorded for those options (excess tax benefits) are required to be classified as cash from financing activities. The total income tax benefit recognized in the income statement for share-based compensation arrangements was \$1.1 million and \$0.7 million for the years ended December 31, 2017 and 2018, respectively. The Company had no realized excess tax benefits from stock options for the year ended December 31, 2019.

Retirement Plan

The Company maintains a 401(k) Plan, which enables employees to make pre-tax or post-tax deferral contributions to the participating employees account. Employees may contribute a portion of their pay up to the annual amount as set periodically by the Internal Revenue Service. The Company provides for an employer 401(k) contribution match of up to 4% of an employee's eligible compensation. The total amount contributed by the Company for the years ended December 31, 2019, 2018 and 2017, was \$2.4 million, \$1.7 million, and \$1.3 million, respectively. All employee and employer contributions will be invested according to participants' individual elections. The Company remits employee contributions to plan with each bi-weekly payroll.

12. Revenue

Interest Income - Total interest income included in the Consolidated Statements of Operations and Comprehensive Income is as follows:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Interest income			
Interest on loans	\$ 535,325	\$ 439,939	\$ 320,516
Fees on loans	8,801	8,838	7,419
Total interest income	\$ 544,126	\$ 448,777	\$ 327,935

Non-interest Income - Total non-interest income included in the Consolidated Statements of Operations and Comprehensive Income is as follows:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Non-interest income			
Gain on loan sales	\$ 36,537	\$ 33,466	\$ 22,254
Servicing fees	15,429	11,813	8,260
Debit card income	1,151	1,950	2,505
Sublease income	1,622	1,573	—
Other income	1,283	—	—
Total non-interest income	\$ 56,022	\$ 48,802	\$ 33,019

13. Income Taxes

The following are the domestic and foreign components of the Company's income before taxes:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Domestic	\$ 82,612	\$ 168,907	\$ 2,162
Foreign	1,820	1,188	(93)
Income before taxes	\$ 84,432	\$ 170,095	\$ 2,069

The "Tax Cuts and Jobs Act" (the "Act") was enacted December 22, 2017. The law includes significant changes to the U.S. corporate tax system, including a Federal corporate rate change reduction from 35% to 21%. Additionally, as a result of the Act, the Company is required to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax. The Company recorded a provisional deduction to its deferred tax assets for the impact of the U.S. Tax Act of approximately \$11.2 million. This amount was primarily comprised of the re-measurement of federal net deferred tax liabilities resulting from a permanent reduction in the U.S. statutory corporate tax rate to 21% from 35%, after taking into account the mandatory one-time tax on the accumulated earnings of the Company's foreign subsidiaries. In 2018, the Company completed its determination of the accounting implications of the U.S. Tax Act.

The provision for income taxes consisted of the following:

(in thousands)	Federal	State	Foreign	Total
December 31, 2019				
Current	\$ 7,946	\$ 2,835	\$ 1,308	\$ 12,089
Deferred	7,830	3,439	(524)	10,745
Total provision for income taxes	\$ 15,776	\$ 6,274	\$ 784	\$ 22,834
December 31, 2018				
Current	\$ 3,548	\$ 420	\$ 709	\$ 4,677
Deferred	28,403	13,934	(313)	42,024
Total provision for income taxes	\$ 31,951	\$ 14,354	\$ 396	\$ 46,701
December 31, 2017				
Current	\$ 3,127	\$ 724	\$ 1,195	\$ 5,046
Deferred	8,270	(874)	(167)	7,229
Total provision (benefit) for income taxes	\$ 11,397	\$ (150)	\$ 1,028	\$ 12,275

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and operating losses and tax credit carryforwards.

The primary components of the Company's net deferred tax assets and liabilities are composed of the following:

(in thousands)	December 31,	
	2019	2018
Deferred tax assets:		
Accrued expenses and reserves	\$ 2,281	\$ 1,891
Allowance for loan losses	1,110	7,297
Leases	14,449	—
Share-based compensation	7,057	3,034
Mexico fixed assets	937	738
Depreciation and amortization	480	—
Other	672	417
Total deferred tax assets	\$ 26,986	\$ 13,377
Valuation allowance	\$ —	\$ —
Deferred tax liabilities:		
System development costs	\$ (4,966)	\$ (1,515)
Right of use assets	(13,676)	—
Depreciation and amortization	—	(227)
Prepaid expenses	(912)	(174)
Fair value adjustment	(30,737)	(24,347)
Total deferred tax liabilities	(50,291)	(26,263)
Net deferred taxes	\$ (23,305)	\$ (12,886)

Income tax expense was \$22.8 million, \$46.7 million, and \$12.3 million for the year ended December 31, 2019, 2018, and 2017 which represents an effective tax rate of 27.0%, 27.5%, and 593.3%, respectively.

The Company adopted ASU No. 2016-09, Compensation - *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* effective January 1, 2017, which requires the Company to record excess tax benefits resulting from the exercise of non-qualified stock options, the disqualifying disposition of incentive stock options and vesting of restricted stock awards as income tax benefits in the Consolidated Statements of Operations and Comprehensive Income with a corresponding decrease to current taxes payable. As a result of the adoption of ASU No. 2016-09, the Company recorded an adjustment to 2017 opening retained earnings in the amount of \$1.1 million, representing net operating losses previously tracked off-balance sheet resulting from excess tax benefits that are included in the deferred tax asset under the new standard.

The following table summarizes the activity related to the unrecognized tax benefits:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Balance as of January 1,	\$ 1,431	\$ 1,067	\$ 664
Increases related to current year tax positions	535	357	330
Decreases related to current year tax positions	—	—	—
Increases related to prior year tax positions	19	7	73
Decreases related to prior year tax positions	(52)	—	—
Balance as of December 31,	\$ 1,933	\$ 1,431	\$ 1,067

Interest and penalties related to the Company's unrecognized tax benefits accrued at December 31, 2019 were not material. The Company's policy is to recognize interest and penalties associated with income taxes in income tax expense. The Company does not expect its uncertain tax positions to have a material impact on its consolidated financial statements within the next twelve months. The total amount of unrecognized tax benefits, net of associated deferred tax benefit, that would impact the effective tax rate, if recognized, is \$1.9 million.

Due to the net operating loss carryforwards, the Company's United States federal and significant state returns are open to examination by the Internal Revenue Service and state jurisdictions for years ended December 31, 2010 and 2007, respectively, and forward. For Mexico, all tax years remain open for examination by the Mexico taxing authorities.

A reconciliation of income tax expense with the amount computed by applying the statutory U.S. federal income tax rates to income before provision for income taxes is as follows:

(in thousands)	Year Ended December 31,		
	2019	2018	2017
Income tax expense computed at U.S. federal statutory rate	\$ 17,731	\$ 35,720	\$ 724
State Tax	4,788	11,229	(34)
Foreign Rate differential	164	106	279
Foreign taxes amended filings	—	—	782
Federal tax credits	(2,042)	(595)	(875)
Share based compensation expense	752	148	(263)
Uncertain tax positions	611	—	—
Other	830	93	298
Tax reform impact	—	—	11,364
Change in valuation allowance	—	—	—
Income tax expense	\$ 22,834	\$ 46,701	\$ 12,275
Effective tax rate	27.0%	27.5%	593.3%

14. Fair Value of Financial Instruments

Financial Instruments at Fair Value

The Company has elected the fair value option to account for all loans receivable held for investment that were originated on or after January 1, 2018 (the "Fair Value Loans"), and for all asset-backed notes issued on or after January 1, 2018 (the "Fair Value Notes"). Loans Receivable at Amortized Cost and asset-backed notes issued prior to January 1, 2018 are accounted for at amortized cost, net. Loans that the Company designates for sale will continue to be accounted for as held for sale and recorded at the lower of cost or fair value until the loans receivable are sold.

The table below compares the fair value of loans receivable and asset-backed notes to their contractual balances for the periods shown:

(in thousands)	December 31, 2019		December 31, 2018	
	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
Assets				
Loans receivable	\$ 1,800,418	\$ 1,882,088	\$ 1,177,471	\$ 1,227,469
Liabilities				
Asset-backed notes	\$ 1,113,165	\$ 1,129,202	\$ 863,165	\$ 867,278

The Company calculates the fair value of the Fair Value Notes using independent pricing services and broker price indications, which are based on quoted prices for identical or similar notes, which are Level 2 input measures.

The Company primarily uses a model to estimate the fair value of Level 3 instruments based on the present value of estimated future cash flows. This model uses inputs that are inherently judgmental and reflect management's best estimates of the assumptions a market participant would use to calculate fair value. The following tables present quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements:

		December 31, 2019		
(in thousands)	Fair Value Level 3	Valuation Technique	Significant Unobservable Input	Weighted Average Inputs
			Remaining cumulative charge-offs (1)	9.61%
			Remaining cumulative prepayments (1)	34.95%
Loans receivable at fair value	\$ 1,882,088	Discounted Cash Flows	Average life (years)	0.81
			Discount rate	7.77%
		December 31, 2018		
(in thousands)	Fair Value Level 3	Valuation Technique	Significant Unobservable Input	Weighted Average Inputs
			Remaining cumulative charge-offs (1)	10.52%
			Remaining cumulative prepayments (1)	33.78%
Loans receivable at fair value	\$ 1,227,469	Discounted Cash Flows	Average life (years)	0.85
			Discount rate	9.20%

(1) Figure disclosed as a percentage of outstanding principal balance.

Fair value adjustments related to financial instruments where the fair value option has been elected are recorded through earnings for the years ended December 31, 2019 and 2018. Certain unobservable inputs may (in isolation) have either a directionally consistent or opposite impact on the fair value of the financial instrument for a given change in that input. When multiple inputs are used within the valuation techniques for loans, a change in one input in a certain direction may be offset by an opposite change from another input.

The Company developed an internal model to estimate the Fair Value Loans. To generate future expected cash flows, the model combines receivable characteristics with assumptions about borrower behavior based on the Company's historical loan performance. These cash flows are then discounted using a required rate of return that management estimates would be used by a market participant.

The Company tested the fair value model by comparing modeled cash flows to historical loan performance to ensure that the model was complete, accurate and reasonable for the Company's use. The Company also engaged a third party to create an independent fair value estimate for the Fair Value Loans, which provides a set of fair value marks using the Company's historical loan performance data and whole loan sale prices to develop independent forecasts of borrower behavior. Their model used these assumptions to generate loan level cash flows which were then aggregated and compared to the Company's within an acceptable range.

The Company's internal valuation and loan loss allowance committee provides governance and oversight over the fair value pricing and loan loss allowance calculations and related financial statement disclosures. Additionally, this committee provides a challenge of the assumptions used and outputs of the model, including the appropriateness of such measures and periodically reviews the methodology and process to determine the fair value pricing and loan loss allowance. Any significant changes to the process must be approved by the committee.

The table below presents a reconciliation of loans receivable at fair value on a recurring basis using significant unobservable inputs:

		December 31,		
(in thousands)		2019	2018	2017
Balance – beginning of period	\$	1,227,469	\$ —	\$ —
Principal disbursements		1,741,899	1,509,379	—
Principal payments from customers		(996,945)	(308,683)	—
Gross charge-offs		(122,005)	(23,225)	—
Net increase in fair value		31,670	49,998	—
Balance - end of period	\$	1,882,088	\$ 1,227,469	\$ —

As of December 31, 2019, the aggregate fair value of loans that are 90 days or more past and in non-accrual status is \$3.6 million, and the aggregate unpaid principal balance for loans that are 90 days or more past due is \$15.8 million. As of December 31, 2018, the aggregate fair value of loans that are 90 days or more past due and in non-accrual status is \$1.1 million, and the aggregate unpaid principal balance for loans that are 90 days or more past due is \$7.6 million.

Financial Instruments Disclosed but Not Carried at Fair Value

The following table presents the carrying value and estimated fair values of financial assets and liabilities disclosed but not carried at fair value and the level within the fair value hierarchy:

(in thousands of dollars)	December 31, 2019				
	Carrying value	Estimated fair value	Estimated fair value		
			Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	\$ 72,179	\$ 72,179	\$ 72,179	\$ —	\$ —
Restricted cash	63,962	63,962	63,962	—	—
Loans receivable at amortized cost, net (Note 5)	38,471	43,482	—	—	43,482
Loans held for sale (Note 6)	715	772	—	—	772
Liabilities					
Accounts payable	5,919	5,919	5,919	—	—
Secured financing (Note 8)	62,000	62,000	—	62,000	—
Asset-backed notes at amortized cost (Note 8)	\$ 359,111	\$ 360,668	\$ —	\$ 360,668	\$ —
December 31, 2018					
(in thousands of dollars)	Carrying value	Estimated fair value	Estimated fair value		
			Level 1	Level 2	Level 3
	Assets				
Cash and cash equivalents	\$ 70,475	\$ 70,475	\$ 70,475	\$ —	\$ —
Restricted cash	58,700	58,700	58,700	—	—
Loans receivable at amortized cost, net (Note 5)	295,781	316,962	—	—	316,962
Liabilities					
Accounts payable	7,277	7,277	7,277	—	—
Secured financing (Note 8)	87,000	87,000	—	87,000	—
Asset-backed notes at amortized cost (Note 8)	\$ 357,699	\$ 357,388	\$ —	\$ 357,388	\$ —

We use the following methods and assumptions to estimate fair value:

- *Cash, cash equivalents, restricted cash and accounts payable* - The carrying values of certain of the Company's financial instruments, including cash and cash equivalents, restricted cash and accounts payable, approximate Level 1 fair values of these financial instruments due to their short-term nature.
- *Loans receivable* - The fair value of loans receivable recorded at amortized cost were estimated by discounting the future expected cash flows using a required rate of return that management estimates would be used by a market participant.
- *Loans held for sale* - The fair values of loans held for sale are based on a negotiated agreement with the purchaser.
- *Secured financing and asset-backed notes* - The fair values of secured financing and asset-backed notes recorded at carrying value have been calculated using discount rates equivalent to the weighted-average market yield of comparable debt securities. The Company's asset-backed notes are valued by independent pricing services and brokers using quoted prices for identical or similar notes, which are Level 2 input measures.

There were no transfers in or out of Level 1, Level 2 or Level 3 assets and liabilities for the years ended December 31, 2019, 2018 and 2017.

15. Leases, Commitments and Contingencies

Leases - The Company's leases are primarily of real property consisting of retail locations and office space and have remaining lease terms of 10 years or less.

As described in Note 2, the Company adopted ASU 2016-02, *Leases*, as of January 1, 2019, using the modified retrospective transition approach. The Company has elected the practical expedient to keep leases with terms of 12 months or less off the balance sheet as no recognition of a lease liability and a right-of-use asset is required. Operating lease expense is recognized on a straight-line basis over the lease term in "Technology and facilities" in the Consolidated Statements of Operations and Comprehensive Income.

Most of the Company's existing lease arrangements are classified as operating leases under the new standard. At the inception of a contract, the Company determines if the contract is or contains a lease. At the commencement date of a lease, the Company recognizes a lease liability equal to the

present value of the lease payments and a right-of-use asset representing the Company's right to use the underlying asset for the duration of the lease term. The Company's leases include options to extend or terminate the arrangement at the end of the original lease term. The Company generally does not include renewal or termination options in its assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. Variable lease payments and short-term lease costs were deemed immaterial. The Company's leases do not provide an explicit rate. The Company uses its contractual borrowing rate to determine lease discount rates.

As of December 31, 2019, maturities of lease liabilities, excluding short-term leases and leases on a month-to-month basis, were as follows:

(in thousands)	Operating Leases	
Lease Expense		
2020	\$	15,227
2021		12,439
2022		9,663
2023		8,340
2024		7,488
Thereafter		7,293
Total lease payments		60,450
Imputed interest		(6,240)
Total leases	\$	54,210
Sublease income		
2020	\$	(861)
2021 and Thereafter		—
Total lease payments		(861)
Imputed interest		8
Total sublease income	\$	(853)
Net lease liabilities	\$	53,357
Weighted average remaining lease term		5.0 years
Weighted average discount rate		4.49%

Future minimum lease payments under these non-cancelable leases having initial terms in excess of one year at December 31, 2018, under ASC 840, *Leases*, were as follows (in thousands):

(in thousands)	Operating Leases	
Lease Expense		
2019	\$	12,994
2020		12,558
2021		10,035
2022		7,640
2023		6,500
Thereafter		12,767
Total lease payments	\$	62,494

Rental expenses under operating leases for the years ended December 31, 2019, 2018 and 2017 were \$18.2 million, \$16.0 million and \$11.4 million, respectively.

Purchase Commitment - The Company has commitments to purchase information technology and communication services in the ordinary course of business, with various terms through 2023. These amounts are not reflective of the Company's entire anticipated purchases under the related agreements; rather, they are determined based on the non-cancelable amounts to which the Company is contractually obligated. The Company's purchase obligations are \$7.3 million in 2020, \$6.6 million in 2021, \$2.7 million in 2022, \$0.2 million in 2023, and \$0.0 million in 2024 and thereafter.

Whole Loan Sale Program - The Company has a commitment to sell to a third-party financial institution 10% of its unsecured loan originations that satisfy certain eligibility criteria, and an additional 5% at the Company's sole option. For details regarding the whole loan sale program, refer to Note 6, *Loans Held for Sale*.

Access Loan Whole Loan Sale Program - In July 2017, the Company entered into a whole loan sale transaction with a financial institution with a commitment to sell 100% of the originations pursuant to the Company's Access Loan Program and service the sold loans. For details regarding the Access Loan Whole Loan Sale Program, refer to Note 6, *Loans Held for Sale*.

Unfunded Loan and Credit Card Commitments - Unfunded loan and credit card commitments at December 31, 2019 and 2018 were \$2.3 million and \$0.7 million, respectively.

Litigation - On January 2, 2018, a complaint, captioned Opportune LLP v. Oportun, Inc. and Oportun, LLC, Civil Action No. 4:18-cv-00007, or the Opportune Lawsuit, was filed by plaintiff Opportune LLP in the United States District Court for the Southern District of Texas, against us and our wholly-owned subsidiary, Oportun, LLC. The complaint alleged various claims for trademark infringement, unfair competition, trademark dilution and misappropriation against us and Oportun, LLC and called for injunctive relief requiring us and Oportun, LLC to cease using its marks, as well as monetary damages related to the claims. In addition, on January 2, 2018, the plaintiff initiated a cancellation proceeding, Proceeding No. 92067634, before the Trademark Trial and Appeal Board seeking to cancel certain of our trademarks, or the Cancellation Proceeding and, together with the Opportune Lawsuit, the Opportune Matter. On March 5, 2018, the Trademark Trial and Appeal Board granted our motion to suspend the Cancellation Proceeding pending final disposition of the Opportune Lawsuit. On April 24, 2018, the District Court granted our motion to partially dismiss the complaint, dismissing Plaintiff's misappropriation claim. On February 22, 2019, Plaintiff filed an amended complaint adding an additional claim under the Anti-Cybersquatting Protection Act to the remaining claims in the original complaint. On August 30, 2019, we filed a motion for summary judgment on all of Plaintiff's claims. On January 22, 2020, the District Court issued its decision denying our motion for summary judgment. No trial date has been set. In connection with discussions regarding settlement of the Opportune Matter, the Company has recorded a liability of \$1.9 million within Other liabilities and a corresponding insurance recovery receivable of \$1.0 million within Other assets on the Consolidated Balance Sheets as of December 31, 2019. The income statement impact of \$0.9 million was recorded through General, administrative and other on the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2019. Actual results could differ from these estimates.

See Item 3. Legal Proceedings for additional information regarding legal proceedings in which the Company is involved.

16. Subsequent Events

Subsequent to the balance sheet date of December 31, 2019, the Company's wholly-owned subsidiary, Oportun Funding VI, LLC, the issuer under the 2017-A asset backed securitization transaction, provided notice on February 21, 2020 to the trustee that they had elected to redeem all \$160.0 million of outstanding 2017-A Notes on March 9, 2020 and satisfy and discharge Oportun Funding VI, LLC's obligations under the 2017-A Notes and the indenture. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Current debt facilities" and Note 8, Borrowings.

17. Selected Quarterly Financial Data (Unaudited)

As a "Smaller Reporting Company" as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

As of December 31, 2019, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This evaluation was conducted under the supervision of, and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on our evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2019 our disclosure controls and procedures were effective to provide the reasonable assurance described above.

Exemption from Management's Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of Exchange Act that occurred during the during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Our disclosure controls and procedures and our internal controls over financial reporting have been designed to provide reasonable assurance of achieving their objectives. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 with respect to executive officers is incorporated by reference to our Company's definitive proxy statement for the 2020 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days of the Company's fiscal year-ended December 31, 2019 (the "Proxy Statement").

Information required by Item 10 for matters other than executive officers is incorporated by reference to the Proxy Statement.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference to the information presented in the Proxy Statement.

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

The information required by Item 12 is incorporated by reference to the information presented in the Proxy Statement.

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

The information required by Item 13 is incorporated by reference to the information presented in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the information presented in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) The following consolidated financial statements of Oportun, Inc. and its subsidiaries are included in PART II - Item 8:

Consolidated Balance Sheets, December 31, 2019 and 2018

Consolidated Statements of Operations and Comprehensive Income, years ended December 31, 2019, 2018, and 2017

Consolidated Statements of Changes in Stockholders' Equity, years ended December 31, 2019, 2018, and 2017

Consolidated Statements of Cash Flow, years ended December 31, 2019, 2018, and 2017

Notes to the Consolidated Financial Statements

(2) Financial Statement Schedules:

All other schedules have been omitted because they are either not required or inapplicable.

(3) Exhibits:

Exhibits are listed in the Exhibit Index below.

Item 16. Form 10-K Summary

None.

Exhibit Index

Exhibit	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.3	Description of the Company's Capital Stock					x
10.1	Seventh Amendment to Base Indenture by and between Oportun Funding V, LLC and Wilmington Trust, National Association, dated as of November 4, 2019					x
10.2 †	Amendment No. 4 to Amended and Restated Purchase and Sale Agreement by and between Oportun, Inc. and ECL Funding LLC, dated as of January 31, 2020.					x
21.1	List of Subsidiaries of Oportun Financial Corporation					x
24.1	Power of Attorney (incorporated by reference to the signature page to this Annual Report on Form 10-K)					x
31.1	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Executive Officer and Director of Oportun Financial Corporation					x
31.2	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Financial Officer and Chief Administrative Officer of Oportun Financial Corporation					x
32.1	Section 1350 Certifications					x
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Changes in Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements					
104	Cover Page Interactive Data File in Inline XBRL format (included in Exhibit 101).					

† Portions of this exhibit have been omitted from the exhibit because they are both not material and would be competitively harmful if publicly disclosed.

* The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

Signatures

OPORTUN FINANCIAL CORPORATION
(Registrant)

Pursuant to the requirements of Section 13 or 15(d) 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, on February 28, 2020.

Date: February 28, 2020

By: /s/ Jonathan Coblentz

Jonathan Coblentz
Chief Financial Officer and Chief Administrative Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

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

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

/s/ Raul Vazquez
Raul Vazquez
(President, Chief Executive Officer, and Director)
(Principal Executive Officer)

/s/ Jonathan Coblentz
Jonathan Coblentz
(Chief Financial Officer and Chief Administrative Officer)
(Principal Financial and Accounting Officer)

/s/ Aida M. Alvarez
Aida M. Alvarez
(Director)

/s/ Jo Ann Barefoot
Jo Ann Barefoot
(Director)

/s/ Louis P. Miramontes
Louis P. Miramontes
(Director)

/s/ Carl Pascarella
Carl Pascarella
(Director)

/s/ David Strohm
David Strohm
(Director)

/s/ R. Neil Williams
R. Neil Williams
(Director)

DESCRIPTION OF CAPITAL STOCK

General

The following description summarizes the most important terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this "Description of Capital Stock," you should refer to our amended and restated certificate of incorporation and amended and restated bylaws, which are included as exhibits to our Annual Report on Form 10-K, and to the applicable provisions of Delaware law.

Our authorized capital stock consists of 1,100,000,000 shares, all with a par value of \$0.0001 per share, of which:

- 1,000,000 shares are designated as common stock;
and
- 100,000,000 shares are designated as preferred stock.

Common Stock

Voting Rights

Each holder of our common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders, except as otherwise expressly provided in our amended and restated certificate of incorporation or required by applicable law. Cumulative voting for the election of directors is not provided for in our amended and restated certificate of incorporation, which means that the holders of a majority of our shares of common stock can elect all of the directors then standing for election.

In accordance with our amended and restated certificate of incorporation, our board of directors is divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election.

Dividends and Distributions

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding shares of preferred stock and payment of other claims of creditors.

The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock that we may designate and issue in the future.

Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

Preferred Stock

Our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 100,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that these holders of common stock will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. No shares of preferred stock are currently outstanding, and we have no present plan to issue any shares of preferred stock.

Anti-Takeover Provisions

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Our amended and restated certificate of incorporation provides for our board of directors to be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the voting power of our shares of common stock outstanding will be able to elect all of our directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide that all stockholder actions must be effected at a duly called meeting of stockholders and not by consent in writing. A special meeting of stockholders may be called only by a majority of our whole board of directors, the chair of our board of directors, or our chief executive officer.

Our amended and restated certificate of incorporation further provides that the affirmative vote of holders of at least sixty-six and two-thirds percent (66²/₃%) of the voting power of all of the then outstanding shares of voting stock, voting as a single class, will be required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to the size of the board, removal of directors, special meetings, actions by written consent and cumulative voting. The affirmative vote of holders of at least sixty-six and two-thirds percent (66²/₃%) of the voting power of all of the then outstanding shares of voting stock, voting as a single class, will be required to amend or repeal our bylaws, although our bylaws may also be amended by a simple majority vote of our board of directors.

The foregoing provisions makes it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of our company by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change the control of our company.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of our company. These provisions are also designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage certain tactics that may be used in proxy rights. However, these provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of deterring hostile takeovers or delaying changes in control of our company or our management. As a consequence, these provisions also may inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (1) persons who are directors and also officers and (2) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66²/₃% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Exclusive Forum

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, (4) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws, or (5) any action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. This provision would not apply to suits brought to enforce a duty or liability created by the Securities and Exchange Act of 1934, as amended, or the rules and regulations thereunder. However, this provision applies to claims under the Securities Act of 1933, as amended (the "Securities Act") claims and Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce a duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a provision, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Our amended and restated certificate of incorporation further provides that the U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. If a court were to find either exclusive forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition. For example, the Court of Chancery of the State of Delaware recently determined that the exclusive forum of provision of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable. However, this decision may be reviewed and ultimately overturned by the Delaware Supreme Court. If the Court of Chancery's decision were to be overturned, we would enforce the federal district court exclusive forum provision in our amended and restated certificate of incorporation.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Our amended and restated certificate of incorporation also provides that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to these choice of forum provisions.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company. The transfer agent's address is 6201 15th Avenue, Brooklyn, New York 11219.

OPORTUN FUNDING V, LLC

SEVENTH AMENDMENT TO THE BASE INDENTURE

This SEVENTH AMENDMENT TO THE BASE INDENTURE, dated as of November 4, 2019 (this "Amendment"), is entered into among OPORTUN FUNDING V, LLC, a special purpose limited liability company established under the laws of Delaware, as issuer (the "Issuer"), and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association with trust powers, as trustee (in such capacity, the "Trustee"), as securities intermediary (in such capacity, the "Securities Intermediary") and as depositary bank (in such capacity, the "Depositary Bank").

RECITALS

WHEREAS, the Issuer, the Trustee, the Securities Intermediary and the Depositary Bank have previously entered into that certain Base Indenture, dated as of August 4, 2015 (as amended, modified or supplemented prior to the date hereof, the "Base Indenture");

WHEREAS, the Issuer, the Trustee, the Securities Intermediary and the Depositary Bank have previously entered into that certain Series 2015 Supplement, dated as of August 4, 2015 (as amended, modified or supplemented prior to the date hereof, the "Series Supplement"); together with the Base Indenture, collectively, the "Indenture";

WHEREAS, concurrently herewith, (i) the Issuer, as purchaser, and Oportun, Inc. ("Oportun"), as seller, are entering into that certain Eighth Amendment to the Purchase and Sale Agreement, dated as of the date hereof, and (ii) the Issuer, Oportun, the Servicer, each Noteholder and the Back-up Servicer are entering into that certain Consent, dated as of the date hereof; and

WHEREAS, in accordance with Section 13.2 of the Base Indenture, the Issuer desires to amend the Base Indenture as provided herein.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each party hereto agrees as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Defined Terms Not Defined Herein. All capitalized terms used herein that are not defined herein shall have the meanings assigned to them in, or by reference in, the Indenture.

ARTICLE II

AMENDMENTS TO THE BASE INDENTURE

SECTION 2.01. Amendments. The Base Indenture is hereby amended to incorporate the changes reflected on the marked pages of the Base Indenture attached hereto as Schedule I.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Representations and Warranties. The Issuer hereby represents and warrants to the Trustee, the Securities Intermediary, the Depository Bank and each of the other Secured Parties that:

(a) Representations and Warranties. Both before and immediately after giving effect to this Amendment, the representations and warranties made by the Issuer in the Indenture and each of the other Transaction Documents to which it is a party are true and correct as of the date hereof (unless stated to relate solely to an earlier date, in which case such representations or warranties were true and correct as of such earlier date).

(b) Enforceability. This Amendment and the Indenture, as amended hereby, constitute the legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(c) No Defaults. No Rapid Amortization Event, Event of Default, Servicer Default or Block Event has occurred and is continuing.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Ratification of Base Indenture. As amended by this Amendment, the Base Indenture is in all respects ratified and confirmed and the Base Indenture, as amended by this Amendment, shall be read, taken and construed as one and the same instrument.

SECTION 4.02. Counterparts. This Amendment may be executed in any number of counterparts, and by different parties in separate counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 4.03. Recitals. The recitals contained in this Amendment shall be taken as the statements of the Issuer, and none of the Trustee, the Securities Intermediary or the Depository Bank assumes any responsibility for their correctness. None of the Trustee, the Securities

Intermediary or the Depository Bank makes any representations as to the validity or sufficiency of this Amendment.

SECTION 4.04. Rights of the Trustee, the Securities Intermediary and the Depository Bank. The rights, privileges and immunities afforded to the Trustee, the Securities Intermediary and the Depository Bank under the Indenture shall apply hereunder as if fully set forth herein.

SECTION 4.05. GOVERNING LAW; JURISDICTION. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES HERETO AND EACH SECURED PARTY HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HERETO AND EACH SECURED PARTY HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 4.06. Effectiveness. This Amendment shall become effective as of the date hereof upon:

- (a) receipt by the Trustee of an Issuer Order directing it to execute and deliver this Amendment;
- (b) receipt by the Trustee of an Officer's Certificate of the Issuer stating that the execution of this Amendment is authorized and permitted by the Indenture and all conditions precedent to the execution of this Amendment have been satisfied;
- (c) receipt by the Trustee of an Opinion of Counsel stating that the execution of this Amendment is authorized and permitted under the Indenture and all conditions precedent to the execution of this Amendment have been satisfied;
- (d) receipt by the Trustee of evidence of the consent of each Noteholder to this Amendment;
- (e) receipt by the Trustee of counterparts of this Amendment, duly executed by each of the parties hereto; and
- (f) receipt by the Trustee of such other instruments, documents, agreements and opinions reasonably requested by the Trustee prior to the date hereof.

(Signature page follows)

IN WITNESS WHEREOF, the Issuer, the Trustee, the Securities Intermediary and the Depositary Bank have caused this Amendment to be duly executed by their respective officers as of the day and year first above written.

OPORTUN FUNDING V, LLC,
as Issuer

By: /s/ Jonathan Coblentz

Name: Jonathan Coblentz
Title: Treasurer

Seventh Amendment to
Base Indenture (OF V)

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity but solely as Trustee

By: /s/ Drew Davis

Name: Drew Davis
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity but solely as Securities Intermediary

By: /s/ Drew Davis

Name: Drew Davis
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity but solely as Depository Bank

By: /s/ Drew Davis

Name: Drew Davis
Title: Vice President

Seventh Amendment to
Base Indenture (OF V)

SCHEDULE I

Amendments to the Base Indenture

OPORTUN FUNDING V, LLC,
as Issuer

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee, as Securities Intermediary and as Depositary Bank

BASE INDENTURE

Dated as of August 4, 2015

Variable Funding Asset Backed Notes
(Issuable in Series)

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BASE INDENTURE, dated as of August 4, 2015, between OPORTUN FUNDING V, LLC, a special purpose limited liability company established under the laws of Delaware, as issuer (the "Issuer") and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association with trust powers validly existing under the laws of the United States, as Trustee, as Securities Intermediary and as Depository Bank.

WITNESSETH:

WHEREAS, the Issuer has duly executed and delivered this Indenture to provide for the issuance from time to time of one or more Series of Notes, issuable as provided in this Indenture; and

WHEREAS, all things necessary to make this Indenture a legal, valid and binding agreement of the Issuer, enforceable in accordance with its terms, have been done, and the Issuer proposes to do all the things necessary to make the Notes, when executed by the Issuer and authenticated and delivered by the Trustee hereunder and duly issued by the Issuer, the legal, valid and binding obligations of the Issuer as hereinafter provided;

NOW, THEREFORE, for and in consideration of the premises and the receipt of the Notes by the Holders, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders, as follows:

GRANTING CLAUSE

The Issuer hereby grants to the Trustee on the Closing Date, for the benefit of the Trustee, the Noteholders and any other Person to which any Secured Obligations are payable (the "Secured Parties"), to secure the Secured Obligations, a continuing Lien on and security interest in all of the Issuer's right, title and interest in, to and under the following property whether now owned or hereafter acquired, now existing or hereafter created and wherever located (a) all Contracts and all Receivables that have been or may from time to time be conveyed, sold and/or assigned to the Issuer pursuant to the Purchase Agreement; (b) all Collections thereon received after the applicable Cut-Off Date; (c) all Related Security; (d) the Collection Account and any other account maintained by the Trustee for the benefit of the Secured Parties of any Series of Notes as trust accounts (each such account, a "Trust Account"), all monies from time to time deposited therein and all investments and other property from time to time credited thereto; (e) all certificates and instruments, if any, representing or evidencing any or all of the Trust Accounts or the funds on deposit therein from time to time; (f) all investments made at any time and from time to time with moneys in the Trust Accounts; (g) the Servicing Agreement and the Purchase Agreement; (h) all additional property that may from time to time hereafter (pursuant to the terms of any Series Supplement or otherwise) be subjected to the grant and pledge made by the Issuer or by anyone on its behalf; (i) all present and future claims, demands, causes and choses in action and all payments on or under the foregoing and (j) all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of all of the foregoing and the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, investment property, rights

to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Trust Estate").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Secured Obligations, equally and ratably without prejudice, priority or distinction except as set forth herein, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Issuer hereby assigns to the Trustee all of the Issuer's power to authorize an amendment to the financing statement filed with the Delaware Secretary of State relating to the security interest granted to the Issuer by the Seller pursuant to the Purchase Agreement; provided, however, that the Trustee shall be entitled to all the protections of Article 11, including Sections 11.1(g) and 11.2(k), in connection therewith, and the obligations of the Issuer under Sections 8.2(i) and 8.3(j) shall remain unaffected.

The Trustee, for the benefit of the Secured Parties, hereby acknowledges such Grant, accepts the trusts under this Indenture in accordance with the provisions of this Indenture and the Lien on the Trust Estate conveyed by the Issuer pursuant to the Grant, declares that it shall maintain such right, title and interest, upon the trust set forth, for the benefit of all Secured Parties, subject to Sections 11.1 and 11.2, and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Secured Parties may be adequately and effectively protected.

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1. Definitions. Certain capitalized terms used herein (including the preamble and the recitals hereto) shall have the following meanings:

“Access Loan Receivable” means each of the consumer loans that were (i) originated by the Seller, the Nevada Originator or any of their Affiliates pursuant to its “Access Loan” program (formerly known as the Seller’s “Starter Loan” program) intended to make credit available to select borrowers who do not qualify for credit under the Seller’s principal loan origination program, (ii) identified on the Seller’s, the Servicer’s or, if applicable, the Nevada Originator’s books as an Access Loan Receivable as of the date of origination, and (iii) identified by the Seller from time to time in writing to the Noteholders on a schedule of Access Loan Receivables, substantially in the form of Exhibit B to the Purchase Agreement.

“ADS Score” means the credit score for an Obligor referred to as the “Alternative Data Score” determined by the Seller in accordance with its proprietary scoring method.

“Adverse Claim” means a Lien on any Person’s assets or properties in favor of any other Person (including any UCC financing statement or any similar instrument filed against such Person’s assets or properties), other than a Permitted Encumbrance.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting stock, by contract or otherwise.

“Agent” means any Transfer Agent and Registrar or Paying Agent.

“Aggregate Class A Note Principal” has, with respect to any Series of Notes, the meaning specified in the related Series Supplement.

“Amortization Period” has, with respect to any Series of Notes, the meaning specified in the related Series Supplement.

“Applicants” has the meaning specified in Section 4.2(b).

“Back-Up Servicer” has the meaning specified in the Servicing Agreement.

“Back-Up Servicing Agreement” has the meaning specified in the Servicing Agreement.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as amended from time to time, and as codified as 11 U.S.C. Section 101 et seq.

“Base Indenture” means this Base Indenture, dated as of the Closing Date, between the Issuer and the Trustee, as amended, restated, modified or supplemented from time to time, exclusive of Series Supplements.

“Benefit Plan Investor” mean an “employee benefit plan” as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, a “plan” as described in Section 4975 of the Code, which is subject to Section 4975 of the Code, or an entity deemed to hold plan assets of any of the foregoing.

“Borrowing Base Amount” means, on any date of determination, the Outstanding Receivables Balance of all Eligible Receivables (other than any Eligible Receivables that would cause the Concentration Limits to be exceeded).

“Borrowing Base Shortfall” means, on any date of determination, the excess, if any, of (i) the sum of the Aggregate Class A Note Principal plus the Required Overcollateralization Amount, over (ii) the Borrowing Base Amount.

“Business Day” unless otherwise specified in a Series Supplement, means any day that DTC is open for business at its office in New York City and any day other than a Saturday, Sunday or other day on which banking institutions or trust companies in the States of California, Florida, Illinois, Missouri, New York or Texas are authorized or obligated by Law to be closed.

“Capital Stock” means, with respect to any Person, any and all common shares, preferred shares, interests, participations, rights in or other equivalents (however designated) of such Person’s capital stock, partnership interests, limited liability company interests, membership interests or other equivalent interests and any rights (other than debt securities convertible into or exchangeable for capital stock), warrants or options exchangeable for or convertible into such capital stock or other equity interests.

“Capitalized Lease” of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

“Change in Control” means any of the following:

(a) with respect to Oportun Financial Corporation (f/k/a Progreso Financiero Holdings, Inc.):

(i) any “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the voting power of the then outstanding Capital Stock of Oportun Financial Corporation entitled to vote generally in the election of the directors of Oportun Financial Corporation; or

(ii) Oportun Financial Corporation consolidates with or merges into another corporation (other than a Subsidiary of Oportun Financial Corporation or conveys,

transfers or leases all or substantially all of its property to any person (other than a Subsidiary of Oportun Financial Corporation), or any corporation (other than a Subsidiary of Oportun Financial Corporation) consolidates with or merges into Oportun Financial Corporation, in either event pursuant to a transaction in which the outstanding Capital Stock of Oportun Financial Corporation is reclassified or changed into or exchanged for cash, securities or other property;

(b) the failure of Oportun Financial Corporation (f/k/a Progreso Financiero Holdings, Inc.) to, directly or indirectly through its Subsidiaries, own 100% of the equity interest of the Seller free and clear of any Lien; or

(c) the failure of the Seller to, directly or indirectly through its Subsidiaries, own 100% of the equity interest of the initial Servicer, the Nevada Originator and the Issuer, in each case free and clear of any Lien.

“Class” means, with respect to any Series, any one of the classes of Notes of that Series as specified in the related Series Supplement.

“Closing Date” means August 4, 2015.

“Code” means the Internal Revenue Code of 1986, as amended, and the rules and Treasury Regulations promulgated thereunder.

“Collateral Trustee” means initially Wilmington Trust, National Association, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor collateral trustee appointed in accordance with the provisions of the Intercreditor Agreement.

“Collection Account” has the meaning specified in Section 5.3(a).

“Collections” means, with respect to any Receivable, all cash collections and other cash proceeds of such Receivable made by or on behalf of Obligors, including, without limitation, all principal, Finance Charges and cash proceeds of Related Security with respect to such Receivable and any Deemed Collections in each case, received after the Cut-Off Date; provided, however, that, if not otherwise specified, the term “Collections” shall refer to the Collections on all the Receivables collectively together with any Investment Earnings and any other funds received with respect to the Trust Estate.

“Commission” means the U.S. Securities and Exchange Commission, and its successors.

“Concentration Limits” shall be deemed exceeded if any of the following is true on any date of determination (unless otherwise specified below, “weighted average” refers to an average weighted by Outstanding Receivables Balance):

(i) the aggregate Outstanding Receivables Balance of all Re-Written Receivables and Re-Aged Receivables that are Eligible Receivables exceeds 5.0% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;

- (ii) the weighted average fixed interest rate of all Eligible Receivables is less than 28.0%;
- (iii) the weighted average term to maturity of all Eligible Receivables exceeds forty-one (41) months;
- (iv) the weighted average credit score of the related Obligors of all Eligible Receivables (excluding any Eligible Receivables the Obligor of which has no (or a zero) credit score) is less than: (x) ADS Score: 700, (y) PF Score: 640 and (z) VantageScore: 600;
- (v) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligors of which have credit scores within the following credit score bucket: ADS Score: less than or equal to 560 (the “ADS Score Threshold”), exceeds 5.0% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;
- (vi) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligors of which have credit scores within the following credit score bucket: PF Score: less than or equal to 500 (the “PF Score Threshold”), exceeds 5.0% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;
- (vii) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligors of which have credit scores within the following credit score bucket: VantageScore: less than or equal to 520 (the “VantageScore Threshold”), exceeds 5.0% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;
- (viii) the sum (with duplication) of (x) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligors of which do not exceed the ADS Score Threshold, plus (y) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligors of which do not exceed the PF Score Threshold, plus (z) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligors of which do not exceed the VantageScore Threshold, exceeds 9.75% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;
- (ix) the aggregate Outstanding Receivables Balance of all Eligible Receivables with Original Receivables Balances of less than \$800 exceeds 10.0% of the Outstanding Receivables Balance of all Eligible Receivables;
- (x) the aggregate Outstanding Receivables Balance of all Eligible Receivables with Original Receivables Balances of greater than \$6,000 is less than 20.0% of the Outstanding Receivables Balance of all Eligible Receivables;
- (xi) the aggregate Outstanding Receivables Balance of all Eligible Receivables that are not Renewal Receivables exceeds 40.0% of the Outstanding Receivables Balance of all Eligible Receivables;

(xii) the aggregate Outstanding Receivables Balance of all Eligible Receivables that have an annual percentage rate greater than or equal to 60.0% exceeds 5% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;

(xiii) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligors of which do not reside in Arizona, California, Florida, Illinois, Nevada, Texas or Utah at the time of loan originations exceeds 5% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;

(xiv) the aggregate Outstanding Receivables Balance of all Eligible Receivables that are On-line Receivables exceeds 4.0% of the aggregate Outstanding Receivables Balance of all Eligible Receivables; or

(xv) the aggregate Outstanding Receivables Balance of all Deferment Receivables that are Eligible Receivables and have received a payment deferment during the Monthly Period preceding such date of determination exceeds 1.0% of aggregate Outstanding Receivable Balance of all Eligible Receivables.

“Consolidated Parent” means initially, Oportun Financial Corporation (f/k/a Progreso Financiero Holdings, Inc.), a Delaware corporation, and any successor to Oportun Financial Corporation as the indirect or direct parent of Oportun, the financial statements of which are for financial reporting purposes consolidated with Oportun in accordance with GAAP, or if there is none, then Oportun.

“Contract” means any promissory note or other loan documentation originally entered into (i) between the Seller and an Obligor in connection with consumer loans made by the Seller to such Obligor in the ordinary course of its business or (ii) between the Nevada Originator and an Obligor in connection with consumer loans made by the Nevada Originator to such Obligor in the ordinary course of its business and subsequently acquired by the Seller.

“Contractual Obligation” means, with respect to any Person, any provision of any security issued by that Person or of any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

“Control Agreement” means the Deposit Account Control Agreement, dated as of June 28, 2013, among the initial Servicer, Deutsche Bank Trust Company Americas, as collateral trustee, Oportun and Bank of America, N.A., as supplemented by the Notice of Assignment, dated as of December 7, 2018, among Bank of America, N.A., Deutsche Bank Trust Company Americas, as outgoing collateral trustee, and the Collateral Trustee, and as the same may be further amended or supplemented from time to time.

“Corporate Trust Office” means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of the execution of this Base Indenture is located at 1100 North Market Street, 3rd Floor, Wilmington, Delaware 19890, Attention: Corporate Trust Administration – Oportun V Funding.

“Coverage Test” has the meaning specified in Section 5.4(c).

“Credit and Collection Policies” means the Seller’s and the Servicer’s credit and collection policy or policies relating to Contracts and Receivables and referred to in Exhibit C to the Servicing Agreement, as the same is amended, supplemented or otherwise modified and in effect from time to time in accordance with Section 2.12(c) of the Servicing Agreement; provided, however, if the Servicer is any Person other than the initial Servicer, “Credit and Collection Policies” shall refer to the collection policies of such Servicer as they relate to receivables of a similar nature to the Receivables.

“Cut-Off Date” shall have the meaning set forth in the Series Supplement.

“Decrease” shall have the meaning set forth in the applicable Series Supplement.

“Deemed Collections” means in connection with any Receivable, all amounts payable (without duplication) with respect to such Receivable, by (i) the Seller pursuant to Section 2.4 of the Purchase Agreement, and/or (ii) the initial Servicer pursuant to Section 2.02(f) or Section 2.08 of the Servicing Agreement.

“Default” means any occurrence that is, or with notice or lapse of time or both would become, an Event of Default, a Servicer Default or a Rapid Amortization Event.

“Defaulted Receivable” means a Receivable (i) as to which any scheduled payment, or part thereof, remains unpaid for 120 days or more past the due date for such payment determined by reference to the contractual payment terms, as amended, of such Receivable, (ii) the Obligor thereon has died or is suffering or has suffered an Event of Bankruptcy or (iii) which (a) consistent with the Credit and Collection Policies, would be written off the Issuer’s, the Seller’s, the Nevada Originator’s or the Servicer’s books as uncollectible or (b) has been charged off or otherwise written off the Issuer’s, the Seller’s, the Nevada Originator’s or the Servicer’s books as uncollectible.

“Deferment Receivable” means any Receivable that has had one or more payments deferred and added at the end of the loan payment schedule in accordance with the Credit and Collection Policy, provided however, that Deferment Receivable shall not include any Receivable where a payment has been deferred in connection with a federally designated disaster in accordance with the Credit and Collection Policy. For the avoidance of doubt, a Deferment Receivable is not a Re-Aged Receivable.

“Definitive Notes” has the meaning specified in Section 2.16(f).

“Delaware LLC” means any limited liability company organized or formed under the laws of the State of Delaware.

“Delaware LLC Division” means the statutory division of any Delaware LLC into two or more Delaware LLCs pursuant to Section 18-217 of the Delaware Limited Liability Company Act.

“Delinquent Receivable” means a Receivable (other than a Defaulted Receivable) as to which all or any part of a scheduled payment remains unpaid for thirty (30) days or more from the due date for such payment.

“Depository Bank” has the meaning specified in Section 5.3(f) and shall, as of the Trustee Replacement Date, be Wilmington Trust, National Association.

“Determination Date” means, unless otherwise specified in the related Series Supplement, the third Business Day prior to each Payment Date.

“Dollars” and the symbol “\$” mean the lawful currency of the United States.

“Eligible Receivable” means each Receivable:

(a) that was originated by the Seller or the Nevada Originator, as applicable, in compliance with all applicable Requirements of Law (including without limitation all Laws relating to truth in lending, fair credit billing, fair credit reporting, fair debt collection practices, privacy and any applicable usury laws) and which, along with the related Contract, complies with all applicable Requirements of Law (other than non-compliance that has no adverse effect on the obligations of the Obligor and creates no financial liability or other loss, cost or expense for the Issuer and does not have any other Material Adverse Effect);

(b) with respect to which all consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Seller or the Nevada Originator in connection with the creation or the execution, delivery and performance of such Receivable, or by the Issuer in connection with its ownership of, or the administration or servicing of, such Receivable and the related Contract have been duly obtained, effected or given and are in full force and effect (including with respect to the Issuer, without limitation, the Texas License and the Illinois License, in each case if applicable to such Receivable) (other than non-compliance that has no adverse effect on the obligations of the Obligor and creates no financial liability or other loss, cost or expense for the Issuer and does not have any other Material Adverse Effect);

(c) as to which, at the time of the sale of such Receivable (x) to the Issuer, the Seller was the sole owner thereof and had good and marketable title thereto free and clear of all Liens and (y) if applicable, to the Seller by the Nevada Originator, the Nevada Originator was the sole owner thereof and had good and marketable title thereto free and clear of all Liens;

(d) that is, and the related Contract of which is, the legal, valid and binding payment obligation of the Obligor thereof enforceable against such Obligor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, receivership, conservatorship or other Laws now or hereafter in effect, affecting the rights of creditors generally and except as such enforcement may be limited by general principles of equity (whether considered in a proceeding at law or in equity), and is not subject to any right of

rescission, setoff, counterclaim or defense (including the defense of usury) or to any repurchase obligation or return right;

(e) that constitutes a “general intangible”, “instrument” or “account,” in each case under and as defined in Article 9 of the UCC of all applicable jurisdictions;

(f) that was established in accordance with the Credit and Collection Policies in the regular and ordinary course of the business of the Seller or the Nevada Originator, as applicable;

(g) that is denominated and payable in Dollars, is only payable in the United States of America and each Obligor in respect of which are residents of, and have provided a billing address in, the United States of America;

(h) that is not a Delinquent Receivable;

(i) that has an original and remaining term to maturity of no more than fifty-one (51) months;

(j) that has an Outstanding Receivables Balance equal to or less than (i) if such Receivable is a Renewal Receivable, \$11,250, or (ii) otherwise, \$7,200;

(k) that has (x) a fixed interest rate that is greater than or equal to 15.0% and (y) an annual percentage rate that does not exceed 66.9%;

(l) that is not evidenced by a judgment or has been reduced to judgment;

(m) that is not a Defaulted Receivable;

(n) that is not a revolving line of credit;

(o) the terms of which have not been modified or waived except as permitted under the Credit and Collection Policies or the Transaction Documents;

(p) that has no Obligor thereon that is either (x) a Governmental Authority or (y) a Person subject to Sanctions;

(q) that has no Obligor thereon that is the Obligor of a Defaulted Receivable;

(r) the assignment of which (x) to the Issuer does not contravene or conflict with any Law or any contractual or other restriction, limitation or encumbrance, and the sale or assignment of which does not require the consent of the Obligor thereof and (y) if applicable, to the Seller from the Nevada Originator does not contravene or conflict with any Law or any contractual or other restriction, limitation or encumbrance, and the sale or assignment of which does not require the consent of the Obligor thereof;

(s) the related Contract provides for repayment in full of the principal balance thereof in equal installments not less frequently than monthly;

(t) the proceeds of the related Contract are fully disbursed, there is no requirement for future advances under such Contract and neither the Seller nor the Nevada Originator has any further obligations under such Contract;

(u) as to which (1) the Sub-Custodian is in possession of a full and complete Receivable File in physical or electronic format within a reasonable time following the date that such Receivable File was transferred to the Issuer pursuant to the Purchase Agreement and (2) prior to delivery to the Sub-Custodian, the Custodian is in possession of a full and complete Receivable File in physical or electronic format;

(v) that represents the undisputed, bona fide transaction created by the lending of money by the Seller or the Nevada Originator, as applicable, in the ordinary course of business and completed in accordance with the terms and provision contained in the related Contract;

(w) as to which a Concentration Limit would not be exceeded at the time of the sale, transfer or assignment of such Receivable to the Issuer or, in connection with Re-Written Receivables involving the modification of a Receivable, at the time of such modification;

(x) as to which the related Obligor has not brought any claim, litigation or action against the Seller, the Servicer, the Nevada Originator or any Affiliate thereof with respect to such Receivable or the related Contract;

(y) with respect to which none of the Seller, the Nevada Originator or the Issuer is maintaining a specific and separate reserve for credit losses on such Receivable (other than any general reserve that is maintained by any such Person in accordance with its policies in accordance with GAAP);

(z) that if originated by the Nevada Originator, the Obligor in respect of which is a resident of, and has provided the Servicer a billing address in, the State of Nevada; and

(aa) that is not an Access Loan Receivable unless each Noteholder has consented in writing to the purchase by the Issuer of Access Loan Receivables.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“ERISA Affiliate” means, with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as such Person; (ii) any trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with such Person; or (iii) any member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as such Person.

“ERISA Event” means any of the following: (i) the failure to satisfy the minimum funding standard under Section 302 of ERISA or Section 412 of the Code with respect to any Pension Plan; (ii) the filing by the Pension Benefit Guaranty Corporation or a plan administrator of any notice relating to an intention to terminate any Pension Plan or Pension Plans or an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or grounds to appoint a trustee to administer any Pension Plan; (iii) the complete withdrawal or partial withdrawal by any Person or any of its ERISA Affiliates from any Multiemployer Plan; (iv) any “reportable event” as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Pension Plan (other than an event for which the 30-day notice period is waived), (v) the commencement of proceedings by the Pension Benefit Guaranty Corporation to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the termination of any Pension Plan (vi) the receipt by the Issuer, the Seller, the initial Servicer, or any ERISA Affiliate of any notice concerning a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; or (vii) the imposition of any liability under Title IV of ERISA, other than for Pension Benefit Guaranty Corporation premiums due but not delinquent under Section 4007 of ERISA, upon any Person or any of its ERISA Affiliates with respect to a Pension Plan or Multiemployer Plan.

“Event of Bankruptcy” shall be deemed to have occurred with respect to a Person if:

(a) a Proceeding shall be commenced, without the application or consent of such Person, before any Governmental Authority, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or adjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any Law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and in the case of any Person, such Proceeding shall continue undismissed, or unstayed and in effect, for a period of sixty (60) consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy Laws or other similar Laws now or hereafter in effect; or

(b) such Person shall (i) consent to the institution of (except as described in the proviso to clause (a) above) any Proceeding or petition described in clause (a) of this definition, or (ii) commence a voluntary Proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar Law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

“Event of Default” has the meaning specified in Section 10.1.

“Exit Fee” has the meaning specified in Section 2.16(b).

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

“FATCA” means the Foreign Account Tax Compliance Act provisions, sections 1471 through to 1474 of the Code (including any regulations or official interpretations issued with respect thereof or agreements thereunder and any amended or successor provisions).

“FATCA Withholding Tax” means any withholding or deduction required pursuant to FATCA.

“FDIC” means the Federal Deposit Insurance Corporation.

“Fee Letter” shall have the meaning set forth in the Series Supplement.

“Field Collections” has the meaning specified in the Servicing Agreement.

“Finance Charges” means any finance, interest, late, servicing or similar charges or fees owing by an Obligor pursuant to the Contracts plus all Recoveries.

“Fiscal Year” means any period of twelve consecutive calendar months ending on December 31.

“Fitch” means Fitch, Inc.

“GAAP” means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board, the American Institute of Certified Public Accountants or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended, and with respect to determinations or calculations to be made by a Person other than a successor Servicer, applied on a basis consistent with the most recent audited financial statements of Consolidated Parent before the Closing Date.

“Governmental Authority” means any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of any such government or political subdivision, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

“Grant” means the Issuer’s grant of a Lien on the Trust Estate as set forth in the Granting Clause of this Base Indenture.

“Holder” means the Person in whose name a Note is registered in the Note Register or such other Person deemed to be a “Holder” in any related Series Supplement.

“Illinois License” a license issued by the Illinois Department of Financial & Professional Regulation to own consumer loans made to Illinois residents.

“In-Store Payments” has the meaning specified in the Servicing Agreement.

“Indebtedness” means, with respect to any Person, such Person’s (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property other than accounts

payable arising in the ordinary course of such Person's business on terms customary in the trade, (iii) obligations, whether or not assumed, secured by Liens on or payable out of the proceeds or production from, property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) Capitalized Lease obligations and (vi) obligations of another Person of a type described in clauses (i) through (v) above, for which such Person is obligated pursuant to a guaranty, put or similar arrangement.

“Indenture” means the Base Indenture, together with all Series Supplements, as the same maybe amended, restated, modified or supplemented from time to time.

“Indenture Termination Date” has the meaning specified in Section 12.1.

“Independent” means, when used with respect to any specified Person, that such Person (a) is in fact independent of the Issuer, any other obligor upon the Notes, the initial Servicer, the Seller and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the initial Servicer, the Seller or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the initial Servicer, the Seller or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

“Independent Certificate” means a certificate or opinion to be delivered to the Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 15.1, prepared by an Independent appraiser or other expert appointed by an Issuer Order and approved by the Trustee in the exercise of reasonable care, and such opinion or certificate shall state that the signer has read the definition of “Independent” in this Indenture and that the signer is Independent within the meaning thereof.

“Independent Director” has the meaning specified in Section 8.2(p).

“Intercreditor Agreement” means the Nineteenth Amended and Restated Intercreditor Agreement, substantially in the form of Exhibit D hereto, as such agreement may be amended, modified, waived, supplemented or restated from time to time.

“Interest Period” means, with respect to any Series of Notes, the period specified in the applicable Series Supplement.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Investment Earnings” means all interest and earnings (net of losses and investment expenses) accrued on funds on deposit in the Trust Accounts.

“Issuer” has the meaning specified in the preamble of this Base Indenture.

“Issuer Distributions” has the meaning specified in Section 5.4(c).

“Issuer Order” and “Issuer Request” means a written order or request signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Trustee.

“Law” means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority.

“Legal Final Payment Date” is defined, with respect to any Series of Notes, in the applicable Series Supplement.

“Lien” means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing) (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the UCC or comparable Law of any jurisdiction).

“Loan Loss Reserve Amount” means, on any date of determination, the product of (i) the Outstanding Receivables Balance of all Eligible Receivables at such time, times (ii) 12.0%, times (iii) a fraction, expressed as a percentage, (a) the numerator of which is equal to the number of days remaining in the current Monthly Period and (b) the denominator of which is equal to 360.

“Material Adverse Effect” means any event or condition which would have a material adverse effect on (i) the collectability of any material portion of the Receivables, (ii) the condition (financial or otherwise), businesses or properties of the Issuer, the Servicer, the Nevada Originator or the Seller, (iii) the ability of the Issuer, the Nevada Originator or the Seller to perform its respective obligations under the Transaction Documents or the ability of the Servicer to perform its obligations under the Servicer Transaction Documents or (iv) the interests of the Trustee or any Secured Party in the Trust Estate or under the Transaction Documents.

“Membership Interest” means an equity interest in the Issuer.

“Monthly Period” means, unless otherwise defined in any Series Supplement, the period from and including the first day of a calendar month to and including the last day of a calendar month; provided, however, that the first Monthly Period shall be the period from and including the Closing Date to and including August 31, 2015.

“Monthly Servicer Report” means a report substantially in the form attached as Exhibit A-1 to the Servicing Agreement or in such other form as shall be agreed between the Servicer (with prior consent of the Back-Up Servicer and the Required Noteholders) and the Trustee; provided, however, that no such other agreed form shall serve to exclude information expressly required by this Base Indenture or any Series Supplement.

“Monthly Statement” means, with respect to any Series of Notes, a statement substantially in the form attached in the relevant Series Supplement, with such changes as the Servicer (with

prior consent of the Back-Up Servicer and the Required Noteholders) may determine to be necessary or desirable; provided, however, that no such change shall serve to exclude information expressly required by this Base Indenture or any Series Supplement.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA with respect to which the Seller, the Issuer, the Servicer or any of their respective ERISA Affiliates is making, is obligated to make, or has made or been obligated to make, contributions.

“Net Third Party Purchase Price” has the meaning specified in Section 2.02(k) of the Servicing Agreement.

“Nevada Originator” means Oportun, LLC, a limited liability company established under the laws of Delaware.

“Note Principal” means the principal payable in respect of the Notes of any Series pursuant to Article 5.

“Note Purchase Agreement” has, with respect to any Series of Notes, the meaning stated in the related Series Supplement.

“Note Rate” means, with respect to any Series of Notes (or, for any Series with more than one Class, for each Class of such Series), the annual rate at which interest accrues on the Notes of such Series of Notes (or formula on the basis of which such rate shall be determined) as stated in the applicable Series Supplement, if any.

“Note Register” has the meaning specified in Section 2.6(a).

“Noteholders” means the Holders of the Notes.

“Notes” means any one of the variable funding notes issued by the Issuer, executed and authenticated by the Trustee substantially in the form of the note attached to the related Series Supplement or such other obligations of the Issuer deemed to be a “Note” in any related Series Supplement.

“Notice Person” means, with respect to any Series of Notes, the Person identified as such in the applicable Series Supplement.

“Obligor” means, with respect to any Receivable, the Person or Persons obligated to make payments with respect to such Receivable, including any guarantor thereof.

“Officer’s Certificate” means a certificate signed by any Responsible Officer of the Person providing the certificate.

“On-Line Receivable” has the meaning specified in the Purchase Agreement.

“Opinion of Counsel” means one or more written opinions of counsel to the Issuer, the Seller or the Servicer who (except in the case of opinions regarding matters of organizational standing, power and authority, conflict with organizational documents, conflict with agreements other than Transaction Documents, qualification to do business, licensure and litigation or other Proceedings) shall be external counsel, satisfactory to the Trustee, which opinions shall comply with any applicable requirements of Section 15.1 and TIA Section 314, if applicable, and shall be in form and substance satisfactory to the Trustee, and shall be addressed to the Trustee. An Opinion of Counsel may, to the extent same is based on any factual matter, rely on an Officer’s Certificate of the Issuer as to the truth of such factual matter.

“Oportun” means Oportun, Inc. (f/k/a Progress Financial Corporation), a Delaware corporation.

“Original Receivables Balance” means, with respect to any Receivable, an amount equal to the original principal balance of such Receivable at origination.

“Outstanding Receivables Balance” means, as of any date with respect to any Receivable, an amount equal to the outstanding principal balance for such Receivable; provided, however, that if not otherwise specified, the term “Outstanding Receivables Balance” shall refer to the Outstanding Receivables Balance of all Receivables collectively.

“Overcollateralization Test” has the meaning specified in Section 5.4(c).

“Parent” means Oportun Financial Corporation (f/k/a Progreso Financiero Holdings, Inc.).

“Paying Agent” means any paying agent appointed pursuant to Section 2.7 and shall initially be the Trustee.

“Payment Date” means, with respect to each Series, the dates specified in the related Series Supplement.

“Pension Plan” means an “employee pension benefit plan” as described in Section 3(2) of ERISA (excluding a Multiemployer Plan) that is subject to Title IV of ERISA or Section 302 of ERISA or 412 of the Code, and in respect of which the Issuer, the Seller, the initial Servicer or any ERISA Affiliate thereof is, or at any time during the immediately preceding six (6) years was, an “employer” as defined in Section 3(5) of ERISA, or with respect to which the Issuer, the Seller, the initial Servicer or any of their respective ERISA Affiliates has any liability, contingent or otherwise.

“Perfection Representations” means the representations, warranties and covenants set forth in Schedule 1 attached hereto.

“Performance Guaranty” means the Performance Guaranty, dated as of the Closing Date, between Oportun and the Trustee, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

“Permissible Uses” means the use of funds by the Issuer to (a) pay the Seller for Subsequently Purchased Receivables that are Eligible Receivables, (b) solely in connection with Issuer

Distributions pursuant to Section 5.4(c) and subject to the limitations therein, make distributions to the Issuer, or (c) pay amounts payable to Noteholders in connection with a Decrease.

“Permitted Encumbrance” means (a) with respect to the Issuer, any item described in clause (i), (iv) or (vi) of the following, and (b) with respect to the Seller, any item described in clauses (i) through (vi) of the following:

(i) Liens for taxes and assessments that are not yet due and payable or that are being contested in good faith and for which reserves have been established, if required in accordance with GAAP;

(ii) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Seller shall at any time in good faith be prosecuting an appeal or proceeding for a review and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(iii) Liens incidental to the conduct of business or the ownership of properties and assets (including mechanics’, carriers’, repairers’, warehousemen’s and statutory landlords’ liens and liens to secure the performance of leases) and Liens to secure statutory obligations, surety or appeal bonds or other Liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money, provided in each case, the obligation secured is not overdue, or, if overdue, is being contested in good faith by appropriate actions or Proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(iv) Liens in favor of the Trustee, or otherwise created by the Issuer, the Seller or the Trustee pursuant to the Transaction Documents, and the interests of mortgagees and loss payees under the terms of any Contract;

(v) Liens that, in the aggregate do not exceed \$250,000 (such amount not to include Permitted Encumbrances under clauses (i) through (iv) or (vi)) and which, individually or in the aggregate, do not materially interfere with the rights under the Transaction Documents of the Trustee or any Noteholder in any of the Receivables; and

(vi) any Lien created in favor of the Issuer or the Seller in connection with the purchase of any Receivables by the Issuer or the Seller and covering such Receivables, the related Contracts with respect to which are sold by the Seller to the Issuer pursuant to the Purchase Agreement.

“Permitted Investments” means book-entry securities, negotiable instruments or securities represented by instruments in bearer or registered form and that evidence:

(a) direct obligations of, and obligations fully guaranteed as to the full and timely payment by, the United States;

(b) demand deposits, time deposits or certificates of deposit of any depository institution or trust company incorporated under the Laws of the United States or any state thereof or the District of Columbia (or any domestic branch of a foreign bank) and subject to supervision and examination by federal or state banking or depository institution authorities (including depository receipts issued by any such institution or trust company as custodian with respect to any obligation referred to in clause (a) above or a portion of such obligation for the benefit of the holders of such depository receipts); provided that at the time of the investment or contractual commitment to invest therein (which shall be deemed to be made again each time funds are reinvested following each Payment Date), the commercial paper or other short-term senior unsecured debt obligations (other than such obligations the rating of which is based on the credit of a person other than such depository institution or trust company) of such depository institution or trust company shall have a credit rating from any Rating Agency in the highest investment category granted thereby;

(c) commercial paper (having maturities of not more than 30 days) of any corporation incorporated under the laws of the United States or any State thereof having, at the time of the investment or contractual commitment to invest therein, a rating from Fitch of “F2” or the equivalent thereof from Moody’s or Standard & Poor’s; or

(d) only to the extent permitted by Rule 3a-7 under the Investment Company Act, investments in money market funds having a rating from Fitch of “AA” or, to the extent not rated by Fitch, rated in the highest rating category by Moody’s, Standard & Poor’s or another nationally recognized statistical rating agency;

provided, however, that no such instrument will be a Permitted Investment if such instrument evidences either (i) a right to receive only interest payments with respect to the obligations underlying such instrument, or (ii) both principal and interest payments derived from obligations underlying such instrument and the principal and interest payments with respect to such instrument provide a yield to maturity of greater than 120% of the yield to maturity at par of such underlying obligations. Permitted Investments may be purchased by or through the Trustee or any of its Affiliates.

“Permitted Takeout” has the meaning specified in Section 2.16.

“Permitted Takeout Release” means an agreement in substantially the form of Exhibit C and entered into in connection with a Permitted Takeout.

“Person” means any corporation, limited liability company, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

“PF Score” means the credit score for an Obligor referred to as the “PF Score” determined by the Seller in accordance with its proprietary scoring method.

“Proceeding” means any suit in equity, action at law or other judicial or administrative proceeding.

“Purchase Agreement” means the Purchase and Sale Agreement, dated as of the Closing Date, between the Seller and the Issuer, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

“Purchase Date” has the meaning specified in the Purchase Agreement.

“Purchase Price” has the meaning specified in Section 2.16(d).

“Purchase Report” has the meaning specified in the Purchase Agreement.

“Qualified Institution” means a depository institution or trust company:

(a) whose commercial paper, short-term unsecured debt obligations or other short-term deposits have a rating commonly regarded as “investment grade” by at least one Rating Agency, if the deposits are to be held in the account for 30 days or less, or

(b) whose long-term unsecured debt obligations have a rating commonly regarded as “investment grade” by at least one Rating Agency, if the deposits are to be held in the account more than 30 days.

“Rapid Amortization Event” has the meaning specified in the related Series Supplement.

“Rating Agency” means any nationally recognized statistical rating organization.

“Re-Aged Receivable” means any Receivable, the contractual delinquency of which has been modified by the Servicer in accordance with the Credit and Collection Policy without changing the original periodic payment amounts of such Receivable.

“Re-Written Receivable” means (i) any Receivable which replaces an existing Receivable due and (ii) any Receivable which is modified using criteria consistent with the re-write provisions of the Credit and Collection Policies, and in either case, which does not involve the receipt of any new funds by such Obligor.

“Receivable” means the indebtedness of any Obligor under a Contract that is listed on the Receivables Schedule or identified on a Purchase Report, whether constituting an account, chattel paper, an instrument, a general intangible, payment intangible, promissory note or otherwise, and shall include (i) the right to payment of such indebtedness and any interest or finance charges and other obligations of such Obligor with respect thereto (including, without limitation, the principal amount of such indebtedness, periodic finance charges, late fees and returned check fees), and (ii) all proceeds of, and payments or Collections on, under or in respect of any of the foregoing. Notwithstanding the foregoing, upon release from the Trust Estate pursuant to Section 2.14 or Section 2.16 of a Removed Receivable or a Takeout Receivable, as applicable, such Receivable shall no longer constitute a Receivable. If a Contract is refinanced, the original Receivable shall be deemed collected and cease to be a Receivable for purposes of the Transaction Documents upon payment in accordance with Section 2.5 of the Purchase Agreement with respect thereto.

“Receivable File” has the meaning specified in the Purchase Agreement.

“Receivables Schedule” has the meaning specified in the Purchase Agreement.

“Record Date” means, with respect to any Payment Date, the last Business Day of the preceding Monthly Period.

“Records” means all Contracts and other documents, books, records and other information in physical or electronic format (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) maintained with respect to Receivables and the related Obligors.

“Recoveries” means, with respect to any period, all Collections (net of expenses) received during such period in respect of a Receivable after it became a Defaulted Receivable.

“Redemption Date” means the Payment Date specified by the initial Servicer or the Issuer pursuant to Section 14.1.

“Redemption Price” has the meaning specified in the Series Supplement for the redemption of the Notes.

“Registered Notes” has the meaning specified in Section 2.1.

“Related Rights” has the meaning stated in the Purchase Agreement.

“Related Security” means, with respect to any Receivable, all guaranties, indemnities, insurance and other agreements (including the related Receivable File) or arrangement and other collateral of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable.

“Removed Receivables” means any Receivable which is purchased or repurchased (i) by the initial Servicer (or its Affiliate) pursuant to Section 2.02(k) of the Servicing Agreement, (ii) by the initial Servicer pursuant to the last paragraph of Section 2.08 of the Servicing Agreement, (iii) by the Seller pursuant to the terms of the Purchase Agreement or (iv) by any other Person pursuant to Section 5.8 of the Indenture.

“Renewal Receivable” means a Receivable that satisfies the following conditions: (i) the Obligor was previously an obligor on another receivable originated by the Seller or the Nevada Originator, as applicable (the “Prior Receivable”), and (ii) the Obligor paid the Prior Receivable in cash in full or by net funding the Renewal Receivable proceeds (whether pursuant to the Seller’s or the Nevada Originator’s “Good Customer” program or otherwise) and such payment in full or net funding was not made in connection with the conversion of such Prior Receivable into a Re-Aged Receivable or a Re-Written Receivable.

“Repurchase Event” has the meaning specified in the Purchase Agreement.

“Required Monthly Payments” means, on any date of determination, (I) if such date of determination in any month is prior to the Payment Date occurring in such month, the sum of (a) the aggregate amount reasonably estimated by the Issuer in good faith to be distributable on the

next Payment Date under clauses (i)-(iv) of Section 5.15 of the related Series Supplement, plus (b) the aggregate amount reasonably estimated by the Issuer in good faith to be distributable on the second following Payment Date under clauses (i)-(iii) of Section 5.15 of the related Series Supplement that either (i) has accrued on or prior to such date of determination or (ii) will accrue during the fourteen day period beginning on (but excluding) such date of determination, plus (c) the aggregate amount reasonably estimated by the Issuer in good faith to be distributable on the second following Payment Date under clause (iv) of Section 5.15 of the related Series Supplement and (II) if such date of determination in any month is on or after the Payment Date occurring in such month, the sum of (a) the aggregate amount reasonably estimated by the Issuer in good faith to be distributable on the following Payment Date under clauses (i)-(iii) of Section 5.15 of the related Series Supplement that either (i) has accrued on or prior to such date of determination or (ii) will accrue during the period beginning on (but excluding) such date of determination and ending on the earlier of (x) the last day of the current Monthly Period and (y) the date occurring fourteen days following such date of determination, plus (b) the aggregate amount reasonably estimated by the Issuer in good faith to be distributable on the following Payment Date under clause (iv) of Section 5.15 of the related Series Supplement, plus (c) if such date of determination is a Payment Date, the aggregate amount distributable on such Payment Date under clauses (i)-(iv) of Section 5.15 of the related Series Supplement; provided, however, that in estimating such amount, (i) the Issuer shall assume that the Class A Note Rate as of such date of determination shall continue unchanged thereafter, (ii) the Issuer shall take into account any Increases anticipated to occur during the remainder of the current Monthly Period, (iii) for purposes of calculating the Servicing Fee, the Issuer shall assume that the Outstanding Receivables Balance of Eligible Receivables shall continue unchanged thereafter until the next anticipated Increase and then shall be adjusted upward to reflect each such anticipated Increase and (iv) for purposes of calculating the amounts distributable under clause (iv) of Section 5.15 of the related Series Supplement, the Issuer shall calculate the greater of (A) the amount reasonably estimated by the Issuer in good faith to be distributable thereunder on the applicable Payment Date and (B) the Borrowing Base Shortfall (as defined in the related Series Supplement) on such date of determination (or solely with respect to clause (I)(a) above, the end of the prior Monthly Period).

“Required Noteholders” has, with respect to any Series of Notes, the meaning stated in the related Series Supplement.

“Required Overcollateralization Amount” has the meaning specified in the related Series Supplement.

“Requirements of Law” means, as to any Person, the organizational documents of such Person and any Law applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Responsible Officer” means (i) with respect to any Person, the member, the Chairman, the President, the Controller, any Vice President, the Secretary, the Treasurer, or any other officer of such Person or of a direct or indirect managing member of such Person, who customarily performs functions similar to those performed by any of the above-designated officers and also, with respect to a particular matter any other officer to whom such matter is referred because of such officer’s

knowledge of and familiarity with the particular subject and (ii) with respect to the Trustee, in any of its capacities hereunder, a Trust Officer.

“Retained Notes” means any Notes, or interests therein, retained by the Issuer or a Person that is considered the same Person as the Issuer for United States federal income tax purposes.

“Revolving Credit Agreement” has the meaning specified in the Purchase Agreement.

“Revolving Period” means, with respect to any Series of Notes, the period specified in the applicable Series Supplement.

“Rule 15Ga-1” has the meaning specified in Section 11.23(a).

“Rule 15Ga-1 Information” has the meaning specified in Section 11.23(a).

“Sale Agreement” means the Purchase and Sale Agreement, dated as of June 19, 2015, between the Nevada Originator and the Seller, as the same may be amended or supplemented from time to time.

“Sanctions” means sanctions administered or enforced by the U.S. Government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person”), the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority.

“Secured Obligations” means (i) all principal and interest, at any time and from time to time, owing by the Issuer on the Notes (including any Note held by the Seller, the Servicer, the Parent or any Affiliate of any of the foregoing) and (ii) all costs, fees, expenses, indemnity and other amounts owing or payable by, or obligations of, the Issuer to any Person (other than any Affiliate of the Issuer) under the Indenture or the other Transaction Documents.

“Secured Parties” has the meaning specified in the Granting Clause of this Base Indenture.

“Securities Act” means the Securities Act of 1933, as amended.

“Securities Intermediary” has the meaning specified in Section 5.3(e) and shall, as of the Trustee Replacement Date, be Wilmington Trust, National Association.

“Seller” means Oportun.

“Series of Notes” or “Series” means any Series of Notes issued and authenticated pursuant to the Base Indenture and a related Series Supplement, which may include within any Series multiple Classes of Notes, one or more of which may be subordinated to another Class or Classes of Notes.

“Series Supplement” means a supplement to the Base Indenture complying with the terms of Section 2.2 of this Base Indenture.

“Series Termination Date” means, with respect to any Series of Notes, the date specified as such in the applicable Series Supplement.

“Servicer” means initially PF Servicing, LLC and its permitted successors and assigns and thereafter any Person appointed as successor pursuant to the Servicing Agreement to service the Receivables.

“Servicer Default” has the meaning specified in Section 2.04 of the Servicing Agreement.

“Servicer Transaction Documents” means collectively, the Base Indenture, any Series Supplement, the Servicing Agreement, the Back-Up Servicing Agreement, the Control Agreement (in respect of any successor Servicer, solely to the extent such successor Servicer has become a “successor servicer” pursuant to the Control Agreement) and the Intercreditor Agreement, as applicable.

“Servicing Agreement” means the Servicing Agreement, dated as of the Closing Date, among the Issuer, the Servicer and the Trustee, as the same may be amended or supplemented from time to time.

“Servicing Fee” means (A) for any Monthly Period during which PF Servicing, LLC or any Affiliate acts as Servicer, an amount equal to the product of (i) 5.00%, (ii) 1/12 and (iii) the average daily Outstanding Receivables Balance of all Eligible Receivables for the prior Monthly Period (provided, that the Servicing Fee for the first Payment Date shall be based upon the actual number of days in the first Monthly Period) and (B) for any Monthly Period during which any other successor Servicer acts as Servicer, the Servicing Fee shall be an amount equal to (i) if SST acts as successor Servicer, the amount set forth pursuant to the SST Fee Schedule as set forth in the Back-Up Servicing Agreement or (ii) if any other successor Servicer acts as Servicer, the Servicing Fee shall be an amount equal to the product of (a) the current market rate for servicing receivables similar to the Receivables, (b) 1/12 and (c) the aggregate Outstanding Receivables Balance of all Eligible Receivables as of the last day of the immediately prior Monthly Period.

“Servicing Officer” means any officer of the Servicer involved in, or responsible for, the administration and servicing of the Receivables whose name appears on a list of servicing officers furnished to the Trustee by the Servicer, as such list may from time to time be amended.

“Similar Law” means applicable Law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code.

“SST” means Systems & Services Technologies, Inc.

“SST Fee Schedule” means Schedule I to the Back-Up Servicing Agreement.

“Standard & Poor’s” means Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business.

“Sub-Custodian” means DataSafe, Inc. or any successor document storage company selected in accordance with Section 2.02(a)(ii)(A) of the Servicing Agreement.

“Subsequently Purchased Receivables” has the meaning set forth in the Purchase Agreement.

“Subsidiary” of a Person means any other Person more than 50% of the outstanding voting interests of which shall at any time be owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or any similar business organization which is so owned or controlled.

“Supplement” means a supplement to this Base Indenture complying with the terms of Article 13 of this Base Indenture.

“Takeout Assets” has the meaning specified in Section 2.16(a)(i).

“Takeout Date” has the meaning specified in Section 2.16(a)(ii).

“Takeout Notice” has the meaning specified in Section 2.16(a).

“Takeout Receivables” has the meaning specified in Section 2.16(a)(i).

“Takeout Transaction” means any securitization of the Trust Estate (or any portion thereof) entered into by any Affiliate of the Issuer (other than the Issuer or under the Transaction Documents), pursuant to which such Affiliate sells or otherwise allocates an interest in all or any portion of the Trust Estate owned by it to secure or provide for the payment of amounts owing by such Affiliate in respect of securities (x) issued by such Affiliate and (y) backed by the Trust Estate (or any portion thereof).

“Tax Information” means information and/or properly completed and signed tax certifications and/or documentation sufficient to eliminate the imposition of or to determine the amount of any withholding of tax, including FATCA Withholding Tax.

“Tax Opinion” means with respect to any action or event, an Opinion of Counsel to the effect that, for United States federal income tax purposes (x) in connection with the initial issuance of a Series of Notes, if so specified in the related Series Supplement, such Notes constitute debt and (y) (a) such action or event will not adversely affect the tax characterization of Notes of any outstanding Series or Class of Notes issued to investors as debt, (b) such action or event will not cause any Secured Party to recognize gain or loss and (c) such action or event will not cause the Issuer to be classified as an association or publicly traded partnership, in each case, taxable as a corporation.

“Term Indenture” means any Base Indenture and the Series Supplement to that Base Indenture, entered into by and between any Affiliate of Oportun, as issuer, and Wilmington Trust, National Association or any other Person, as trustee.

“Texas License” means a license issued by the Texas Office of the Consumer Credit Commissioner to own consumer loans with an interest rate in excess of 10% made to Texas residents.

“Transaction Documents” means, collectively, this Base Indenture, the Series Supplement, the Fee Letter, the Notes, the Servicing Agreement, the Back-Up Servicing Agreement, the Purchase

Agreement, the Sale Agreement, the Note Purchase Agreement, the Performance Guaranty, the Intercreditor Agreement, the Revolving Credit Agreement, the Control Agreement, any agreements of the Issuer relating to the issuance or the purchase of any of the Notes and all other agreements executed in connection with this Indenture.

“Transfer Agent and Registrar” has the meaning specified in Section 2.6 and shall initially, and so long as Wilmington Trust, National Association is acting as Trustee, be the Trustee.

“Transition Costs” means all reasonable costs and expenses incurred by the Back-Up Servicer in connection with a transfer of servicing.

“Trust Account” has the meaning specified in the Granting Clause to this Base Indenture, which accounts are under the sole dominion and control of the Trustee.

“Trust Estate” has the meaning specified in the Granting Clause of this Base Indenture.

“Trust Indenture Act” or “TIA” means the Trust Indenture Act of 1939 as in force on the date hereof, unless otherwise specifically provided.

“Trust Officer” means any officer within the Corporate Trust Office (or any successor group of the Trustee), including any Vice President, any Director, any Managing Director, any Assistant Vice President or any other officer of the Trustee customarily performing functions similar to those performed by any individual who at the time shall be an above-designated officer and is directly responsible for the day-to-day administration of the transactions contemplated herein.

“Trustee” means, as of the Trustee Replacement Date, Wilmington Trust, National Association, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee appointed in accordance with the provisions of this Base Indenture.

“Trustee, Back-Up Servicer and Successor Servicer Fees and Expenses” means, for any Payment Date, (i) the amount of accrued and unpaid fees (including, without limitation, the Servicing Fee of any successor Servicer), indemnity amounts and reasonable out-of-pocket expenses (but, as to expenses and indemnity amounts (other than amounts paid to the bank holding the Servicer Account (as defined in the Servicing Agreement)), not in excess of (A) \$100,000 per calendar year for the Trustee (including in its capacity as Agent), the Collateral Trustee, the Securities Intermediary and the Depository Bank (or, if an Event of Default has occurred and is continuing, without limit) and (B) \$50,000 per calendar year (or, if an Event of Default has occurred and is continuing, without limit) for the Back-Up Servicer and successor Servicer (including, without limitation, SST as successor Servicer)) of the Trustee (including in its capacity as Agent), the Collateral Trustee, the Securities Intermediary, the Depository Bank, the Back-Up Servicer and any successor Servicer (including, without limitation, SST as successor Servicer) and (ii) the Transition Costs (but not in excess of \$100,000), if applicable.

“Trustee Replacement Date” means August 1, 2017.

“UCC” means, with respect to any jurisdiction, the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in such jurisdiction.

“U.S.” or “United States” means the United States of America and its territories.

“VantageScore” means the credit score for an Obligor referred to as a “VantageScore 3.0” calculated and reported by Experian plc.

“written” or “in writing” means any form of written communication, including, without limitation, by means of e-mail, telex, telecopier device, telegraph or cable.

Section 1.2. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture, except to the extent that the Trustee has been advised by an Opinion of Counsel that the Indenture does not need to be qualified under the TIA or such provision is not required under the TIA to be applied to this Indenture in light of the outstanding Notes. The following TIA terms used in this Indenture have the following meanings:

“Commission” means the Securities and Exchange Commission.

“indenture securities” means the Notes.

“indenture security holder” means a Holder.

“indenture to be qualified” means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

“obligor” on the indenture securities means the Issuer and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule have the meaning assigned to them by such definitions.

Section 1.3. Cross-References. Unless otherwise specified, references in this Indenture and in each other Transaction Document to any Article or Section are references to such Article or Section of this Indenture or such other Transaction Document, as the case may be, and, unless otherwise specified, references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

Section 1.4. Accounting and Financial Determinations; No Duplication. Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any accounting computation is required to be made, for the purpose of this Indenture, such determination or calculation shall be made, to the extent applicable and except as otherwise specified in this Indenture, in accordance with GAAP. When used herein, the term “financial statement” shall

include the notes and schedules thereto. All accounting determinations and computations hereunder or under any other Transaction Documents shall be made without duplication.

Section 1.5. Rules of Construction. In this Indenture, unless the context otherwise requires:

- (i) “or” is not exclusive;
- (ii) the singular includes the plural and vice versa;
- (iii) reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Indenture, and reference to any Person in a particular capacity only refers to such Person in such capacity;
- (iv) reference to any gender includes the other gender;
- (v) reference to any Requirement of Law means such Requirement of Law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time;
- (vi) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term; and
- (vii) with respect to the determination of any period of time, “from” means “from and including” and “to” means “to but excluding.”

Section 1.6. Other Definitional Provisions.

(a) All terms defined in any Series Supplement or this Base Indenture shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. Capitalized terms used but not defined herein shall have the respective meaning given to such term in the Servicing Agreement.

(b) The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Base Indenture or any Series Supplement shall refer to this Base Indenture or such Series Supplement as a whole and not to any particular provision of this Base Indenture or any Series Supplement; and Section, subsection, Schedule and Exhibit references contained in this Base Indenture or any Series Supplement are references to Sections, subsections, Schedules and Exhibits in or to this Base Indenture or any Series Supplement unless otherwise specified.

(c) Terms used herein that are defined in the New York Uniform Commercial Code and not otherwise defined herein shall have the meanings set forth in the New York Uniform Commercial Code, unless the context requires otherwise. Any reference herein to a “beneficial interest” in a security also shall mean, unless the context requires otherwise, a security entitlement with respect to such security, and any reference herein to a “beneficial owner” or “beneficial holder” of a security also shall mean, unless the context requires otherwise, the holder of a security entitlement with respect to such security. Any reference herein to money or other property that is

to be deposited in or is on deposit in a securities account shall also mean that such money or other property is to be credited to, or is credited to, such securities account.

ARTICLE 2.

THE NOTES

Section 2.1. Designation and Terms of Notes. The Notes of each Series and any Class thereof shall be issued in fully registered form (the “Registered Notes”), and shall be substantially in the form of exhibits with respect thereto attached to the applicable Series Supplement, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such restrictions, legends or endorsements placed thereon and shall bear, upon their face, the designation for such Series to which they belong so selected by the Issuer, all as determined by the Responsible Officers executing such Notes, as evidenced by their execution of the Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note. All Notes of any Series shall, except as specified in the related Series Supplement, be *pari passu* and equally and ratably entitled as provided herein to the benefits hereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Base Indenture and the related Series Supplement. Each Series of Notes shall be issued in the minimum denominations set forth in the related Series Supplement.

Section 2.2. New Series Issuances. The Notes will be issued in only one Series. The Series of Notes shall be created by a Series Supplement. The Issuer shall effect the issuance of such one Series of Notes on the Closing Date. No additional Series shall be issued pursuant to this Base Indenture after the Closing Date without the prior written consent of each of the Noteholders. Any new Series so issued will require notice from the Issuer to the Trustee at least one (1) day in advance of the issuance date stating the designation of the Series (and each Class thereof, if applicable) to be issued on the Closing Date and, with respect to such Series: (a) the initial investor interest and (b) the aggregate initial outstanding principal amount or par value of the Notes thereof. On the new Series issuance date, the Issuer shall execute and the Trustee shall authenticate and deliver any such Series of Notes only upon delivery to it of the following:

- (i) an Issuer Order authorizing and directing the authentication and delivery of the Notes of such new Series by the Trustee and specifying the designation of such new Series and the aggregate principal amount or par value of Notes of such new Series (and each Class thereof) to be authenticated with respect to such new Series;
- (ii) a Series Supplement executed by the Issuer and the Trustee and specifying the principal terms of such new Series;
- (iii) an Opinion of Counsel as to the Trustee’s Lien in and to the Trust Estate;
- (iv) evidence (which, in the case of the filing of financing statements on form UCC-1, may be in the form of a written confirmation) that the Issuer has delivered the

Trust Estate to the Trustee and the Issuer and has caused all filings (including filing of financing statements on form UCC-1) and recordings to be accomplished as may be reasonably required by Law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers and security interest of the Trustee in the Trust Estate for the benefit of the Secured Parties;

(v) any consents required pursuant to Section 13.2 or otherwise;

(vi) an Officer's Certificate of the Issuer (upon which the Trustee shall be entitled to conclusively rely), stating that all conditions precedent to the issuance of such Series of Notes (including but not limited to those set forth in clauses (i)-(v) above) have been satisfied and such issuance is authorized and permitted under the Indenture and any other Transaction Documents; and

(vii) such other documents, instruments, certifications, agreements or other items as the Trustee may reasonably require.

Upon satisfaction of such conditions, the Trustee shall authenticate and deliver, as provided above, such Series of Notes.

Section 2.3. [Reserved].

Section 2.4. Execution and Authentication.

(a) Each Note shall be executed by manual or facsimile signature by the Issuer. Notes bearing the manual or facsimile signature of the individual who was, at the time when such signature was affixed, authorized to sign on behalf of the Issuer shall not be rendered invalid, notwithstanding that such individual has ceased to be so authorized prior to the authentication and delivery of such Notes or does not hold such office at the date of such Notes. Unless otherwise provided in the related Series Supplement, no Notes shall be entitled to any benefit under this Indenture, or be valid for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein, duly executed by or on behalf of the Trustee by the manual signature of a duly authorized signatory, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

(b) Pursuant to Section 2.2, the Issuer shall execute and the Trustee shall authenticate and deliver a Series of Notes having the terms specified in the related Series Supplement, upon the receipt of an Issuer Order, to the purchasers thereof, the underwriters for sale or to the Issuer for initial retention by it.

(c) All Notes shall be dated and issued as of the date of their authentication.

Section 2.5. Authenticating Agent.

(a) The Trustee may appoint one or more authenticating agents with respect to the Notes which shall be authorized to act on behalf of the Trustee in authenticating the Notes in

connection with the issuance, delivery, registration of transfer, exchange or repayment of the Notes. Whenever reference is made in this Indenture to the authentication of Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication on behalf of the Trustee by an authenticating agent and a certificate of authentication executed on behalf of the Trustee by an authenticating agent. Each authenticating agent must be acceptable to the Issuer.

(b) Any institution succeeding to the corporate agency business of an authenticating agent shall continue to be an authenticating agent without the execution or filing of any paper or any further act on the part of the Trustee or such authenticating agent.

(c) An authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Issuer. The Trustee may at any time terminate the agency of an authenticating agent by giving notice of termination to such authenticating agent and to the Issuer. Upon receiving such a notice of resignation or upon such a termination, or in case at any time an authenticating agent shall cease to be acceptable to the Trustee or the Issuer, the Trustee promptly may appoint a successor authenticating agent. Any successor authenticating agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an authenticating agent.

(d) The Issuer agrees to pay each authenticating agent from time to time reasonable compensation for its services under this Section 2.5; subject to the prior written consent of each Noteholder.

(e) Pursuant to an appointment made under this Section 2.5, the Notes may have endorsed thereon, in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication in substantially the following form:

This is one of the notes described in the Indenture.

[Name of Authenticating Agent],

as Authenticating Agent
for the Trustee,

By: _____
Responsible Officer

Section 2.6. Registration of Transfer and Exchange of Notes.

(a) (1) The Trustee shall cause to be kept at the office or agency to be maintained by a transfer agent and registrar (the "Transfer Agent and Registrar"), in accordance with the provisions of Section 2.6(c), a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Transfer Agent and Registrar shall provide for the registration of the Notes of each Series (unless otherwise provided in the related Series Supplement) and registrations of transfers and exchanges of the Notes as herein

provided. The Trustee is hereby initially appointed Transfer Agent and Registrar for the purposes of registering the Notes and transfers and exchanges of the Notes as herein provided. If a Person other than the Trustee is appointed by the Issuer as Transfer Agent and Registrar, the Issuer will give the Trustee and the Noteholders prompt written notice of the appointment of such Transfer Agent and Registrar and of the location, and any change in the location, of the Note Register, and the Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Trustee shall have the right to rely upon a certificate executed on behalf of the Transfer Agent and Registrar by a Responsible Officer thereof as to the names and addresses of the Holders of the Notes and the principal amounts or par values and number of such Notes. The Trustee shall be permitted to resign as Transfer Agent and Registrar upon thirty (30) days' written notice to the Servicer, the Noteholders and the Issuer. In the event that the Trustee shall no longer be the Transfer Agent and Registrar, the Issuer shall appoint, with the consent of the Required Noteholders, a successor Transfer Agent and Registrar.

(i) Upon surrender for registration of transfer of any Note at any office or agency of the Transfer Agent and Registrar, if the requirements of Section 8-401(a) of the UCC are met, the Issuer shall execute, subject to the provisions of Section 2.6(b), and the Trustee shall authenticate and (unless the Transfer Agent and Registrar is different than the Trustee, in which case the Transfer Agent and Registrar shall) deliver and the Noteholder shall obtain from the Trustee, in the name of the designated transferee or transferees, one or more new Notes in authorized denominations of like aggregate principal amount or aggregate par value, as applicable.

(ii) All Notes issued upon any registration of transfer or exchange of Notes shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

(iii) At the option of any Holder of Registered Notes, Registered Notes may be exchanged for other Registered Notes of the same Series of the same Class in authorized denominations of like aggregate principal amounts or aggregate par values in the manner specified in the Series Supplement for such Series, upon surrender of the Registered Notes to be exchanged at any office or agency of the Transfer Agent and Registrar maintained for such purpose.

(iv) Whenever any Notes of any Series are so surrendered for exchange, if the requirements of Section 8-401(a) of the UCC are met, the Issuer shall execute and the Trustee shall authenticate and (unless the Transfer Agent and Registrar is different than the Trustee, in which case the Transfer Agent and Registrar shall) deliver and the Noteholders shall obtain from the Trustee, the Notes of such Series of the same Class that which the Noteholder making the exchange is entitled to receive. Every Note presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in a form satisfactory to the Issuer duly executed by the Noteholder thereof or his attorney-in-fact duly authorized in writing.

(v) The preceding provisions of this Section 2.6 notwithstanding, the Trustee or the Transfer Agent and Registrar, as the case may be, shall not be required to register the transfer of or exchange any Note of any Series for a period of five (5) Business Days preceding the due date for any payment with respect to the Notes of such Series or during the period beginning on any Record Date and ending on the next following Payment Date.

(vi) Unless otherwise provided in the related Series Supplement, no service charge shall be made for any registration of transfer or exchange of Notes, but the Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Notes.

(vii) All Notes surrendered for registration of transfer and exchange shall be cancelled by the Transfer Agent and Registrar and disposed of.

(viii) Upon written request, the Issuer shall deliver to the Trustee or the Transfer Agent and Registrar, as applicable, Registered Notes in such amounts and at such times as are necessary to enable the Trustee to fulfill its responsibilities under this Indenture and the Notes.

(ix) Prior to due presentment for registration of transfer of any Note, the Trustee, any Agent and the Issuer may deem and treat the Person in whose name any Note is registered (as of the day of determination) as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and neither the Trustee, any Agent nor the Issuer shall be affected by notice to the contrary.

(x) Notwithstanding anything to the contrary set forth in this Indenture, no sale or transfer of a beneficial interest in a Class A Note shall be permitted (including, without limitation, by participation, pledge or hypothecation), and no such sale or transfer shall be registered by the Transfer Agent and Registrar to be effective hereunder, if the sale or transfer thereof (i) increases the total number of beneficial owners of the Class A Notes to more than ninety-five (95), or (ii) would be to a Person that is not a United States person as defined in Section 7701(a)(30) of the Code. For purposes of determining the total number of beneficial owners of Class A Notes, a beneficial owner of an interest in a partnership, grantor trust, S corporation or other flow-through entity that owns, directly or through other flow-through entities, a beneficial interest in a Class A Note is treated as a holder of a beneficial interest in a Class A Note if more than 50% of the value of the beneficial owner's interest (directly or indirectly) in the flow-through entity is attributable to the flow-through entity's interest in all Class A Notes.

(xi) Unless otherwise provided in the related Series Supplement, by its acceptance of a Note, each Noteholder shall be deemed to have represented and warranted that, with respect to the Notes, either (i) it is not a Benefit Plan Investor or a governmental or other plan subject to Similar Law, or (ii) (a) the purchase and holding of the Note (or any interest therein) will not give rise to a non-exempt prohibited transaction under Section

406 of ERISA or Section 4975 of the Code or a violation of Similar Law and (b) it acknowledges and agrees that the Notes are not eligible for acquisition by Benefit Plan Investors at any time that the Notes have been characterized as other than indebtedness for applicable local law purposes.

(b) Unless otherwise provided in the related Series Supplement, registration of transfer of Registered Notes containing a legend relating to the restrictions on transfer of such Registered Notes (which legend shall be set forth in the Series Supplement relating to such Notes) shall be effected only if the conditions set forth in such related Series Supplement are satisfied.

Whenever a Registered Note containing the legend set forth in the related Series Supplement is presented to the Transfer Agent and Registrar for registration of transfer, the Transfer Agent and Registrar shall promptly seek instructions from the Issuer regarding such transfer. The Transfer Agent and Registrar and the Trustee shall be entitled to receive written instructions signed by a Responsible Officer of the Issuer prior to registering any such transfer or authenticating new Registered Notes, as the case may be. The Issuer hereby agrees to indemnify the Transfer Agent and Registrar and the Trustee and to hold each of them harmless against any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with actions taken or omitted by them in reliance on any such written instructions furnished pursuant to this Section 2.6(b).

(c) The Transfer Agent and Registrar will maintain an office or offices or an agency or agencies where Notes of such Series may be surrendered for registration of transfer or exchange.

(d) Any Retained Notes may not be transferred to another Person (other than a Person that is considered the same Person as the Issuer for United States federal income tax purposes) unless the transferor shall cause an Opinion of Counsel to be delivered to the Seller and the Trustee at such time stating that either (x) such Notes will be characterized as debt for United States federal income tax purposes or (y) the sale of such Notes to a Person unrelated to the Issuer will not cause the Issuer to be treated as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes. With respect to any transfer for which the Opinion of Counsel provided pursuant to the preceding sentence is as described in clause (y), the sale or transfer of such Notes (A) must be to a Person who is a United States person (within the meaning of Section 7701(a)(30) of the Code), (B) may not be to a Special Pass-Through Entity and (C) such Notes and the beneficial interest in the Issuer (including any Membership Interests and other equity interests in the Issuer) may at no time be held by more than 95 Persons, directly or indirectly, unless such Opinion of Counsel also states that such Notes will be debt for United States federal income tax purposes. In addition, if for tax or other reasons it may be necessary to track such Notes (e.g., if the Notes have original issue discount), tracking conditions may be required by the Issuer as a condition to such transfer. For the purposes of this Section 2.6, "Special Pass-Through Entity" means a (i) grantor trust, S corporation, or partnership or (ii) a disregarded entity the sole owner of which is an entity described in prong (i), where more than 50% of the value of a beneficial owner's interest in such pass through entity is attributable to the pass-through entity's interest (including

through a disregarded entity) in such Notes. In addition, the Retained Notes will not be registered under the Securities Act.

Section 2.7. Appointment of Paying Agent.

(a) The Paying Agent shall make payments to the Secured Parties from the appropriate account or accounts maintained for the benefit of the Secured Parties as specified in this Base Indenture or the related Series Supplement for any Series pursuant to Articles 5 and 6. Any Paying Agent shall have the revocable power to withdraw funds from such appropriate account or accounts for the purpose of making distributions referred to above. The Trustee (or the Issuer or the initial Servicer if the Trustee is the Paying Agent) may, with the prior written consent of the Required Noteholders, revoke such power and remove the Paying Agent, if the Paying Agent fails to perform its obligations under this Indenture in any material respect or for other good cause. The Paying Agent shall initially be the Trustee. The Trustee shall be permitted to resign as Paying Agent upon thirty (30) days' written notice to the Issuer and the Noteholders, with a copy to the Servicer; provided, however, that no such resignation by the Trustee shall be effective until a successor Paying Agent has assumed the obligations of the Paying Agent hereunder. In the event that the Trustee shall no longer be the Paying Agent, the Issuer or the initial Servicer shall, with the prior written consent of the Required Noteholders, appoint a successor to act as Paying Agent (which shall be a bank or trust company). If a successor Paying Agent does not take office within thirty (30) days after the retiring Paying Agent provides written notice of its resignation or is removed, the retiring Paying Agent may petition any court of competent jurisdiction for the appointment of a successor paying agent.

(b) The Issuer shall cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent will hold all sums, if any, held by it for payment to the Secured Parties in trust for the benefit of the Secured Parties entitled thereto until such sums shall be paid to such Secured Parties and shall agree, and if the Trustee is the Paying Agent it hereby agrees, that it shall comply with all requirements of the Code regarding the withholding of payments in respect of federal income taxes due from Secured Parties (including in respect of FATCA and any applicable tax reporting requirements).

Section 2.8. Paying Agent to Hold Money in Trust

(a) The Issuer will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee (and if the Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Secured Obligations in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as provided herein (including pursuant to Section 2.8(c)) and in the applicable Series Supplement and pay such sums to such Persons as provided herein and in the applicable Series Supplement;

(ii) give the Trustee and the Noteholders written notice of any default by the Issuer (or any other obligor under the Secured Obligations) of which it (or, in the case of the Trustee, a Trust Officer) has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by it in trust for the payment of the Secured Obligations if at any time it ceases to meet the standards required to be met by a Trustee hereunder; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Secured Obligations of any applicable withholding taxes imposed thereon, including FATCA Withholding Tax (including obtaining and retaining from Persons entitled to payments with respect to the Notes any Tax Information and making any withholdings with respect to the Notes as required by the Code (including FATCA) and paying over such withheld amounts to the appropriate Governmental Authority), comply with respect to any applicable reporting requirements in connection with any payments made by it on any Secured Obligations and any withholding of taxes therefrom, and, upon request, provide any Tax Information to the Issuer.

(b) The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

(c) Subject to applicable Laws with respect to escheat of funds, any money held by the Trustee or any Paying Agent in trust for the payment of any amount due with respect to any Secured Obligation and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request; and the holder of such Secured Obligation shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in New York City, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Trustee may also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment.

Section 2.9. Private Placement Legend.

(a) Unless otherwise provided for in a Series Supplement, each Note shall bear a legend in substantially the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES THAT SUCH NOTE IS BEING ACQUIRED NOT WITH A VIEW TO DISTRIBUTION AND MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE NOTE PURCHASE AGREEMENT, THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER OF THIS NOTE WILL, AND EACH SUBSEQUENT HOLDER OF THIS NOTE IS REQUIRED TO, NOTIFY ANY PURCHASER OF SUCH NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

BY ACQUIRING THIS NOTE (OR ANY INTEREST HEREIN), EACH PURCHASER OR TRANSFEREE SHALL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (I) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), WHICH IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DESCRIBED IN SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), WHICH IS SUBJECT TO SECTION 4975 OF THE CODE, AN ENTITY DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING (EACH OF THE FOREGOING, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL OR OTHER PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) (A) ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR A VIOLATION OF SIMILAR LAW, AND (B) IT ACKNOWLEDGES AND AGREES THAT THIS NOTE IS NOT ELIGIBLE FOR ACQUISITION BY BENEFIT PLAN INVESTORS AT ANY TIME THAT THE NOTES HAVE BEEN CHARACTERIZED AS OTHER THAN INDEBTEDNESS FOR APPLICABLE LOCAL LAW PURPOSES.

Section 2.10. Mutilated, Destroyed, Lost or Stolen Notes.

(a) If (i) any mutilated Note is surrendered to the Transfer Agent and Registrar, or the Transfer Agent and Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Transfer Agent and Registrar, the Trustee, and

the Issuer such security or indemnity as may, in their sole discretion, be required by them to hold the Transfer Agent and Registrar, the Trustee, and the Issuer harmless then, in the absence of written notice to the Trustee that such Note has been acquired by a protected purchaser, and provided that the requirements of Section 8-405 of the UCC (which generally permit the Issuer to impose reasonable requirements) are met, then the Issuer shall execute and the Trustee shall, upon receipt of an Issuer Order, authenticate and (unless the Transfer Agent and Registrar is different from the Trustee, in which case the Transfer Agent and Registrar shall) deliver (in compliance with applicable Law), in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note of like tenor and aggregate principal balance or aggregate par value; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven (7) days shall be due and payable or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable without surrender thereof.

If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a protected purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer and the Trustee shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any Person taking such replacement Note from such Person to whom such replacement Note was delivered or any assignee of such Person, except a protected purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

(b) Upon the issuance of any replacement Note under this Section 2.10, the Transfer Agent and Registrar or the Trustee may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee and the Transfer Agent and Registrar) connected therewith.

(c) Every replacement Note issued pursuant to this Section 2.10 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional Contractual Obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(d) The provisions of this Section 2.10 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.11. Temporary Notes.

(a) Pending the preparation of Definitive Notes, the Issuer may request and the Trustee, upon receipt of an Issuer Order, shall authenticate and deliver temporary Notes of such Series. Temporary Notes shall be substantially in the form of Definitive Notes of like Series but may have variations that are not inconsistent with the terms of this Indenture as the officers executing such Notes may determine, as evidenced by their execution of such Notes.

(b) If temporary Notes are issued pursuant to Section 2.11(a) above, the Issuer will cause Definitive Notes to be prepared without unreasonable delay. After the preparation of Definitive Notes, the temporary Notes shall be exchangeable for Definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer to be maintained as provided in Section 8.2(b), without charge to the Noteholder. Upon surrender for cancellation of any one or more temporary Notes, the Issuer shall execute and at the Issuer's request the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as Definitive Notes.

Section 2.12. Persons Deemed Owners. Prior to due presentation of a Note for registration of transfer, the Issuer, the Servicer, the Trustee, the Paying Agent, the Transfer Agent and Registrar and any agent of any of them may treat a Person in whose name any Note is registered (as of any date of determination) as the owner of the related Note for the purpose of receiving payments of principal and interest, if any, on such Note and for all other purposes whatsoever whether or not such Note be overdue, and neither the Issuer, the Servicer, the Trustee, the Paying Agent, the Transfer Agent and Registrar nor any agent of any of them shall be affected by any notice to the contrary; provided, however, that in determining whether the requisite number of Holders of Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder (including under any Series Supplement), Notes owned by any of the Issuer, the Seller, the Parent, the initial Servicer or any Affiliate controlled by or controlling Oportun shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Trust Officer in the Corporate Trust Office of the Trustee actually knows to be so owned shall be so disregarded. The foregoing proviso shall not apply if there are no Holders other than the Issuer or its Affiliates.

Section 2.13. Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Notes may be held or disposed of by the Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided that such Issuer Order is timely and the Notes have not been previously disposed of by the Trustee. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment.

Section 2.14. Release of Trust Estate. The Trustee shall (a) in connection with any removal of Removed Receivables from the Trust Estate, release the portion of the Trust Estate constituting or securing the Removed Receivables from the Lien created by this Indenture upon receipt of an Officer's Certificate of the Issuer certifying that the Outstanding Receivables Balance plus Finance Charges thereon (or such other amount required in connection with the disposition of such Removed

Receivables as provided by the Transaction Documents) with respect thereto has been deposited into the Collection Account and such release is authorized and permitted under the Transaction Documents, (b) in connection with the redemption of all Notes of any Series, release the Trust Estate from the Lien created by this Indenture upon receipt of an Officer's Certificate of the Issuer certifying that (i) the Redemption Price and all other amounts due and owing on the Redemption Date have been deposited into a Trust Account that is within the sole control of the Trustee and (ii) such release is authorized and permitted under the Transaction Documents, (c) on or after the Indenture Termination Date, release any remaining portion of the Trust Estate from the Lien created by this Indenture and in each case deposit in the Collection Account any funds then on deposit in any other Trust Account upon receipt of an Issuer Request accompanied by an Officer's Certificate of the Issuer, and Independent Certificates (if this Indenture is required to be qualified under the TIA) in accordance with TIA Sections 314(c) and 314(d)(1) meeting the applicable requirements of Section 15.1 and (d) in connection with any removal of Takeout Receivables from the Trust Estate in accordance with a Permitted Takeout, release its security interest in the Takeout Receivables upon (i) receipt of an Officer's Certificate of the Issuer specifying the amount of the Purchase Price with respect thereto calculated in accordance with Section 2.16(d), certifying that such Purchase Price has been deposited into the Collection Account and such release is authorized and permitted under the Transaction Documents, and specifying the respective addresses and e-mail addresses of the Noteholders and the Issuer, and (ii) immediately following receipt by the Trustee of the Issuer's Officer's Certificate referenced in clause (i) above, written confirmation by the Trustee (which may be by email or such other method as acceptable to the Trustee) to the Noteholders and the Issuer (solely to the extent their respective addresses and e-mail addresses are provided to the Trustee in such Officer's Certificate) that an amount equal to such Purchase Price has been deposited into the Collection Account.

Section 2.15. Payment of Principal, Interest and Other Amounts.

(a) The principal of each Series of Notes shall be payable at the times and in the amounts set forth in the related Series Supplement and in accordance with Section 8.1.

(b) Each Series of Notes shall accrue interest as provided in the related Series Supplement and such interest shall be payable at the times and in the amounts set forth in the related Series Supplement and in accordance with Section 8.1.

(c) Any installment of interest, principal or other amounts, if any, payable on any Note which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Note is registered at the close of business on any Record Date with respect to a Payment Date for such Note and such Person shall be entitled to receive the principal, interest or other amounts payable on such Payment Date notwithstanding the cancellation of such Note upon any registration of transfer, exchange or substitution of such Note subsequent to such Record Date, by wire transfer in immediately available funds to the account designated by the Holder of such Note, except for the final installment of principal payable with respect to such Note on a Payment Date or on the Legal Final Payment Date (and except for the Redemption Price for any Note called for redemption pursuant to Section 14.1) which shall be payable as provided herein; except that, any interest payable at maturity shall be paid to the Person

to whom the principal of such Note is payable. The funds represented by any such checks returned undelivered shall be held in accordance with Section 2.8.

Section 2.16. Takeouts. Solely in connection with any Takeout Transaction, the Issuer may from time to time transfer directly or indirectly certain Receivables and the Related Security with respect thereto designated by the Issuer on the following terms and subject to the following conditions (any such transfer pursuant to this Section 2.16, a “Permitted Takeout”):

(a) The Issuer shall deliver to each Noteholder, the Trustee, the Agent, the Collateral Trustee, the Back-Up Servicer and the Servicer, not less than three (3) Business Days’ prior written notice of such Takeout Transaction (such notice, a “Takeout Notice”), which Takeout Notice shall be executed by the Issuer, and without limiting the generality of the foregoing, shall:

(i) identify in reasonable detail the Receivables to be transferred in connection with such Takeout Transaction (such Receivables with respect to any Takeout Transaction, the “Takeout Receivables” and, together with the Related Security with respect to such Takeout Receivables, the “Takeout Assets” for such Takeout Transaction), which Receivables, unless otherwise consented to in writing by the Required Noteholders, shall include all or substantially all outstanding Receivables;

(ii) specify the date on which such Takeout Transaction is contemplated to occur (such date with respect to any Takeout Transaction, the “Takeout Date”), which Takeout Date shall be a Business Day and may be extended with one Business Day prior notice to each Noteholder; and

(iii) include a *pro forma* Monthly Statement for each Series attached thereto after giving effect to such Takeout Transaction.

(b) In connection with each Takeout Transaction (other than a Takeout Transaction relating to the U.S. Department of the Treasury’s Community Development Financial Institutions Fund (CDFI Fund), its CDFI Bond Guarantee Program or similar entities or programs), the Issuer shall pay the Noteholders a fee (such fee, an “Exit Fee”) on the Takeout Date in immediately available funds equal to 0.50% (or 0.15% to the extent such Takeout Transaction involves the issuance of immediately amortizing securities) of the Outstanding Receivables Balance of all Receivables subject to such Takeout Transaction at such time. Each such Exit Fee shall be payable to the Noteholders ratably, based on such Noteholders portion of the Aggregate Class A Note Principal at such time; provided, however, that the amount of the Exit Fee paid hereunder for each Takeout Transaction shall be credited against the aggregate amount of underwriting or similar fees payable to one or more of the purchasers, that are Noteholders or Affiliates thereof, under any note purchase agreement or other similar agreement entered into by one or more of such purchasers and an Affiliate of the Issuer in connection with such Takeout Transaction.

(c) Unless otherwise waived by the Required Noteholders, no Permitted Takeout shall occur on any date if (i) any Rapid Amortization Event, Servicer Default, Event of Default or Default would exist after giving effect to such Takeout Transaction, (ii) such Takeout Transaction could reasonably be expected to have a Material Adverse Effect on (x) the Issuer, the Seller, the

Servicer, the Parent, the Trustee, the Agent, the Collateral Trustee, any Noteholder or any other Secured Party or (y) the bankruptcy remoteness of the Issuer or any of the transfers contemplated by the Transaction Documents or (iii) such Takeout Transaction would violate any assumption set forth in any bankruptcy opinion delivered under or in connection with any Transaction Document.

(d) The purchase price to be paid in connection with any Takeout Transaction shall be an amount (such amount, the “Purchase Price”) not less than the sum, without duplication, of (i) the aggregate Class A Note Principal related to the Takeout Assets; provided, however, that such amount shall not be less than the amount necessary to cure any Borrowing Base Shortfall (as defined in the Series Supplement) that exists or would exist as a result of such Takeout Transaction, (ii) the accrued interest owing under each Note, (iii) all accrued and unpaid Trustee, Back-Up Servicer and Successor Servicer Fees and Expenses, (iv) all accrued and unpaid Servicing Fees and (v) all other accrued and outstanding obligations owing to the Noteholders and any other Secured Party under the Transaction Documents (including the Exit Fee). The Purchase Price, as computed by PF Servicing, LLC if it is at that time the Servicer hereunder (and confirmed in writing by the Required Noteholders), shall be set forth in a Permitted Takeout Release, which shall, among other things, release the Trustee’s security interest in the applicable Takeout Assets upon receipt of the Purchase Price in the Collection Account. On the Takeout Date for a Permitted Takeout, the Issuer, the Trustee (upon receipt of an Officer’s Certificate of the Issuer pursuant to Section 2.14(d)) and the Required Noteholders shall execute and deliver a Permitted Takeout Release and the Issuer shall cause the Purchase Price for such Permitted Takeout to be deposited in immediately available funds into the Collection Account and distributed to the Noteholders and any other Secured Party (to the extent of funds owing to them) on such day.

Section 2.17. [Reserved].

Section 2.18. Definitive Notes.

(a) Issuance of Definitive Notes. The Notes shall be issued in definitive, fully registered form (“Definitive Notes”).

(b) Transfer of Definitive Notes. Subject to the terms of this Indenture (including the requirements of any relevant Series Supplement), the holder of any Definitive Note may transfer the same in whole or in part, in an amount equivalent to an authorized denomination, by surrendering at the office maintained by the Transfer Agent and Registrar for such purpose in Wilmington, Delaware, such Note with the form of transfer endorsed on it duly completed and executed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Transfer Agent and Registrar by, the holder thereof and, if applicable, accompanied by a certificate substantially in the form required under the related Series Supplement. In exchange for any Definitive Note properly presented for transfer, the Issuer shall execute and the Trustee shall promptly authenticate and deliver or cause to be executed, authenticated and delivered in compliance with applicable Law, to the transferee at such office, or send by mail (at the risk of the transferee) to such address as the transferee may request, Definitive Notes for the same aggregate principal amount as was transferred. In the case of the transfer of any Definitive Note in part, the Issuer shall execute and the Trustee shall promptly authenticate and deliver or cause to be authenticated and delivered to the transferor at such office, or send by mail (at the risk of the transferor) to such address

as the transferor may request, Definitive Notes for the aggregate principal amount that was not transferred. No transfer of any Definitive Note shall be made unless the request for such transfer is made by the Holder at such office. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of transfer instructions and each may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes for such Series, the Trustee shall recognize the Holders of the Definitive Notes as Noteholders of such Series.

Section 2.19. [Reserved].

Section 2.20. Tax Treatment. The Notes have been (or will be) issued with the intention that, the Notes will qualify under applicable tax Law as debt for U.S. federal income tax purposes and any entity acquiring any direct or indirect interest in any Note by acceptance of its Notes agrees to treat the Notes for purposes of federal, state and local and income or franchise taxes and any other tax imposed on or measured by income, as debt. Each Noteholder agrees that it will cause any Noteholder acquiring an interest in a Note through it to comply with this Indenture as to treatment as debt for such tax purposes.

Section 2.21. Duties of the Trustee and the Transfer Agent and Registrar. Notwithstanding anything contained herein or a Series Supplement to the contrary, neither the Trustee nor the Transfer Agent and Registrar shall be responsible for ascertaining whether any transfer of a Note complies with the terms of this Base Indenture or a Series Supplement, the registration provision of or exemptions from the Securities Act, applicable state securities Laws, ERISA or the Investment Company Act; provided that if a transfer certificate or opinion is specifically required by the express terms of this Base Indenture or a Series Supplement to be delivered to the Trustee or the Transfer Agent and Registrar in connection with a transfer, the Trustee or the Transfer Agent and Registrar, as the case may be, shall be under a duty to receive the same.

ARTICLE 3.

[ARTICLE 3 IS RESERVED AND SHALL BE SPECIFIED IN ANY
SUPPLEMENT WITH RESPECT TO ANY SERIES OF NOTES]

ARTICLE 4.

NOTEHOLDER LISTS AND REPORTS

Section 4.1. Issuer To Furnish To Trustee Names and Addresses of Noteholders. The Issuer will furnish or cause the Transfer Agent and Registrar to furnish to the Trustee (a) not more than five (5) days after each Record Date a list, in such form as the Trustee may reasonably require, of the names and addresses of the Noteholders as of such Record Date, (b) at such other times as the Trustee may request in writing, within thirty (30) days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than ten (10) days prior to the time such list is furnished; provided, however, that so long as the Trustee is the Transfer Agent and Registrar, no such list shall be required to be furnished. The Issuer will furnish or cause to be furnished by the Transfer Agent and Registrar to the Paying Agent (if not the Trustee) such list for payment of distributions to Noteholders.

Section 4.2. Preservation of Information; Communications to Noteholders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list furnished to the Trustee as provided in Section 4.1 and the names and addresses of Noteholders received by the Trustee in its capacity as Transfer Agent and Registrar. The Trustee may destroy any list furnished to it as provided in such Section 4.1 upon receipt of a new list so furnished.

(b) Noteholders may communicate (including pursuant to TIA Section 312(b) (if this Indenture is required to be qualified under the TIA)) with other Noteholders with respect to their rights under this Indenture or under the Notes. Unless otherwise provided in the related Series Supplement, if holders of Notes evidencing in aggregate not less than 20% of the outstanding principal balance of the Notes of any Series (the “Applicants”) apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such Applicant has owned a Note for a period of at least 6 months preceding the date of such application, or, if less than 6 months have elapsed from the Closing Date, from the Closing Date to the date of such application, and if such application states that the Applicants desire to communicate with other Noteholders of any Series with respect to their rights under this Indenture or under the Notes and is accompanied by a copy of the communication which such Applicants propose to transmit, then the Trustee, after having been indemnified by such Applicants for its costs and expenses, shall within five (5) Business Days after the receipt of such application afford or shall cause the Transfer Agent and Registrar to afford such Applicants access during normal business hours to the most recent list of Noteholders held by the Trustee and shall give the Issuer notice that such request has been made within five (5) Business Days after the receipt of such application. Such list shall be as of the most recent Record Date, but in no event more than forty-five (45) days prior to the date of receipt of such Applicants’ request.

(c) The Issuer, the Trustee and the Transfer Agent and Registrar shall have the protection of TIA Section 312(c) (if this Indenture is required to be qualified under the TIA). Every Noteholder, by receiving and holding a Note, agrees with the Issuer and the Trustee that neither the Issuer, the Trustee, the Transfer Agent and Registrar, nor any of their respective agents shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Noteholders in accordance with this Section 4.2, regardless of the source from which such information was obtained.

Section 4.3. Reports by Issuer.

(a) (1) The Issuer or the initial Servicer shall deliver to the Trustee and the Noteholders, on the date, if any, the Issuer is required to file the same with the Commission, hard and electronic copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Issuer is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act;

(i) the Issuer or the initial Servicer shall file with the Trustee and the Commission in accordance with rules and regulations prescribed from time to time by the Commission such additional information, documents and reports, if any, with respect to

compliance by the Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(ii) the Issuer or the initial Servicer shall supply to the Trustee and the Noteholders (and the Trustee shall transmit by mail or make available on via a website to all Noteholders) such summaries of any information, documents and reports required to be filed by the Issuer (if any) pursuant to clauses (i) and (ii) of this Section 4.3(a) as may be required by rules and regulations prescribed from time to time by the Commission; and

(iii) the Servicer shall prepare and distribute any other reports required to be prepared by the Servicer (except, if a successor Servicer is acting as Servicer, any reports expressly only required to be prepared by the initial Servicer or Operton) under any Servicer Transaction Documents.

(b) The fiscal year of the Issuer shall end on December 31 of each year.

Section 4.4. Reports by Trustee. If this Indenture is required to be qualified under the TIA, within sixty (60) days after each April 1, beginning with April 1, 2016, the Trustee shall mail to each Noteholder as required by TIA Section 313(c) a brief report dated as of such date that complies with TIA Section 313(a). If this Indenture is required to be qualified under the TIA, the Trustee also shall comply with TIA Section 313(b).

A copy of each report at the time of its mailing to Noteholders shall be filed by the Trustee with the Commission and each stock exchange, if any, on which the Notes are listed. The Issuer shall notify the Trustee if and when the Notes are listed on any stock exchange.

Section 4.5. Reports and Records for the Trustee and Instructions.

(a) Unless otherwise stated in the related Series Supplement with respect to any Series, on each Determination Date the Servicer shall forward to the Trustee and the Noteholders a Monthly Servicer Report prepared by the Servicer.

(b) Unless otherwise specified in the related Series Supplement, on each Payment Date, the Trustee or the Paying Agent shall make available in the same manner as the Monthly Servicer Report to each Noteholder of record of each outstanding Series, the Monthly Statement with respect to such Series.

ARTICLE 5.

ALLOCATION AND APPLICATION OF COLLECTIONS

Section 5.1. Rights of Noteholders. Each Series of Notes shall be secured by the entire Trust Estate, including the right to receive the Collections and other amounts at the times and in

the amounts specified in this Article 5 to be deposited in the Trust Accounts or to be paid to the Noteholders of such Series. In no event shall the grant of a security interest in the entire Trust Estate be deemed to entitle any Noteholder to receive Collections or other proceeds of the Trust Estate in excess of the amounts to be applied pursuant to Article 5 and Article 6.

Section 5.2. Collection of Money. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture. The Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Trust Estate, the Trustee may, but shall not be obligated to, take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article 10.

Section 5.3. Establishment of Accounts.

(a) The Collection Account. The Trustee, for the benefit of the Secured Parties, shall establish and maintain in the city in which the Corporate Trust Office is located, with a Qualified Institution, in the name of the Trustee for the benefit of the Secured Parties, a non-interest bearing segregated trust account (the "Collection Account") bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Secured Parties. Pursuant to authority granted to it pursuant to Section 2.02(a) of the Servicing Agreement, the Servicer shall have the authority to direct the Trustee to make deposits into or withdrawals and payments from the Collection Account for the purposes of carrying out its duties thereunder; provided, however, that the Servicer shall not be authorized to withdraw any amounts from the Collection Account other than any withdrawals permitted pursuant to Section 2.02(f) of the Servicing Agreement. The Trustee shall be the entitlement holder of the Collection Account, and shall possess all right, title and interest in all moneys, instruments, securities and other property on deposit from time to time in the Collection Account and the proceeds thereof for the benefit of the Secured Parties. Initially, the Collection Account will be established with the Securities Intermediary. Funds on deposit in the Collection Account that are not both deposited and to be withdrawn on the same day shall be invested in Permitted Investments, in accordance with a direction from the Issuer pursuant to Section 5.4(e).

(b) [Reserved].

(c) [Reserved].

(d) [Reserved].

(e) Administration of the Collection Account. Funds on deposit in the Collection Account that are not both deposited and to be withdrawn on the same date shall be invested in Permitted Investments. Any such investment shall mature and such funds shall be available for

withdrawal on or prior to the Business Day immediately preceding the Payment Date immediately following the Monthly Period in which such funds were received or deposited. Wilmington Trust, National Association is hereby appointed as the initial securities intermediary hereunder (the “Securities Intermediary”) and accepts such appointment. The Securities Intermediary represents, warrants, and covenants, and the parties hereto agree, that at all times prior to the termination of this Indenture: (i) the Securities Intermediary shall be a bank that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity hereunder; (ii) the Collection Account shall be an account maintained with the Securities Intermediary to which financial assets may be credited and the Securities Intermediary shall treat the Trustee as entitled to exercise the rights that comprise such financial assets; (iii) each item of property credited to the Collection Account shall be treated as a financial asset; (iv) the Securities Intermediary shall comply with entitlement orders originated by the Trustee without further consent by the Issuer or any other Person; (v) the Securities Intermediary waives any Lien on any property credited to the Collection Account, and (vi) the Securities Intermediary agrees that its jurisdiction for purposes of Section 8-110 and Section 9-305(a)(3) of the UCC shall be New York. The Securities Intermediary shall maintain for the benefit of the Secured Parties, possession or control of each other Permitted Investment (including any negotiable instruments, if any, evidencing such Permitted Investments) not credited to or deposited in a Trust Account (other than such as are described in clause (b) of the definition thereof); provided that no Permitted Investment shall either (x) be disposed of prior to its maturity date if such disposition would result in a loss or (y) be purchased for a purchase price in excess of the principal amount of such Permitted Investment. Nothing herein shall impose upon the Securities Intermediary any duties or obligations other than those expressly set forth herein and those applicable to a securities intermediary under the UCC. The Securities Intermediary shall be entitled to all of the protections available to a securities intermediary under the UCC. At the end of each month, all interest and earnings (net of losses and investment expenses) on funds on deposit in the Collection Account shall be treated as Investment Earnings. If at the end of a month losses and investment expenses on funds on deposit in the Collection Account exceed interest and earnings on such funds during such month, losses and expenses to the extent of such excess will be allocated, with respect to any Series, among the Noteholders of such Series and the Issuer as provided in the related Series Supplement. Subject to the restrictions set forth above, the Issuer, or a Person designated in writing by the Issuer, of which the Trustee shall have received written notification thereof, shall have the authority to instruct the Trustee with respect to the investment of funds on deposit in the Collection Account.

(f) Wilmington Trust, National Association shall be the depository bank hereunder with respect to certain deposit accounts as may be established from time to time (the “Depository Bank”). For the avoidance of doubt, there currently is no such deposit account established hereunder.

(g) Qualified Institution. If, at any time, the institution holding any account established pursuant to this Section 5.3 ceases to be a Qualified Institution, the Trustee shall, within ten (10) Business Days, establish a new account or accounts, as the case may be, meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new account or accounts, as the case may be.

(h) Each of the Securities Intermediary and the Depository Bank shall be entitled to all the same rights, privileges, protections, immunities and indemnities as are contained in Article 11 of this Indenture, all of which are incorporated into this Section 5.3 *mutatis mutandis*, in addition to any such rights, privileges, protections, immunities and indemnities contained in this Section 5.3; provided, however; that nothing contained in this Section 5.3 or in Article 11 shall (i) relieve the Securities Intermediary of the obligation to comply with entitlement orders as provided in Section 5.3(e) or (ii) relieve the Depository Bank of the obligation to comply with instructions directing disposition of the funds as provided in Section 5.3(f).

Section 5.4. Collections and Allocations.

(a) Collections in General. Until this Indenture is terminated pursuant to Section 12.1, the Issuer shall cause, or shall cause the Servicer under the Servicing Agreement to cause, all Collections due and to become due, as the case may be, to be paid into the Collection Account as promptly as possible after the date of receipt of such Collections, but in no event later than the second Business Day (or, with respect to In-Store Payments or Field Collections, the third Business Day) following such date of receipt. All monies, instruments, cash and other proceeds received by the Servicer in respect of the Trust Estate pursuant to this Indenture shall be deposited in the Collection Account as specified herein and shall be applied as provided in this Article 5 and Article 6.

The Servicer shall allocate such amounts to each Series of Notes and to the Issuer in accordance with this Article 5 and shall instruct the Trustee to withdraw the required amounts from the Collection Account or pay such amounts to the Issuer in accordance with this Article 5, in both cases as modified by any Series Supplement. The Servicer shall make such deposits on the date indicated therein by wire transfer or as otherwise provided in the Series Supplement for any Series of Notes with respect to such Series.

(b) [Reserved].

(c) Issuer Distributions. During the Revolving Period, amounts on deposit in the Collection Account may be paid to the Issuer no more than two (2) times during any calendar week (“Issuer Distributions”), except for Issuer Distributions to acquire Subsequently Purchased Receivables, which Issuer Distributions may occur on any Business Day, provided that (i) the Coverage Test is satisfied after giving effect to any such payment to the Issuer, (ii) any such payment to the Issuer shall be limited to the extent used by the Issuer for Permissible Uses and (iii) such Issuer Distribution occurs on a Purchase Date. The Issuer (or the initial Servicer) shall provide the Trustee with a Purchase Report as to the amount of Issuer Distributions for any Business Day, and delivery of such Purchase Report shall be deemed to be a certification by the Issuer that the foregoing conditions were satisfied. Upon receipt of such certification, together with the related Purchase Report, which shall set forth the specific amounts to be distributed and their related recipients (along with the calculations of each of the criteria set forth in this clause (c)), by 2:00 p.m. (New York time) on such Business Day, the Trustee shall forward such Issuer Distributions directly to (w) in the case of Issuer Distributions to be used for clause (a) of the definition of “Permissible Uses,” the Seller, (x) in the case of Issuer Distributions to be used for clause (b) of the definition of “Permissible

Uses,” the Issuer, and (y) in the case of Issuer Distributions to be used for clause (c) of the definition of “Permissible Uses,” the Noteholders.

The Issuer will meet the “Coverage Test” on any date of determination if:

(i) the Overcollateralization Test is satisfied;

(ii) the amount remaining on deposit in the Collection Account is no less than the sum of (x) the Required Monthly Payments, plus (y) the Loan Loss Reserve Amount, plus (z) all accrued and unpaid expenses and indemnity amounts payable pursuant to the Transaction Documents; provided, however, that clause (y) shall not apply for Issuer Distributions to acquire Subsequently Purchased Receivables;

(iii) the Amortization Period has not commenced;

(iv) there shall not exist on such Business Day, and such application thereof shall not result in the occurrence of, a Rapid Amortization Event, a Servicer Default, an Event of Default or a Default (in each case determined by the Issuer taking into account any increases, decreases and status changes of the Receivables and any increases or decreases in the Notes and the amount on deposit in the Collection Account including those scheduled to occur on such date);

(v) [Reserved];

(vi) [Reserved]; and

(vii) the representations and warranties of the Issuer, the initial Servicer and the Seller that are made in this Base Indenture and the other Transaction Documents as of any Purchase Dates are true and correct as of the date of such Issuer Distribution (except to the extent they relate to an earlier or later date, and then as of such earlier or later date).

The Issuer will meet the “Overcollateralization Test” on any date of determination if the Outstanding Receivables Balance of all Eligible Receivables (other than any Eligible Receivables that would cause the Concentration Limits to be exceeded), equals or exceeds an amount equal to (i) the outstanding principal amount of the Notes, plus (ii) the Required Overcollateralization Amount, minus (iii) the amount remaining on deposit in the Collection Account representing the portion of Required Monthly Payments that will be distributed on the following Payment Date in reduction of the Aggregate Class A Note Principal.

(d) [Reserved].

(e) Disqualification of Institution Maintaining Collection Account. Upon and after the establishment of a new Collection Account with a Qualified Institution, the Servicer shall deposit or cause to be deposited all Collections as set forth in Section 5.3(a) into the new Collection Account, and in no such event shall deposit or cause to be deposited any Collections thereafter into any account established, held or maintained with the institution formerly maintaining the Collection

Account (unless it later becomes a Qualified Institution or qualified corporate trust department maintaining the Collection Account).

Section 5.5. Determination of Monthly Interest. Monthly interest with respect to each Series of Notes shall be determined, allocated and distributed in accordance with the procedures set forth in the applicable Series Supplement.

Section 5.6. Determination of Monthly Principal. Monthly principal and other amounts with respect to each Series of Notes shall be determined, allocated and distributed in accordance with the procedures set forth in the applicable Series Supplement. However, all principal or interest with respect to any Series of Notes shall be due and payable no later than the Legal Final Payment Date with respect to such Series.

Section 5.7. General Provisions Regarding Accounts. Subject to Section 11.1(c), the Trustee shall not in any way be held liable by reason of any insufficiency in any of the Trust Estate resulting from any loss on any Permitted Investment included therein except for losses attributable to the Trustee's failure to make payments on such Permitted Investments issued by the Trustee, in its commercial capacity as principal obligor and not as trustee, in accordance with their terms.

Section 5.8. Removed Receivables. Upon satisfaction of the conditions and the requirements of any of (i) Section 8.3(a) and Section 15.1 hereof, (ii) Section 2.02(k) or Section 2.08 of the Servicing Agreement or (iii) Section 2.4 of the Purchase Agreement, as applicable, the Issuer shall execute and deliver and, upon receipt of an Issuer Order, the Trustee shall acknowledge an instrument in the form attached hereto as Exhibit B evidencing the Trustee's release of the related Removed Receivables and Related Security, and the Removed Receivables and Related Security shall no longer constitute a part of the Trust Estate. No party relying upon an instrument executed by the Trustee as provided in this Article 5 shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

[THE REMAINDER OF ARTICLE 5 IS RESERVED AND SHALL BE SPECIFIED IN ANY SERIES SUPPLEMENT WITH RESPECT TO ANY SERIES.]

ARTICLE 6.

[ARTICLE 6 IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES]

ARTICLE 7.

[ARTICLE 7 IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES]

ARTICLE 8.

COVENANTS

Section 8.1. Money for Payments To Be Held in Trust. At all times from the date hereof to the Indenture Termination Date, unless the Required Noteholders of each Series shall otherwise consent in writing, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Collection Account shall be made on behalf of the Issuer by the Trustee or by another Paying Agent, and no amounts so withdrawn from the Collection Account for payments of such Notes shall be paid over to the Issuer except as provided in this Indenture.

Section 8.2. Affirmative Covenants of Issuer. At all times from the date hereof to the Indenture Termination Date, unless each Noteholder shall otherwise consent in writing, the Issuer shall:

(a) Payment of Notes. Duly and punctually pay or cause to be paid principal of (and premium, if any), interest and other amounts on and with respect to the Notes pursuant to the provisions of this Base Indenture and any applicable Series Supplement. Principal, interest and other amounts shall be considered paid on the date due if the Trustee or the Paying Agent holds on that date money designated for and sufficient to pay all principal, interest and other amounts then due. Amounts properly withheld under the Code by any Person from a payment to any Noteholder of interest, principal and/or other amounts shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture.

(b) Maintenance of Office or Agency. Maintain an office or agency (which may be an office of the Trustee, Transfer Agent and Registrar or co-registrar) where Notes may be surrendered for registration of transfer or exchange, where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served, and where, at any time when the Issuer is obligated to make a payment of principal and premium upon the Notes, the Notes may be surrendered for payment. The Issuer hereby initially appoints the Trustee to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Trustee and the Noteholders of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Issuer hereby appoints the Trustee as its agent to receive all such surrenders, notices and demands.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Issuer will give prompt written notice to the Trustee and the Noteholders of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Issuer.

(c) Compliance with Laws, etc.

(i) Comply with all applicable Laws, a breach of any of which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect;

(ii) Obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of the Receivables and its other properties or to the conduct of its business, the violation or failure to obtain which would be reasonably likely to have a Material Adverse Effect; and

(iii) Ensure that all Governmental Actions of all Governmental Authorities required with respect to the transactions contemplated by the Transaction Documents and the other documents related thereto have been obtained or made.

(d) Preservation of Existence. Preserve and maintain its existence rights, franchises and privileges in the jurisdiction of its incorporation or organization, and qualify and remain qualified in good standing as a foreign entity in the jurisdiction where its principal place of business and its chief executive office are located and in each other jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualifications would have a Material Adverse Effect.

(e) Performance and Compliance with Receivables. Timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Receivables and all other agreements related to such Receivables.

(f) Collection Policy. Comply in all material respects with the Credit and Collection Policies in regard to each Receivable.

(g) Reporting Requirements of The Issuer. Until the Indenture Termination Date, furnish to the Noteholders:

(i) Financial Statements.

(A) as soon as available, and in any event within one hundred twenty (120) days after the end of each Fiscal Year of the Issuer, a copy of the annual unaudited report for such Fiscal Year of the Issuer including a copy of the balance sheet of the Issuer, in each case, as at the end of such Fiscal Year, together with the related statements of earnings and cash flows for such Fiscal Year;

(B) as soon as available and in any event within one hundred twenty (120) days after the end of each Fiscal Year of Consolidated Parent, a balance sheet of Consolidated Parent as of the end of such year and statements of income and retained earnings and of source and application of funds of Consolidated Parent, for the period commencing at the end of the previous Fiscal Year and ending with the end of such year, in each case setting forth comparative figures for the previous Fiscal Year, certified without material qualification by Deloitte & Touche LLP or other nationally recognized independent public accountants with expertise in the preparation of such reports, together with a certificate of such accounting firm stating that in the course

of the regular audit of the business of Consolidated Parent, which audit was conducted in accordance with GAAP (as then in effect), such accounting firm has obtained no knowledge that an Event of Default, Default or Rapid Amortization Event has occurred and is continuing, or if, in the opinion of such accounting firm, such an Event of Default, Default or Rapid Amortization Event has occurred and is continuing, a statement as to the nature thereof; and

(C) as soon as available and in any event within forty-five (45) days after the end of each fiscal quarter, quarterly balance sheets and quarterly statements of source and application of funds and quarterly statements of income and retained earnings of Consolidated Parent, certified by a Responsible Officer of Consolidated Parent (which certification shall state that such balance sheets and statements fairly present the financial condition and results of operations for such fiscal quarter, subject to year-end audit adjustments), delivery of which balance sheets and statements shall be accompanied by an Officer's Certificate of the Issuer to the effect that no Event of Default, Default or Rapid Amortization Event has occurred and is continuing.

For so long as Consolidated Parent is subject to the reporting requirements of Section 13(a) of the Exchange Act, its filing of the annual and quarterly reports required under the Exchange Act, on a timely basis, shall be deemed compliance with this Section 8.2(g)(i).

(ii) Notice of Default, Event of Default, Rapid Amortization Event or Block Event. Immediately, and in any event within one (1) Business Day after the Issuer obtains knowledge of the occurrence of each Default, Event of Default, Rapid Amortization Event or Block Event (as defined in the Note Purchase Agreement) a statement of a Responsible Officer of the Issuer (which statement shall also be delivered to the Back-Up Servicer and any successor Servicer) setting forth details of such Default, Event of Default, Rapid Amortization Event or Block Event (as defined in the Note Purchase Agreement) and the action which the Issuer proposes to take with respect thereto;

(iii) Change in Credit and Collection Policies.

(A) Within fifteen (15) Business Days after the date of any material change in or amendment to the Credit and Collection Policies is made (which change or amendment, to the extent made to the Credit and Collection Policies of the Seller or initial Servicer, shall not be made without the prior written consent of each of the Noteholders), a copy of the Credit and Collection Policies then in effect indicating such change or amendment;

(B) No later than five (5) Business Days prior to the effective date of any proposed material change in or amendment to the Credit and Collection Policies, a copy of the proposed change or amendment; and

(C) Within fifteen (15) Business Days after the date any material version change in the Seller's proprietary credit risk decisioning model, a written summary of such change.

(iv) ERISA. Promptly after the filing or receiving thereof, copies of all reports and notices with respect to any ERISA Event which either (i) the Issuer, the Seller, the initial Servicer or any of their respective ERISA Affiliates files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or (ii) the Issuer, the Seller, the initial Servicer or any of their respective ERISA Affiliates receives from the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor. The Issuer shall give the Trustee and each Noteholder prompt written notice of any event that could result in the imposition of a Lien on the assets of the Issuer or any of its ERISA Affiliates under Section 430(k) of the Code or Section 303(k) or 4068 of ERISA;

(v) If a Responsible Officer of the Issuer shall have actual knowledge of the occurrence of a Servicer Default, notice thereof to the Trustee and the Noteholders, which notice shall specify the action, if any, the Issuer is taking in respect of such default. If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement, the Issuer shall take all reasonable steps available to it to remedy such failure, including any action reasonably requested by the Trustee or the Noteholders; and

(vi) On or before April 1, 2016 and on or before April 1 of each year thereafter, and otherwise in compliance with the requirements of TIA Section 314(a)(4) (if this Indenture is required to be qualified under the TIA), an Officer's Certificate of the Issuer stating, as to the Responsible Officer signing such Officer's Certificate, that:

(A) a review of the activities of the Issuer during such year and of performance under this Indenture has been made under such Responsible Officer's supervision; and

(B) to the best of such Responsible Officer's knowledge, based on such review, the Issuer has complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a Default, Event of Default or Rapid Amortization Event specifying each such Default, Event of Default or Rapid Amortization Event known to such Responsible Officer and the nature and status thereof.

(h) Use of Proceeds. Use the proceeds of the Notes solely in connection with the acquisition or funding of Receivables and other Permissible Uses.

(i) Protection of Trust Estate. At its expense, perform all acts and execute all documents necessary and desirable at any time to evidence, perfect, maintain and enforce the title or the security interest of the Trustee in the Trust Estate and the priority thereof. The Issuer will prepare, deliver and authorize the filing of financing statements relating to or covering the Trust Estate sold to the Issuer and subsequently conveyed to the Trustee (which financing statements may cover "all assets" of the Issuer).

(j) Inspection of Records. Permit the Trustee, the Noteholders, any one or more of the Notice Persons or their duly authorized representatives, attorneys or auditors to inspect the Receivables, the Receivable Files and the Records at such times as such Person may reasonably request. Upon instructions from the Trustee, the Required Noteholders or their duly authorized representatives, attorneys or auditors, the Issuer shall release any document related to any Receivables to such Person.

(k) Furnishing of Information. Provide such cooperation, information and assistance, and prepare and supply the Trustee and the Noteholders with such data regarding the performance by the Obligors of their obligations under the Receivables and the performance by the Issuer and Servicer of their respective obligations under the Transaction Documents, as may be reasonably requested by the Trustee, the Noteholders, or any Notice Person from time to time.

(l) Accounts. Not maintain any bank accounts other than the Trust Accounts. Except as set forth in the Servicing Agreement the Issuer shall not make, nor will it permit the Seller or Servicer to make, any change in its instructions to Obligors regarding payments to be made to the Servicer Account (as defined in the Servicing Agreement). The Issuer shall not add any additional Trust Accounts unless the Trustee (subject to Section 15.1 hereto) shall have consented thereto and received a copy of any documentation with respect thereto. The Issuer shall not terminate any Trust Accounts or close any Trust Accounts unless the Trustee and the Noteholders shall have received at least thirty (30) days' prior notice of such termination and (subject to Section 15.1 hereto) shall have consented thereto.

(m) Performance and Compliance with Receivables and Contracts. At its expense, timely and fully perform and comply with all material provisions, covenants and other promises, if any, required to be observed by the Issuer under the Contracts related to the Receivables.

(n) Collections Received. Hold in trust, and immediately (but in any event no later than two (2) Business Days following the date of receipt thereof) transfer to the Servicer for deposit into the Collection Account (subject to Section 5.4(a)) all Collections, if any, received from time to time by the Issuer.

(o) Enforcement of Transaction Documents. Use commercially reasonable efforts to enforce all rights held by it under any of the Transaction Documents, shall not amend, supplement or otherwise modify any of the Transaction Documents and shall not waive any breach of any covenant contained thereunder without the prior written consent of each Noteholder. The Issuer shall take all actions necessary and desirable to enforce the Issuer's rights and remedies under the Transaction Documents. The Issuer agrees that it will not waive timely performance or observance by the Servicer or the Seller of their respective duties under the Transaction Documents if the effect thereof would adversely affect any of the Secured Parties.

(p) Separate Legal Entity. The Issuer hereby acknowledges that the Trustee and the Noteholders are entering into the transactions contemplated by this Base Indenture and the other Transaction Documents in reliance upon the Issuer's identity as a legal entity separate from any other Person. Therefore, from and after the date hereof, the Issuer shall take all reasonable steps to continue the Issuer's identity as a separate legal entity and to make it apparent to third Persons

that the Issuer is an entity with assets and liabilities distinct from those of any other Person, and is not a division of any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the covenant set forth herein, the Issuer shall take such actions as shall be required in order that:

(i) The Issuer will be a limited purpose limited liability company whose primary activities are restricted in its operating agreement to owning financial assets and financing the acquisition thereof and conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(ii) At least two directors of the Issuer (the “Independent Directors”) shall be individuals who (A) for the five-year period prior to his or her appointment as Independent Director has not been, and during the continuation of his or her service as Independent Director is not: (i) an employee, director, stockholder, member, manager, partner or officer of the Issuer, Oportun or any of their respective Affiliates (other than his or her service as an Independent Director of the Issuer or any Affiliate that is a special purpose entity); (ii) a customer or supplier of the Issuer, Oportun or any of their respective Affiliates (other than his or her service as an Independent Director of the Issuer or any Affiliate that is a special purpose entity); or (iii) any member of the immediate family of a person described in (i) or (ii), and (B) has, (i) prior experience as an Independent Director for a corporation or limited liability company whose charter documents required the unanimous consent of all Independent Directors thereof before such corporation or limited liability company could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (ii) at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities. The limited liability company agreement of the Issuer shall provide that (i) the Issuer shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Issuer unless the Independent Directors shall approve the taking of such action in writing prior to the taking of such action, and (ii) such provision cannot be amended without the prior written consent of the Independent Directors;

(iii) any employee, consultant or agent of the Issuer will be compensated from funds of the Issuer, as appropriate, for services provided to the Issuer;

(iv) the Issuer will allocate and charge fairly and reasonably overhead expenses shared with any other Person. To the extent, if any, that the Issuer and any other Person share items of expenses such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered;

(v) the Issuer’s operating expenses will not be paid by any other Person except as permitted under the terms of this Indenture or otherwise consented to by the Noteholders or the Trustee, at the direction of the Required Noteholders;

(vi) the Issuer's books and records will be maintained separately from those of any other Person;

(vii) all audited financial statements of any Person that are consolidated to include the Issuer will contain notes clearly stating that (A) all of the Issuer's assets are owned by the Issuer, and (B) the Issuer is a separate entity;

(viii) the Issuer's assets will be maintained in a manner that facilitates their identification and segregation from those of any other Person;

(ix) the Issuer will strictly observe appropriate formalities in its dealings with all other Persons, and funds or other assets of the Issuer will not be commingled with those of any other Person, other than temporary commingling in connection with servicing the Receivables to the extent explicitly permitted by this Indenture and the other Transaction Documents;

(x) the Issuer shall not, directly or indirectly, be named or enter into an agreement to be named, as a direct or contingent beneficiary or loss payee, under any insurance policy with respect to any amounts payable due to occurrences or events related to any other Person;

(xi) any Person that renders or otherwise furnishes services to the Issuer will be compensated thereby at market rates for such services it renders or otherwise furnishes thereto. Except as expressly provided in the Transaction Documents, the Issuer will not hold itself out to be responsible for the debts of any other Person or the decisions or actions respecting the daily business and affairs of any other Person; and

(xii) comply with all material assumptions of fact set forth in each opinion with respect to certain bankruptcy matters delivered by Orrick, Herrington & Sutcliffe LLP pursuant to the Transaction Documents, relating to the Issuer, its obligations hereunder and under the other Transaction Documents to which it is a party and the conduct of its business with the Seller, the Servicer or any other Person.

(q) Minimum Net Worth. Have a net worth (in accordance with GAAP) of at least 1% of the aggregate outstanding principal amount of the Notes.

(r) Servicer's Obligations. Cause the Servicer to comply with Section 2.02(c) and Sections 2.09 and 2.10 of the Servicing Agreement.

(s) Income Tax Characterization. For purposes of U.S. federal income, state and local income and franchise taxes, unless otherwise required by the relevant Governmental Authority, the Issuer will treat the Notes as debt.

Section 8.3. Negative Covenants. So long as any Notes are outstanding, the Issuer shall not, unless each Noteholder shall otherwise consent in writing:

(a) Sales, Liens, etc. Except pursuant to, or as contemplated by, the Transaction Documents, the Issuer shall not sell, transfer, exchange, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist voluntarily or involuntarily any Adverse Claims upon or with respect to any of its assets, including, without limitation, the Trust Estate, any interest therein or any right to receive any amount from or in respect thereof.

(b) Claims, Deductions. Claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code or other applicable Law) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate.

(c) Mergers, Acquisitions, Sales, Subsidiaries, Delaware LLC Divisions, etc. The Issuer shall not:

(i) be a party to any merger or consolidation, or directly or indirectly purchase or otherwise acquire all or substantially all of the assets or any stock of any class of, or any partnership or joint venture interest in, any other Person, except for Permitted Investments, or sell, transfer, assign, convey or lease any of its property and assets (or any interest therein) other than pursuant to, or as contemplated by, this Indenture or the other Transaction Documents;

(ii) make, incur or suffer to exist an investment in, equity contribution to, loan or advance to, or payment obligation in respect of the deferred purchase price of property from, any other Person, except for Permitted Investments or pursuant to the Transaction Documents;

(iii) create any direct or indirect Subsidiary or otherwise acquire direct or indirect ownership of any equity interests in any other Person other than pursuant to the Transaction Documents;

(iv) enter into any transaction with any Affiliate except for the transactions contemplated by the Transaction Documents and other transactions upon fair and reasonable terms materially no less favorable to the Issuer than would be obtained in a comparable arm's length transaction with a Person not an Affiliate; or

(v) enter into any Delaware LLC Division.

(d) Change in Business Policy. The Issuer shall not make any change in the character of its business which would impair in any material respect the collectability of any Receivable.

(e) Other Debt. Except as provided for herein, the Issuer shall not create, incur, assume or suffer to exist any Indebtedness whether current or funded, other than (i) the Notes, (ii) Indebtedness of the Issuer representing fees, expenses and indemnities arising hereunder or under

the Purchase Agreement for the purchase price of the Receivables under the Purchase Agreement and (iii) other Indebtedness permitted pursuant to Section 8.3(h).

(f) Certificate of Formation and LLC Agreement. The Issuer shall not amend its certificate of formation or its operating agreement unless the Trustee has agreed to such amendment and each Noteholder has consented to such amendment (which consent shall not be unreasonably withheld).

(g) Financing Statements. The Issuer shall not authorize the filing of any financing statement (or similar statement or instrument of registration under the Laws of any jurisdiction) or statements relating to the Trust Estate other than the financing statements authorized and filed in connection with and pursuant to the Transaction Documents.

(h) Business Restrictions. The Issuer shall not (i) engage in any business or transactions, or be a party to any documents, agreements or instruments, other than the Transaction Documents or those incidental to the purposes thereof, or (ii) make any expenditure for any assets (other than Receivables) if such expenditure, when added to other such expenditures made during the same calendar year would, in the aggregate, exceed Ten Thousand Dollars (\$10,000); provided, however, that the foregoing will not restrict the Issuer's ability to pay servicing compensation as provided herein and, so long as no Default, Event of Default or Rapid Amortization Event shall have occurred and be continuing, the Issuer's ability to make payments or distributions legally made to the Issuer's members with amounts distributed to the Issuer in accordance with this Base Indenture and the related Series Supplement.

(i) ERISA Matters.

(i) To the extent applicable, the Issuer will not (A) engage or permit any of its respective ERISA Affiliates, over which the Issuer has control, to engage in any prohibited transaction (as defined in Section 4975 of the Code and Section 406 of ERISA) for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (B) fail to make, or permit any of its ERISA Affiliates, over which the Issuer has control, to fail to make, any payments to any Multiemployer Plan that the Issuer, the Seller, the initial Servicer or any of their respective ERISA Affiliates is required to make under the agreement relating to such Multiemployer Plan or any Law pertaining thereto; (C) terminate, or permit any of its ERISA Affiliates, over which the Issuer has control, to terminate, any Benefit Plan so as to result in any liability to the Issuer, the initial Servicer, the Seller or any of their ERISA Affiliates; or (D) permit to exist any occurrence of any reportable event described in Title IV of ERISA with respect to a Pension Plan, if such prohibited transactions, failures to make payment, terminations and reportable events described in clauses (A), (B), (C) and (D) above would in the aggregate have a Material Adverse Effect.

(ii) The Issuer will not permit to exist any failure to satisfy the minimum funding standard (as described in Section 302 of ERISA and Section 412 of the Code) with respect to any Pension Plan.

(iii) The Issuer will not cause or permit, nor permit any of its ERISA Affiliates over which the Issuer has control, to cause or permit, the occurrence of an ERISA Event with respect to any Pension Plans that could result in a Material Adverse Effect.

(j) Name; Jurisdiction of Organization. The Issuer will not change its name or its jurisdiction of organization (within the meaning of the applicable UCC) without prior written notice to the Trustee and the Noteholders. Prior to or upon a change of its name, the Issuer will make all filings (including filings of financing statements on form UCC-1) and recordings necessary to maintain the perfection of the interest of the Trustee in the Trust Estate pursuant to this Indenture. The Issuer further agrees that it will not become or seek to become organized under the Laws of more than one jurisdiction. In the event that the Issuer desires to so change its jurisdiction of organization or change its name, the Issuer will make any required filings and prior to actually making such change the Issuer will deliver to the Trustee and the Noteholders (i) an Officer's Certificate and an Opinion of Counsel confirming that all required filings have been made to continue the perfected interest of the Trustee in the Trust Estate in respect of such change and (ii) copies of all such required filings with the filing information duly noted thereon by the office in which such filings were made.

(k) Tax Matters. The Issuer will not take any action that could cause, and will not omit to take any action, which omission could cause, the Issuer to become taxable as a corporation for U.S. federal income tax purposes.

(l) Trustee Fee. The Issuer will not increase the amount of compensation payable to the Trustee (including in its capacity as Agent), the Collateral Trustee, the Securities Intermediary and the Depositary Bank without the prior written consent of the Required Noteholders (which consent shall not be unreasonably withheld).

Section 8.4. Further Instruments and Acts. The Issuer will execute and deliver such further instruments, furnish such other information and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

Section 8.5. Appointment of Successor Servicer. If the Trustee has given notice of termination to the Servicer of the Servicer's rights and powers pursuant to Section 2.01 of the Servicing Agreement, as promptly as possible thereafter, the Trustee, with the consent of the Required Noteholders of each Series, shall appoint a successor servicer in accordance with Section 2.01 of the Servicing Agreement.

Section 8.6. Perfection Representations. The parties hereto agree that the Perfection Representations shall be a part of this Indenture for all purposes.

ARTICLE 9.

[ARTICLE 9 IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES OF NOTES]

ARTICLE 10.

REMEDIES

Section 10.1. Events of Default. Unless otherwise specified in a Series Supplement, an “Event of Default”, wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) default in the payment of any interest, principal, indemnity payment or other amount when due and owing by the Issuer, the Seller, the initial Servicer or any Affiliate thereof under any Transaction Document, and such default shall continue (and shall not have been waived by each Noteholder) for a period of two (2) Business Days after receipt of notice thereof;

(ii) default in the payment of the principal of or any installment of the principal of any Class of Notes when the same becomes due and payable on the Legal Final Payment Date;

(iii) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Issuer, the Seller, the Nevada Originator, the Servicer or any part of the Trust Estate in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Trust Estate, or ordering the winding-up or liquidation of the Issuer’s, the Seller’s, the Nevada Originator’s or the Servicer’s affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days;

(iv) the commencement by the Issuer, the Seller, the Nevada Originator or the Servicer of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar Law now or hereafter in effect, or the consent by the Issuer, the Seller, the Nevada Originator or the Servicer to the entry of an order for relief in an involuntary case under any such Law, or the consent by the Issuer, the Seller, the Nevada Originator or the Servicer to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any part of the Trust Estate, or the making by the Issuer, the Seller, the Nevada Originator or the Servicer of any general assignment for the benefit of creditors, or the failure by the Issuer, the Seller, the Nevada Originator or the Servicer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing;

(v) the failure to deliver any Monthly Servicer Report, Monthly Statement or any other report or certificate required to be delivered under this Indenture or any other Transaction Document by the Issuer, the Seller, the Nevada Originator or the Servicer (or any of their Affiliates) on the applicable date when due under this Indenture or any other

Transaction Document and such failure shall continue unremedied for a period of ten (10) Business Days after receipt of notice of such failure;

(vi) either (x) a failure on the part of the Issuer duly to observe or perform any other covenants or agreements of the Issuer set forth in this Indenture or any other Transaction Document to which it is a party, (y) a failure on the part of the Seller duly to observe or perform any other covenants or agreements of the Seller set forth in the Purchase Agreement or any other Transaction Document to which it is a party or (z) a failure on the part of the Servicer duly to observe or perform any other covenants or agreements of the Servicer set forth in the Servicing Agreement or any other Transaction Document to which it is a party, which failure, in either case, solely to the extent capable of cure and so long as it relates other than to any negative covenant (except for the negative covenant set forth in Section 8.3(a)), continues unremedied for a period of fifteen (15) Business Days after receipt of notice;

(vii) either (x) any representation, warranty or certification made by the Issuer in this Indenture or in any other Transaction Document or in any certificate delivered pursuant to this Indenture or any other Transaction Document to which it is a party shall prove to have been inaccurate when made or deemed made or (y) any representation, warranty or certification made by the Seller in the Purchase Agreement or in any other Transaction Document to which it is a party or in any certificate delivered pursuant to the Purchase Agreement or any other Transaction Document shall prove to have been inaccurate when made or deemed made and, in either case, to the extent such representation, warranty or certification is capable of cure, such inaccuracy continues unremedied for a period of fifteen (15) Business Days after receipt of notice;

(viii) the Trustee shall cease to have a first-priority perfected security interest in the Trust Estate;

(ix) the Issuer shall either (x) have become subject to regulation by the Commission as an “investment company” under the Investment Company Act or (y) be a “covered fund” as defined in the final regulations issued December 10, 2013 implementing the “Volcker Rule” (Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act);

(x) the Issuer shall become taxable as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes;

(xi) a lien shall be filed pursuant to Section 430 or Section 6321 of the Code with regard to the Issuer except for any lien set forth in clause (i) of the definition of Permitted Encumbrance;

(xii) the Issuer shall fail at any time to have an Independent Director who satisfies each requirement and qualification specified in Section 8.2(p) of this Indenture for Independent Directors; provided, however, that any such failure resulting from the death, resignation or other unforeseeable departure of an Independent Director shall not constitute

an Event of Default if the related vacancy is filled as required under the limited liability company agreement of the Issuer;

(xiii) Oportun shall fail to perform any of its obligations under the Performance Guaranty;

(xiv) any material provision of this Indenture or any other Transaction Document shall cease to be in full force and effect or any of the Issuer, the Seller, the Nevada Originator or the Servicer (or any of their respective Affiliates) shall so state in writing;

(xv) (w) the Issuer shall fail to pay any principal of or premium or interest on any of its Indebtedness when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Indebtedness (whether or not such failure shall have been waived under the related agreement); (x) the Seller, the Servicer, the Nevada Originator or any of their respective Subsidiaries, individually or in the aggregate, shall fail to pay any principal of or premium or interest on any of its Indebtedness that is outstanding in a principal amount of at least \$2,500,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Indebtedness (whether or not such failure shall have been waived under the related agreement); (y) any other event shall occur or condition shall exist under any agreement, mortgage, indenture or instrument relating to any such Indebtedness (as referred to in clause (w) or (x) of this paragraph and shall continue after the applicable grace period (not to exceed 30 days), if any, specified in such agreement, mortgage, indenture or instrument (whether or not such failure shall have been waived under the related agreement), if the effect of such event or condition is to give the applicable debtholders the right (whether acted upon or not) to accelerate the maturity of such Indebtedness (as referred to in clause (w) or (x) of this paragraph) or to terminate the commitment of any lender thereunder, or (z) any such Indebtedness (as referred to in clause (w) or (x) of this paragraph) shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Indebtedness shall be required to be made or the commitment of any lender thereunder terminated, in each case before the stated maturity thereof;

(xvi) the occurrence of an “Event of Default” or similar event or condition under the terms of any Term Indenture;

(xvii) one or more judgments or decrees shall be entered against the Issuer, the Seller, the Nevada Originator or the Servicer, or any Affiliate of any of the foregoing involving in the aggregate a liability (not paid or to the extent not covered by a reputable and solvent insurance company) and such judgments and decrees either shall be final and non-appealable or shall not be vacated, discharged or stayed or bonded pending appeal for any period of 10 Business Days, and the aggregate amount of all such judgments equals

or exceeds \$2,500,000 (or solely with respect to the Issuer, \$0) over the course of any twelve month period;

- (xviii) the Overcollateralization Test is not satisfied for more than five (5) Business Days;
- (xix) the breach of any Financial Covenant;
- (xx) the occurrence of a Servicer Default;
- (xxi) [Reserved];
- (xxii) the occurrence of a Change in Control; or
- (xxiii) the failure to pay the Borrowing Base Shortfall in full on any Payment Date.

Section 10.2. Rights of the Trustee Upon Events of Default.

(a) If and whenever an Event of Default (other than in clause (iii) and (iv) of Section 10.1) shall have occurred and be continuing, the Trustee may, and, at the written direction of the Required Noteholders shall, cause the principal amount of all Notes of all Series outstanding to be immediately due and payable at par, together with interest thereon. If an Event of Default with respect to the Issuer specified in clause (iii) or (iv) of Section 10.1 shall occur, all unpaid principal of and accrued interest on all the Notes of all Series outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholder. If an Event of Default shall have occurred and be continuing, the Trustee may exercise from time to time any rights and remedies available to it under applicable Law and Section 10.4. Any amounts obtained by the Trustee on account of or as a result of the exercise by the Trustee of any right shall be held by the Trustee as additional collateral for the repayment of the Secured Obligations and shall be applied as provided in Article 5 hereof. If so specified in the applicable Series Supplement, the Trustee may agree to limit its exercise of rights and remedies available to it as a result of the occurrence of an Event of Default to the extent set forth therein.

(b) If an Event of Default shall have occurred and be continuing, then at any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article 10 provided, all Noteholders, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

- (i) the Issuer has paid to or deposited with the Trustee a sum sufficient to pay

(A) all payments of principal of and interest on all Notes and all other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

(B) all sums paid by the Trustee hereunder and the reasonable compensation, expenses, disbursements of the Trustee and its agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 10.6.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

(c) Additional Remedies. In addition to any rights and remedies now or hereafter granted hereunder or under applicable Law with respect to the Trust Estate, the Trustee shall have all of the rights and remedies of a secured party under the UCC as enacted in any applicable jurisdiction.

Section 10.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

(a) The Issuer covenants that if (i) default is made in the payment of any amount payable by the Issuer when the same becomes due and payable, and such default continues for a period of two (2) Business Days or (ii) default is made in the payment of the principal of any Note on the Legal Final Payment Date, the Issuer will pay to it, for the benefit of the Noteholders, the whole amount then due and payable on such Notes for principal, interest and other amounts, with interest upon the overdue principal, and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest, at the applicable Note Rate and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel.

(b) If an Event of Default occurs and is continuing, the Trustee may (in its discretion) and, at the written direction of the Required Noteholders, shall proceed to protect and enforce its rights and the rights of the Secured Parties by such appropriate Proceedings to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by Law; provided, however, that the Trustee shall sell or otherwise liquidate the Trust Estate or any portion thereof only in accordance with Section 10.4(d).

(c) In any Proceedings brought by the Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture), the Trustee shall be held to represent all the Secured Parties, and it shall not be necessary to make any such Person a party to any such Proceedings.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Trust Estate, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar Law, or in case a receiver, assignee or trustee in bankruptcy or

reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal or other amount of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal, interest and other amounts owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence, bad faith or willful misconduct) and of the Secured Parties allowed in such Proceedings;

(ii) unless prohibited by applicable Law, to vote on behalf of the Secured Parties in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Secured Parties and of the Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee or the Secured Parties allowed in any judicial Proceedings relative to the Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Secured Parties to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to such Secured Parties, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence, bad faith or willful misconduct.

(e) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Secured Party any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Secured Party or to authorize the Trustee to vote in respect of the claim of any Secured Party in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture or under any of the Notes may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any Proceedings relative thereto, and any such action or Proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the Secured Parties.

Section 10.4. **Remedies.** If an Event of Default shall have occurred and be continuing, the Trustee may and, at the written direction of the Required Noteholders, shall do one or more of the following:

(a) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable under the Transaction Documents, enforce any judgment obtained, and collect from the Issuer and any other obligor under the Transaction Documents moneys adjudged due;

(b) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Trust Estate;

(c) subject to the limitations set forth in clause (d) below, exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Secured Parties; and

(d) sell the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by Law; provided, however, that the Trustee may not sell or otherwise liquidate the Trust Estate following an Event of Default unless:

(i) the Required Noteholders direct such sale and liquidation,

(ii) the proceeds of such sale or liquidation distributable to the Noteholders of each Series are sufficient to discharge in full all amounts then due and unpaid with respect to all outstanding Notes for principal and interest and any other amounts due Noteholders, or

(iii) the Trustee determines that the proceeds of the Trust Estate will not continue to provide sufficient funds for the payment of principal of and interest on all outstanding Notes as such amounts would have become due if such Notes had not been declared due and payable and the Required Noteholders direct such sale and liquidation.

In determining such sufficiency or insufficiency with respect to clauses (d)(ii) and (d)(iii), the Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Receivables in the Trust Estate for such purpose.

The Trustee may maintain a Proceeding even if it does not possess any of the Notes or does not produce any of them in the Proceeding, and any such Proceeding instituted by the Trustee shall be in its own name as trustee. All remedies are cumulative to the extent permitted by Law.

Section 10.5. [Reserved].

Section 10.6. Waiver of Past Events. If an Event of Default shall have occurred and be continuing, prior to the declaration of the acceleration of the maturity of the Notes as provided in Section 10.2(a), all Noteholders may waive any past Default or Event of Default and its consequences except a Default in payment of principal of any of the Notes. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 10.7. Limitation on Suits. No Noteholder shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Base Indenture and related Series Supplement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (i) such Noteholder previously has given written notice to the Trustee of a continuing Event of Default;
- (ii) the Holders of not less than 25% of the outstanding principal amount of all Notes of all affected Series have made written request to the Trustee to institute such Proceeding in respect of such Event of Default in its own name as Trustee hereunder;
- (iii) such Noteholder has offered and provided to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request;
- (iv) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings; and
- (v) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by all Noteholders;

it being understood and intended that no one or more Noteholder shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Noteholder or to obtain or to seek to obtain priority or preference over any other Noteholder or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Secured Parties, each representing less than all Noteholders, the Trustee shall

proceed in accordance with the request of the greater majority of the outstanding principal amount or par value of the Notes, as determined by reference to such requests.

Section 10.8. Unconditional Rights of Holders to Receive Payment; Withholding Taxes.

(a) Notwithstanding any other provision of this Indenture except as provided in Section 10.8(b) and (c), the right of any Noteholder to receive payment of principal, interest or other amounts, if any, on the Note, on or after the respective due dates expressed in the Note or in this Indenture (or, in the case of redemption, on or after the Redemption Date), or to bring suit for the enforcement of any such payment on or after such respective dates, is absolute and unconditional and shall not be impaired or affected without the consent of the Noteholder.

(b) Promptly upon request, each Noteholder shall provide to the Trustee and/or the Issuer (or other person responsible for withholding of taxes, including but not limited to FATCA Withholding Tax, or delivery of information under FATCA) with the Tax Information.

(c) The Paying Agent shall (or if the Trustee is not the Paying Agent, the Trustee shall cause the Paying Agent to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent shall) comply with the provisions of this Indenture applicable to it, comply with all requirements of the Code with respect to the withholding from any payments to Noteholders, including FATCA Withholding Tax (including obtaining and retaining from Persons entitled to payments with respect to the Notes any Tax Information and making any withholdings with respect to the Notes as required by the Code (including FATCA) and paying over such withheld amounts to the appropriate Governmental Authority), comply with respect to any applicable reporting requirements in connection with any payments to Noteholders, and, upon request, provide any Tax Information to the Issuer.

Section 10.9. Restoration of Rights and Remedies. If any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Noteholder, then and in every such case the Issuer, the Trustee, the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee, the Noteholders shall continue as though no such Proceeding had been instituted.

Section 10.10. The Trustee May File Proofs of Claim. The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Noteholders allowed in any judicial Proceedings relative to the Issuer (or any other obligor upon the Notes), its creditors or its property, and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claim and any custodian in any such judicial Proceeding is hereby authorized by each Noteholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under

Section 11.6 and 11.17. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 11.6 and 11.17 out of the estate in any such Proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, notes and other properties which the Noteholders may be entitled to receive in such Proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Noteholder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such Proceeding.

Section 10.11. Priorities. Following the declaration of an Event of Default or a Rapid Amortization Event pursuant to Section 9.1 or 10.2, all amounts in the Collection Account, including any money or property collected pursuant to Section 10.4 (after deducting the reasonable costs and expenses of such collection), shall be applied by the Trustee on the related Payment Date in accordance with the provisions of Article 5 and the applicable Series Supplement.

The Trustee may fix a record date and payment date for any payment to Secured Parties pursuant to this Section. At least fifteen (15) days before such record date the Issuer shall mail to each Secured Party and the Trustee a notice that states the record date, the payment date and the amount to be paid.

Section 10.12. Undertaking for Costs. All parties to this Indenture agree, and each Secured Party shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to (a) any suit instituted by the Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate more than 10% of the aggregate outstanding principal balance of the Notes on the date of the filing of such action or (c) any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in this Indenture (or, in the case of redemption, on or after the Redemption Date).

Section 10.13. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Secured Parties is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by Law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 10.14. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Secured Party to exercise any right or remedy accruing upon any Default or Event of Default shall

impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article 10 or by Law to the Trustee or to the Secured Parties may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Secured Parties, as the case may be.

Section 10.15. Control by Noteholders. The Required Noteholders, acting together, shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee; provided that:

- (i) such direction shall not be in conflict with any Law or with this Indenture;
- (ii) subject to the express terms of Section 10.4, any direction to the Trustee to sell or liquidate the Receivables shall be by the Required Noteholders;
- (iii) the Trustee shall have been provided with indemnity satisfactory to it; and
- (iv) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;

provided, however, that, subject to Section 11.1, the Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action.

Section 10.16. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension Law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such Law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such Law had been enacted.

Section 10.17. Action on Notes. The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Trustee or the Secured Parties shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Trust Estate or upon any of the assets of the Issuer.

Section 10.18. Performance and Enforcement of Certain Obligations.

(a) The Issuer agrees to take all such lawful action as is necessary and desirable to compel or secure the performance and observance by the Seller, the Parent and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Transaction Documents in accordance with the terms thereof, and to exercise any and all rights, remedies, powers

and privileges lawfully available to the Issuer under or in connection with the Transaction Documents, including the transmission of notices of default on the part of the Seller, the Parent or the Servicer thereunder and the institution of legal or administrative actions or Proceedings to compel or secure performance by the Seller, the Parent or the Servicer of each of their obligations under the Transaction Documents.

(b) If an Event of Default has occurred and is continuing, the Required Noteholders or the Trustee may, and, at the direction (which direction shall be in writing) of the Required Noteholders, the Trustee shall, subject to Section 10.2(b), exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, the Parent or the Servicer under or in connection with the Transaction Documents, including the right or power to take any action to compel or secure performance or observance by the Seller, the Parent or the Servicer of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Transaction Documents, and any right of the Issuer to take such action shall be suspended.

Section 10.19. Reassignment of Surplus. Promptly after termination of this Indenture and the payment in full of the Secured Obligations, any proceeds of all the Receivables and other assets in the Trust Estate received or held by the Trustee shall be turned over to the Issuer and the Receivables and other assets in the Trust Estate shall be released to the Issuer by the Trustee without recourse to the Trustee and without any representations, warranties or agreements of any kind.

ARTICLE 11.

THE TRUSTEE

Section 11.1. Duties of the Trustee.

(a) If an Event of Default has occurred and is continuing, and of which a Trust Officer of the Trustee has written notice, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and any related document, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs; provided, however, that the Trustee shall have no liability in connection with any action or inaction taken, or not taken, by it upon the deemed occurrence of an Event of Default of which a Trust Officer has not received written notice; and provided, further that the preceding sentence shall not have the effect of insulating the Trustee from liability arising out of the Trustee's negligence or willful misconduct.

(b) Except during the occurrence and continuance of an Event of Default of which a Trust Officer of the Trustee has written notice:

(i) the Trustee undertakes to perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture or any related document against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely (without independent confirmation, verification, inquiry or investigation of the contents thereof), as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; provided, however, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture and, if applicable, the Transaction Documents to which the Trustee is a party, provided, further, that the Trustee shall not be responsible for the accuracy or content of any of the aforementioned documents and the Trustee shall have no obligation to verify or recompute any numeral information provided to it pursuant to the Transaction Documents.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct except that:

(i) this clause does not limit the effect of clause (b) of this Section 11.1;

(ii) the Trustee shall not be personally liable for any error of judgment made in good faith by a Trust Officer or Trust Officers of the Trustee, unless it is conclusively determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to the terms of the Indenture or the Transaction Documents;

(iv) the Trustee shall not be charged with knowledge of any failure by the Servicer referred to in clauses (a)-(g) of Section 2.04 of the Servicing Agreement unless a Trust Officer of the Trustee obtains actual knowledge of such failure or the Trustee receives written notice of such failure from the Servicer or any Holders of Notes evidencing not less than 10% of the aggregate outstanding principal balance or par value of the Notes of any Series adversely affected thereby.

(d) Notwithstanding anything to the contrary contained in this Indenture or any of the Transaction Documents, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights and powers, if there is reasonable ground (as determined by the Trustee in its sole discretion) for believing that the repayment of such funds or adequate indemnity against such risk is not reasonably assured to it by the security afforded to it by the terms of this Indenture.

(e) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA (if this Indenture is required to be qualified under the TIA).

(f) The Trustee shall, and hereby agrees that it will, perform all of the obligations and duties required of it under the Servicing Agreement.

(g) Without limiting the generality of this Section 11.1 and subject to the other provisions of this Indenture, the Trustee shall have no duty (i) to see to any recording, filing or depositing of this Indenture or any agreement referred to herein, or to see to the maintenance of any such recording or filing or depositing or to any recording, refiling or redepositing of any thereof or to see to the validity, perfection, continuation, or value of any lien or security interest created herein, (ii) to see to the payment or discharge of any tax, assessment or other governmental Lien owing with respect to, assessed or levied against any part of the Issuer, (iii) to confirm or verify the contents of any reports or certificates delivered to the Trustee pursuant to this Indenture or the Servicing Agreement believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties, (iv) to determine whether any Receivables is an Eligible Receivable or to inspect the Receivables at any time or ascertain or inquire as to the performance or observance of any of the Issuer's, the Seller's, the Parent's or the Servicer's representations, warranties or covenants or the Servicer's duties and obligations as Servicer and as Custodian of the Receivable Files under the Servicer Transaction Documents, (v) the acquisition or maintenance of any insurance, or (vi) to determine when a Repurchase Event occurs. The Trustee shall be authorized to, but shall in no event have any duty or responsibility to, file any financing or continuation statements or record any documents or instruments in any public office at any time or times or otherwise perfect or maintain any security interest in any portion of the Trust Estate.

(h) Subject to Section 11.1(d), in the event that the Paying Agent or the Transfer Agent and Registrar (if other than the Trustee) shall fail to perform any obligation, duty or agreement in the manner or on the day required to be performed by the Paying Agent or the Transfer Agent and Registrar, as the case may be, under this Indenture, the Trustee shall be obligated as soon as practicable upon written notice to a Trust Officer thereof and receipt of appropriate records and information, if any, to perform such obligation, duty or agreement in the manner so required.

(i) No provision of this Indenture shall be construed to require the Trustee to perform, or accept any responsibility for the performance of, the obligations of the Servicer hereunder until it shall have assumed such obligations in accordance with this Section 11.1 and the provisions of the Servicing Agreement.

(j) Subject to Section 11.4, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by Law or the Transaction Documents.

(k) Except as otherwise required or permitted by the TIA (if this Indenture is required to be qualified under the TIA), nothing contained herein shall be deemed to authorize the Trustee to engage in any business operations or any activities other than those set forth in this Indenture. Specifically, the Trustee shall have no authority to engage in any business operations, acquire any assets other than those specifically included in the Trust Estate under this Indenture or otherwise vary the assets held by the Issuer. Similarly, the Trustee shall have no discretionary duties

other than performing those ministerial acts set forth above necessary to accomplish the purpose of this Indenture.

(l) The Trustee shall not be required to take notice or be deemed to have notice or knowledge of any Default or Event of Default unless a Trust Officer of the Trustee shall have received written notice thereof. In the absence of receipt of such notice, the Trustee may conclusively assume that there is no Default or Event of Default.

(m) [Reserved].

(n) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Issuer, the Servicer and/or a specified percentage of Noteholders under circumstances in which such direction is required or permitted by the terms of this Base Indenture, a Series Supplement or other Transaction Document.

(o) The enumeration of any permissive right or power herein or in any other Transaction Document available to the Trustee shall not be construed to be the imposition of a duty.

(p) The Trustee shall not be liable for interest on any money received by it except as the Trustee may separately agree in writing with the Issuer.

(q) Every provision of the Indenture or any related document relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(r) The Trustee shall not be responsible for or have any liability for the collection of any Contracts or Receivables or the recoverability of any amounts from an Obligor or any other Person owing any amounts as a result of any Contracts or Receivables, including after any default of any Obligor or any other such Person.

Section 11.2. Rights of the Trustee. Except as otherwise provided by Section 11.1:

(a) The Trustee may conclusively rely on and shall be protected in acting upon or refraining from acting upon and in accord with, without any duty to verify the contents or recompute any calculations therein, any document (whether in its original or facsimile form), including the Monthly Servicer Report, the annual Servicer's certificate, the monthly payment instructions and notification to the Trustee, the Monthly Statement, any resolution, Officer's Certificate, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document, believed by it to be genuine and to have been signed by or presented by the proper Person. Without limiting the Trustee's obligations to examine pursuant to Section 11.1(b)(ii), the Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, the Trustee may require an Officer's Certificate or an Opinion of Counsel or consult with counsel of its selection and the Officer's Certificate or the advice of such counsel or any Opinion of Counsel shall be full and

complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, custodians and nominees and the Trustee shall not be liable for any misconduct or negligence on the part of, or for the supervision of, any such agent or attorneys, custodian or nominee so long as such agent, custodian or nominee is appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture; provided, however, that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Base Indenture or any Series Supplement, or to institute, conduct or defend any litigation hereunder or in relation hereto, at the request, order or direction of any of the Noteholders, pursuant to the provisions of this Base Indenture or any Series Supplement, unless such Noteholders shall have offered to the Trustee security or indemnity satisfactory to the Trustee (in its sole discretion) against the costs, expenses (including attorneys' fees and expenses) and liabilities which may be incurred therein or thereby; nothing contained herein shall, however, relieve the Trustee of the obligations, upon the occurrence of an Event of Default (which has not been cured or waived), to exercise such of the rights and powers vested in it by this Base Indenture or any Series Supplement, and to use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(f) The Trustee shall not be bound to make any investigation into the facts of matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document (including, the Monthly Servicer's Report, the annual Servicer's certificate, the monthly payment instructions and notification to the Trustee or the Monthly Statement), unless requested in writing so to do by the Holders of Notes evidencing not less than 10% of the aggregate outstanding principal balance or par value of Notes of any Series, but the Trustee may, but is not obligated to, make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney at the sole cost of the Issuer and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require indemnity satisfactory to it against such cost, expense or liability as a condition to so proceeding; the reasonable expense of every such examination shall be paid by the Person making such request, or, if paid by the Trustee, shall be reimbursed by the Person making such request.

(g) The Trustee shall have no liability for the selection of Permitted Investments and shall not be liable for any losses or liquidation penalties in connection with Permitted

Investments, unless such losses or liquidation penalties were incurred through the Trustee's own willful misconduct or negligence. The Trustee shall have no obligation to invest or reinvest any amounts except as directed by the Issuer (or the initial Servicer) in accordance with this Indenture. Notwithstanding the foregoing, if the initial Servicer is removed or replaced, the selected Permitted Investment for investment or reinvestment as provided in this Indenture shall be as in effect on the date of such removal or replacement.

(h) The Trustee shall not be liable for the acts or omissions of any successor to the Trustee so long as such acts or omissions were not the result of the negligence, bad faith or willful misconduct of the predecessor Trustee.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee (a) in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder and (b) in each document to which it is a party whether or not specifically set forth herein.

(j) Except as may be required by Sections 11.1(b)(ii), 11.1(i), 11.2(a) and 11.2(f), the Trustee shall not be required to make any initial or periodic examination of any documents or records related to the Trust Estate for the purpose of establishing the presence or absence of defects, the compliance by the Seller, the Parent or the Servicer with their respective representations and warranties or for any other purpose.

(k) Without limiting the Trustee's obligation to examine pursuant to Section 11.1(b)(ii), the Trustee shall not be bound to make any investigation into (i) the performance or observance by the Issuer, any Servicer or any other Person of any of the covenants, agreements or other terms or conditions set forth in this Indenture or in any related document, (ii) the occurrence of any default, or the validity, enforceability, effectiveness or genuineness of this Indenture, any related document or any other agreement, instrument or document, (iii) the creation, perfection or priority of any Lien purported to be created by this Indenture or any related document, (iv) the value or the sufficiency of any collateral or (v) the satisfaction of any condition set forth in this Indenture or any related document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer or any Servicer, personally or by agent or attorney, and shall incur no liability of any kind by reason of such inquiry or investigation.

(l) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(m) The Trustee may, from time to time, request that the Issuer and any other applicable party deliver a certificate (upon which the Trustee may conclusively rely) setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture or any related document together with a specimen signature of such

authorized officers; provided, however, that from time to time, the Issuer or such other applicable party may, by delivering to the Trustee a revised certificate, change the information previously provided by it pursuant to the Indenture, but the Trustee shall be entitled to conclusively rely on the then current certificate until receipt of a superseding certificate.

(n) The right of the Trustee to perform any discretionary act enumerated in this Indenture or any related document shall not be construed as a duty.

(o) Except for notices, reports and other documents expressly required to be furnished to the Holders by the Trustee hereunder, the Trustee shall not have any duty or responsibility to provide any Holder with any other information concerning the Issuer, the servicer or any other parties to any related documents which may come into the possession of the Trustee or any of its officers, directors, employees, agents, representatives or attorneys-in-fact.

(p) If the Trustee requests instructions from the Issuer or the Holders with respect to any action or omission in connection with this Indenture, the Trustee shall be entitled (without incurring any liability therefor) to refrain from taking such action and continue to refrain from acting unless and until the Trustee shall have received written instructions from the Issuer or the Holders, as applicable, with respect to such request.

(q) In order to comply with laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering ("Applicable Law"), the Trustee is required to obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with the Trustee. Accordingly, each of the parties agrees to provide to the Trustee upon its request from time to time such identifying information and documentation as may be available for such party in order to enable the Trustee to comply with Applicable Law.

(r) In no event shall the Trustee be liable for any failure or delay in the performance of its obligations under this Indenture or any related documents because of circumstances beyond the Trustee's control, including, but not limited to, a failure, termination, or suspension of a clearing house, securities depository, settlement system or central payment system in any applicable part of the world or acts of God, flood, war (whether declared or undeclared), civil or military disturbances or hostilities, nuclear or natural catastrophes, political unrest, explosion, severe weather or accident, earthquake, terrorism, fire, riot, labor disturbances, strikes or work stoppages for any reason, embargo, government action, including any laws, ordinances, regulations or the like (whether domestic, federal, state, county or municipal or foreign) which delay, restrict or prohibit the providing of the services contemplated by this Indenture or any related documents, or the unavailability of communications or computer facilities, the failure of equipment or interruption of communications or computer facilities, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility, or any other causes beyond the Trustee's control whether or not of the same class or kind as specified above.

(s) The Trustee shall not be liable for failing to comply with its obligations under this Indenture in so far as the performance of such obligations is dependent upon the timely receipt

of instructions and/or other information from any other Person which are not received or not received by the time required.

(t) The Trustee shall be fully justified in failing or refusing to take any action under this Indenture or any other related document if such action (A) would, in the reasonable opinion of the Trustee, in good faith (which may be based on the advice or opinion of counsel), be contrary to applicable Law, this Indenture or any other related document, or (B) is not provided for in the Indenture or any other related document.

(u) The Trustee shall not be required to take any action under this Indenture or any related document if taking such action (A) would subject the Trustee to a tax in any jurisdiction where it is not then subject to a tax, or (B) would require the Trustee to qualify to do business in any jurisdiction where it is not then so qualified.

Section 11.3. Trustee Not Liable for Recitals in Notes. The Trustee assumes no responsibility for the correctness of the recitals contained in this Indenture and in the Notes (other than the signature and authentication of the Trustee on the Notes). Except as set forth in Section 11.16, the Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes (other than the signature and authentication of the Trustee on the Notes) or of any asset of the Trust Estate or related document. The Trustee shall not be accountable for the use or application by the Issuer or the Seller of any of the Notes or of the proceeds of such Notes, or for the use or application of any funds paid to the Seller or to the Issuer in respect of the Trust Estate or deposited in or withdrawn from the Collection Account by the Servicer.

Section 11.4. Individual Rights of the Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or an Affiliate of the Issuer with the same rights it would have if it were not Trustee. Any Paying Agent, Transfer Agent and Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 11.9 and 11.11.

Section 11.5. Notice of Defaults. If a Default, Event of Default or Rapid Amortization Event occurs and is continuing and if a Trust Officer of the Trustee receives written notice or has actual knowledge thereof, the Trustee shall promptly provide notice thereof to each Noteholder and Notice Person, to the extent possible by email or facsimile, and, otherwise, by first class mail at their respective addresses appearing in the Note Register.

Section 11.6. Compensation.

(a) To the extent not otherwise paid pursuant to the Indenture, the Issuer covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to receive, such compensation as the Issuer and the Trustee shall agree in writing from time to time (which compensation shall not be limited by any provision of Law in regard to the compensation of a trustee of an express trust) for all services rendered by it in the execution of the trust hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, and, the Issuer will pay or reimburse the Trustee (without reimbursement from the Collection Account or otherwise) all reasonable expenses, disbursements and advances (including legal fees

and costs and costs of persons not regularly employed by the Trustee) incurred or made by the Trustee in accordance with any of the provisions of this Indenture except any such expense, disbursement or advance as may arise from its own willful misconduct or negligence.

(b) The obligations of the Issuer under this Section 11.6 shall survive the termination of this Base Indenture and the resignation or removal of the Trustee.

Section 11.7. Replacement of the Trustee.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 11.7.

(b) The Trustee may, after giving sixty (60) days' prior written notice to the Issuer, the Noteholders and the Servicer, resign at any time and be discharged from the trust hereby created; provided, however, that no such resignation of the Trustee shall be effective until a successor trustee has assumed the obligations of the Trustee hereunder. The Issuer may, with the prior written consent of the Required Noteholders, remove the Trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee if:

(i) the Trustee fails to comply with Section 11.9;

(ii) a court or federal or state bank regulatory agency having jurisdiction in the premises in respect of the Trustee shall have entered a decree or order granting relief or appointing a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator (or similar official) for the Trustee or for any substantial part of the Trustee's property, or ordering the winding-up or liquidation of the Trustee's affairs;

(iii) the Trustee consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator (or other similar official) for the Trustee or for any substantial part of the Trustee's property, or makes any assignment for the benefit of creditors or fails generally to pay its debts as such debts become due or takes any corporate action in furtherance of any of the foregoing;

(iv) the Trustee fails in any material respect to duly observe or perform any covenants, obligations or agreements of the Trustee set forth in this Indenture or any other Transaction Document, which failure, solely to the extent capable of cure, continues unremedied for a period of ten (10) Business Days after the earlier of discovery by the Trustee or the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Trustee; or

(v) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason, the Issuer shall promptly appoint a successor Trustee, acceptable to the Required Noteholders

by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning and one copy to the successor trustee.

(c) If a successor Trustee does not take office within thirty (30) days after the retiring Trustee provides written notice of its resignation or is removed, the retiring Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring or removed Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers and duties of the Trustee under this Base Indenture and any Series Supplement. The successor Trustee shall mail a notice of its succession to Noteholders. The retiring Trustee shall, at the expense of the Issuer, promptly transfer to the successor Trustee all property held by it as Trustee and all documents and statements held by it hereunder; provided, however, that all sums owing to the retiring Trustee hereunder (and its agents and counsel) have been paid, and the Issuer and the predecessor Trustee shall execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor Trustee all such rights, powers, duties and obligations. Notwithstanding replacement of the Trustee pursuant to this Section 11.7, the Issuer's obligations under Sections 11.6 and 11.17 shall continue for the benefit of the retiring Trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section 11.7 shall not become effective until acceptance of appointment by the successor Trustee pursuant to this Section 11.7 and payment of all fees and expenses owed to the retiring Trustee.

(e) No successor Trustee shall accept appointment as provided in this Section 11.7 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 11.9 hereof.

Section 11.8. Successor Trustee by Merger, etc. Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such Person shall be eligible under the provisions of Section 11.9 hereof, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

Section 11.9. Eligibility: Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a) (if this Indenture is required to be qualified under the TIA).

The Trustee hereunder shall at all times be organized and doing business under the Laws of the United States of America or any State thereof authorized under such Laws to exercise corporate trust powers, having a long-term unsecured debt rating of at least BBB- (or the equivalent thereof) by the Rating Agency or, if not rated by the Rating Agency, by another rating agency, having, in the case of an entity that is subject to risk-based capital adequacy requirements, risk-based capital of at least \$50,000,000 or, in the case of an entity that is not subject to risk-based capital adequacy requirements, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to Law, then for the purpose of this Section 11.9, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9) (if this Indenture is required to be qualified under the TIA); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities of the Issuer are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 11.9, the Trustee shall resign immediately in the manner and with the effect specified in Section 11.7.

Section 11.10. Appointment of Co-Trustee or Separate Trustee.

(a) Notwithstanding any other provisions of this Base Indenture or any Series Supplement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Estate may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust Estate, and to vest in such Person or Persons, in such capacity and for the benefit of the Secured Parties, such title to the Trust Estate, or any part thereof, and, subject to the other provisions of this Section 11.10 such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 11.9 and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 11.7. No co-trustee shall be appointed without the consent of the Issuer unless such appointment is required as a matter of Law or to enable the Trustee to perform its functions hereunder. The appointment of any co-trustee or separate trustee shall not relieve the Trustee of any of its obligations hereunder.

(b) Every separate trustee and co-trustee shall, to the extent permitted by Law, be appointed and act subject to the following provisions and conditions:

(i) the Notes of each Series shall be authenticated and delivered solely by the Trustee;

(ii) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any Law (whether as Trustee hereunder or as successor to the Servicer under the Servicing Agreement), the Trustee shall be incompetent or unqualified to perform, such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust Estate or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(iii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustees, hereunder, including acts or omissions of predecessor or successor trustees;

(iv) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee; and

(v) the Trustee shall remain primarily liable for the actions of any co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article 11. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Base Indenture and any Series Supplement, specifically including every provision of this Base Indenture or any Series Supplement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee and a copy thereof given to the Servicer.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by Law, to do any lawful act under or in respect to this Base Indenture or any Series Supplement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by Law, without the appointment of a new or successor Trustee.

Section 11.11. Preferential Collection of Claims Against the Issuer. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b) (if this Indenture is required to be qualified under the TIA). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated (if this Indenture is required to be qualified under the TIA).

Section 11.12. Taxes. Neither the Trustee nor (except to the extent the initial Servicer breaches its obligations or covenants contained in the Servicing Agreement) the Servicer shall be liable for any liabilities, costs or expenses of the Issuer or the Noteholders arising under any tax Law, including without limitation federal, state, local or foreign income or franchise taxes or any other tax imposed on or measured by income (or any interest or penalty with respect thereto or arising from a failure to comply therewith).

Section 11.13. Trustee May Enforce Claims Without Possession of Notes. All rights of action and claims under this Base Indenture or any Series of Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any Proceeding relating thereto, and any such Proceeding instituted by the Trustee shall be brought in its own name as trustee. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of any Series of Noteholders in respect of which such judgment has been obtained.

Section 11.14. Suits for Enforcement. If an Event of Default shall occur and be continuing, the Trustee, may (but shall not be obligated to) subject to the provisions of Section 2.01 of the Servicing Agreement, proceed to protect and enforce its rights and the rights of any Secured Party under this Indenture or any other Transaction Document by a Proceeding, whether for the specific performance of any covenant or agreement contained in this Indenture or such other Transaction Document or in aid of the execution of any power granted in this Indenture or such other Transaction Document or for the enforcement of any other legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or any Secured Party.

Section 11.15. Reports by Trustee to Holders. The Trustee shall deliver to each Noteholder such information as may be expressly required by the Code.

Section 11.16. Representations and Warranties of Trustee. The Trustee represents and warrants to the Issuer and the Secured Parties that:

(i) the Trustee is a national banking association with trust powers duly organized, existing and authorized to engage in the business of banking under the Laws of the United States;

(ii) the Trustee has full power, authority and right to execute, deliver and perform this Base Indenture and any Series Supplement issued concurrently with this Base Indenture and to authenticate the Notes, and has taken all necessary action to authorize the execution, delivery and performance by it of this Base Indenture and any Series Supplement issued concurrently with this Base Indenture and to authenticate the Notes;

(iii) this Indenture has been duly executed and delivered by the Trustee; and

(iv) the Trustee meets the requirements of eligibility hereunder set forth in Section 11.9.

Section 11.17. The Issuer Indemnification of the Trustee. The Issuer shall fully indemnify, defend and hold harmless the Trustee (and any predecessor Trustee) and its directors, officers, agents and employees from and against any and all loss, liability, claim, expense, damage or injury suffered or sustained of whatever kind or nature regardless of their merit, demanded, asserted, or claimed directly or indirectly relating to any acts, omissions or alleged acts or omissions arising out of the activities of the Trustee pursuant to this Base Indenture or any Series Supplement and any other Transaction Document to which it is a party or any transaction contemplated hereby or thereby, including but not limited to any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, Proceeding or claim; provided, however, that the Issuer shall not indemnify the Trustee or its directors, officers, employees or agents if such acts, omissions or alleged acts or omissions constitute negligence or willful misconduct by the Trustee. The indemnity provided herein shall (i) survive the termination of this Indenture and the resignation and removal of the Trustee, (ii) apply to the Trustee (including (a) in its capacity as Agent and (b) Wilmington Trust, National Association, as Securities Intermediary and Depository Bank) and (iii) apply to Wilmington Trust, National Association, in its capacity as Collateral Trustee.

Section 11.18. Trustee's Application for Instructions from the Issuer. Any application by the Trustee for written instructions from the Issuer or the initial Servicer may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. Subject to Section 11.1, the Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than thirty (30) days after the date any Responsible Officer of the Issuer or the initial Servicer actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

Section 11.19. [Reserved].

Section 11.20. Maintenance of Office or Agency. The Trustee will maintain an office or offices, or agency or agencies, where notices and demands to or upon the Trustee in respect of the Notes and this Indenture may be served. The Trustee initially appoints its Corporate Trust Office as its office for such purposes. The Trustee will give prompt written notice to the Issuer, the Servicer and the Noteholders of any change in the location of the Note Register or any such office or agency.

Section 11.21. Concerning the Rights of the Trustee. The rights, privileges and immunities afforded to the Trustee in the performance of its duties under this Indenture shall apply equally to the performance by the Trustee of its duties under each other Transaction Document to which it is a party.

Section 11.22. Direction to the Trustee. The Issuer hereby directs the Trustee to enter into the Transaction Documents.

Section 11.23. Repurchase Demand Activity Reporting.

(a) To assist in the Seller's compliance with the provisions of Rule 15Ga-1 under the Exchange Act ("Rule 15Ga-1"), subject to paragraph (b) below, the Trustee shall provide the following information (the "Rule 15Ga-1 Information") to the Seller in the manner, timing and format specified below:

(i) No later than the fifteenth (15th) day following the end of each calendar quarter in which any Series is outstanding, the Trustee shall provide information regarding repurchase demand activity during the preceding calendar quarter related to the underlying assets for each such Series in substantially the form of Exhibit E hereto.

(ii) If (x) the Trustee has previously delivered a report described in clause (i) above indicating that, based on a review of the records of the Trustee, there was no asset repurchase demand activity during the applicable period, and (y) based on a review of the records of the Trustee, no asset repurchase demand activity has occurred since the delivery of such report, the Trustee may, in lieu of delivering the information as is requested pursuant to clause (i) above substantially in the form of Exhibit E hereto, and no later than the date specified in clause (i) above, notify the Seller that there has been no change in asset repurchase demand activity since the date of the last report delivered.

(iii) The Trustee shall provide notification, as soon as practicable and in any event within five (5) Business Days of receipt, of all demands communicated to the Trustee for the repurchase or replacement of the underlying assets for any Series.

(b) The Trustee shall provide Rule 15Ga-1 Information subject to the following understandings and conditions:

(i) The Trustee shall provide Rule 15Ga-1 Information only to the extent that the Trustee has Rule 15Ga-1 Information or can obtain Rule 15Ga-1 Information without unreasonable effort or expense; provided that the Trustee's efforts to obtain Rule 15Ga-1 Information shall be limited to a review of its internal written records of repurchase demand activity for the applicable Series and that the Trustee is not required to request information from any other parties.

(ii) The reporting of repurchase demand activity pursuant to this Section 11.23 is subject in all cases to the best knowledge of the Trust Officer responsible for the applicable Series.

(iii) The reporting of repurchase demand activity pursuant to this Section 11.23 is required only to the extent such repurchase demand activity was not addressed to the Seller, the Issuer, the initial Servicer or any Affiliate of the Seller, the Issuer or the initial Servicer or previously reported to the Seller, the Issuer, the initial Servicer or any Affiliate of the Seller, Issuer or initial Servicer by the Trustee. For purposes hereof, the term "demand" shall not include (x) repurchases or replacements made pursuant to instruction, direction or request from the Seller or its affiliates or (y) general inquiries, including investor inquiries, regarding asset performance or possible breaches of representations or warranties.

(iv) The Trustee's reporting pursuant to this Section 11.23 is limited to information that the Trustee has received or acquired solely in its capacity as Trustee for the applicable Series and not in any other capacity. In no event shall Wilmington Trust, National Association (individually or as Trustee) have any responsibility or liability in connection with (i) the compliance by any Person which is a securitizer (as defined in Rule 15Ga-1) of the Series, or any other Person, with Rule 15Ga-1 or any related rules or regulations or (ii) any filing required to be made by a securitizer (as defined in Rule 15Ga-1) under Rule 15Ga-1 in connection with the Rule 15Ga-1 Information provided pursuant to this Section 11.23. Other than any express duties or responsibilities as Trustee under the Transaction Documents, the Trustee has no duty or obligation to undertake any investigation or inquiry related to repurchase demand activity or otherwise to assume any additional duties or responsibilities in respect of any Series, and no such additional obligations or duties are implied. The Trustee is entitled to the full benefit of any and all protections, limitations on duties or liability and rights of indemnity provided by the terms of the Transaction Documents in connection with any actions pursuant to this Section 11.23.

(v) Unless and until the Trustee is otherwise notified in writing, any Rule 15Ga-1 Information provided pursuant to this Section 11.23 shall be provided in electronic format via e-mail and directed as follows: john.foxgrover@progressfn.com.

(vi) The Trustee's obligation pursuant to this Section 11.23 continue until the earlier of (x) the date on which such Series is no longer outstanding and (y) the date the Seller notifies the Trustee that such reporting no longer is required.

ARTICLE 12.

DISCHARGE OF INDENTURE

Section 12.1. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to the Notes except as to (i) rights of Noteholders to receive payments of principal thereof and interest thereon and any other amount due to Noteholders, (ii) Sections 8.1, 11.6, 11.12, 11.17, 12.2, 12.5(b), 15.16 and 15.17, (iii) the rights, obligations and immunities of the Trustee hereunder (including the rights of the Trustee under Sections 11.6 and 11.17 and the obligations of the Trustee under Section 12.2) and (iv) the rights of Noteholders as beneficiaries hereof with respect to the property deposited with the Trustee as described below payable to all or any of them, and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Notes (and their related Secured Parties), on the Payment Date with respect to any Series (the "Indenture Termination Date") on which the Issuer has paid, caused to be paid or irrevocably deposited or caused to be irrevocably deposited in the Collection Account funds sufficient to pay in full all Secured Obligations, and the Issuer has delivered to the Trustee an Officer's Certificate, an Opinion of Counsel and, if required by the TIA (if this Indenture is required to be qualified under the TIA), an Independent Certificate from a firm of certified public accountants, each meeting the applicable requirements of Section 15.1(a) and each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

After any irrevocable deposit made pursuant to Section 12.1 and satisfaction of the other conditions set forth herein, the Trustee promptly upon request shall acknowledge in writing the discharge of the Issuer's obligations under this Indenture except for those surviving obligations specified above.

Section 12.2. Application of Issuer Money. All moneys deposited with the Trustee pursuant to Section 12.1 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Base Indenture and the related Series Supplement, to the payment, either directly or through any Paying Agent to the Noteholder of the particular Notes for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal, interest and other amounts; but such moneys need not be segregated from other funds except to the extent required herein or in the other Transaction Documents or required by Law.

The provisions of this Section 12.2 shall survive the expiration or earlier termination of this Indenture.

Section 12.3. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be paid to the Trustee to be held and applied according to Section 8.1 and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

Section 12.4. [Reserved]

Section 12.5. Final Payment with Respect to Any Series.

(a) Written notice of any termination, specifying the Payment Date upon which the Noteholders of any Series may surrender their Notes for final payment with respect to such Series and cancellation, shall be given (subject to at least two (2) Business Days' prior notice from the Issuer to the Trustee) by the Trustee to Noteholders of such Series mailed not later than five (5) Business Days preceding such final payment (or in the manner provided by the Series Supplement relating to such Series) specifying (i) the Payment Date (which shall be the Payment Date in the month (x) in which the deposit is made as may be specified in the related Series Supplement, or (y) in which the related Series Termination Date occurs) upon which final payment of such Notes will be made upon presentation and surrender of such Notes at the office or offices therein designated, (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such Payment Date is not applicable, payments being made only upon presentation and surrender of the Notes at the office or offices therein specified. The Issuer's notice to the Trustee in accordance with the preceding sentence shall be accompanied by an Officer's Certificate setting forth the information specified in Article 6 of this Base Indenture covering the period during the then current calendar year through the date of such notice and setting forth the date of such final distribution. The Trustee shall give such notice to the Transfer Agent and the Paying Agent at the time such notice is given to such Noteholders.

(b) Notwithstanding the termination or discharge of the trust of the Indenture pursuant to Section 12.1 or the occurrence of the Series Termination Date with respect to any Series, all funds then on deposit in the Collection Account shall continue to be held in trust for the benefit of the Noteholders of the related Series and the Paying Agent or the Trustee shall pay such funds to the Noteholders of the related Series upon surrender of their Notes. In the event that all of the Noteholders of any Series shall not surrender their Notes for cancellation within six (6) months after the date specified in the above-mentioned written notice, the Trustee shall give second written notice to the remaining Noteholders of such Series upon receipt of the appropriate records from the Transfer Agent and Registrar to surrender their Notes for cancellation and receive the final distribution with respect thereto. If within one and one-half years after the second notice with respect to a Series, all the Notes of such Series shall not have been surrendered for cancellation, the Trustee may take appropriate steps or may appoint an agent to take appropriate steps, to contact the remaining Noteholders of such Series concerning surrender of their Notes, and the cost thereof shall be paid out of the funds in the Collection Account held for the benefit of such Noteholders. The Trustee and the Paying Agent shall pay to the Issuer upon request any monies held by them for the payment of principal or interest which remains unclaimed for two (2) years. After such payment to the Issuer, Noteholders entitled to the money must look to the Issuer for payment as general creditors unless an applicable abandoned property Law designates another Person.

(c) All Notes surrendered for payment of the final distribution with respect to such Notes and cancellation shall be cancelled by the Transfer Agent and Registrar and be disposed of in a manner satisfactory to the Trustee and the Issuer.

Section 12.6. Termination Rights of Issuer. Upon the termination of the Lien of the Indenture pursuant to Section 12.1, and after payment of all amounts due hereunder on or prior to such termination, the Trustee shall execute a written release and reconveyance substantially in the form of Exhibit A hereto pursuant to which it shall release the Lien of the Indenture and reconvey to the Issuer (without recourse, representation or warranty) all right, title and interest in the Trust Estate, whether then existing or thereafter created, all moneys due or to become due with respect to such Trust Estate and all proceeds of the Trust Estate, except for amounts held by the Trustee or any Paying Agent pursuant to Section 12.5(b). The Trustee shall execute and deliver such instruments of transfer and assignment, in each case without recourse, as shall be reasonably requested by the Issuer or the Servicer to vest in the Issuer all right, title and interest in the Trust Estate.

Section 12.7. Repayment to the Issuer. On or after the Indenture Termination Date, the Trustee and the Paying Agent shall promptly pay to the Issuer upon written request any excess money or, pursuant to Sections 2.10 and 2.13, return any Notes held by them at any time.

ARTICLE 13.

AMENDMENTS

Section 13.1. [Reserved].

Section 13.2. Supplemental Indentures. The Issuer and the Trustee, when authorized by an Issuer Order, may, with the consent of each Noteholder (which consent shall not be unreasonably withheld) and, if the Servicer's or the Back-Up Servicer's (including as successor Servicer) rights and/or obligations are materially and adversely affected thereby, the Servicer or the Back-Up Servicer, as applicable, from time to time enter into one or more indenture supplements or amendments hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Notes of any Series under this Indenture; provided, however, that no such indenture supplement or amendment shall, without the consent of each Noteholder (and in the case of clause (iii) below, the consent of each Secured Party):

(i) change the date of payment of any installment of principal of or interest on, or any premium payable upon the redemption of, any Note or reduce in any manner the principal amount thereof, the interest rate thereon or the Redemption Price with respect thereto, modify the provisions of this Base Indenture or any Series Supplement relating to the application of Collections on, or the proceeds of the sale of, the Trust Estate to payment of principal of, or interest on, the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable;

(ii) change the Noteholder voting requirements with respect to any Transaction Document;

(iii) impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as provided in Article 9, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(iv) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required for any such indenture supplement or amendment, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(v) modify or alter the provisions of this Indenture regarding the voting of Notes held by the Issuer, the Seller or an Affiliate of the foregoing;

(vi) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required to direct the Trustee to sell or liquidate the Trust Estate pursuant to Section 10.4 if the proceeds of such sale would be insufficient to pay the principal amount and accrued but unpaid interest on the outstanding Notes;

(vii) modify any provision of this Section 13.2, except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture cannot be modified or waived without the consent of the Holder of each outstanding Note affected thereby;

(viii) modify any of the provisions of this Indenture in such manner as to affect in any material respect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation), to alter the application of “Collections” or to affect the rights of the Holders of Notes to the benefit of any provisions for the mandatory redemption of the Notes contained in this Indenture;

(ix) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any part of the Trust Estate for the Notes (except for Permitted Encumbrances) or, except as otherwise permitted or contemplated in this Indenture, terminate the Lien of this Indenture on any such collateral at any time subject hereto or deprive any Secured Party of the security provided by the Lien of this Indenture; or

(x) provide for the issuance of any Series of Notes or the creation of any Class of Notes, in each case, at any time after the Closing Date;

provided, further, that no amendment will be permitted if it would cause any Noteholder to recognize gain or loss for U.S. federal income tax purposes, unless such Noteholder’s consent is obtained as described above.

The Trustee may, but shall not be obligated to, enter into any such amendment or supplement that affects the Trustee’s rights, duties or immunities under this Indenture or otherwise.

The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Note shall be subject to such reasonable requirements as the Trustee may prescribe.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture or amendment to this Base Indenture or any Series Supplement pursuant to this Section, the Trustee shall mail to each Holder of the Notes of all Series (or with respect to an amendment or supplemental indenture of a Series Supplement, to the Noteholders of the applicable Series), the Back-Up Servicer and the Servicer a copy of such supplemental indenture or amendment. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or amendment.

Section 13.3. Execution of Supplemental Indentures. In executing any amendment or supplemental indenture permitted by this Article 13 or the modifications thereby of the trust created by this Indenture, the Trustee shall be entitled to receive, and subject to Section 11.1, shall be fully protected in relying upon, an Officer’s Certificate of the Issuer and an Opinion of Counsel stating that the execution of such amendment or supplemental indenture is authorized, permitted or not prohibited (as the case may be) by this Indenture and all conditions precedent to the execution of such amendment or supplemental indenture have been satisfied. Such Opinion of Counsel may be subject to reasonable qualifications and assumptions of fact. The Trustee may, but shall not be obligated to, enter into any such amendment or supplemental indenture that affects the Trustee’s own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 13.4. Effect of Supplemental Indenture. Upon the execution of any amendment or supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such amendment or supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 13.5. Conformity With TIA. Every amendment of this Indenture and every supplemental indenture executed pursuant to this Article 13 shall conform to the requirements of the TIA as then in effect so long as this Indenture shall then be required to be qualified under the TIA.

Section 13.6. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any amendment or supplemental indenture pursuant to this Article 13 may bear a notation as to any matter provided for in such amendment or supplemental indenture. If the Issuer shall so determine, new Notes so modified as to conform to any such amendment or supplemental indenture may be prepared, executed, authenticated and delivered by the Trustee (upon receipt of an Issuer Order) in exchange for outstanding Notes.

Section 13.7. Series Supplements. Notwithstanding anything in Section 13.2 to the contrary but subject to Section 13.11, the Series Supplement with respect to any Series may be amended with respect to the items and in accordance with the procedures provided in such Series Supplement and in the event the form of Notes to any Series Supplement is amended, each Holder shall surrender its Notes to the Trustee and the Trustee shall, following receipt of such Note and an Issuer Order directing the Trustee with respect to the authentication of such replacement Notes, issue a replacement Note containing such changes.

Section 13.8. Revocation and Effect of Consents. Until an amendment, supplemental indenture or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his Note or portion of a Note if the Trustee receives written notice of revocation before the date the amendment, supplemental indenture or waiver becomes effective. An amendment, supplemental indenture or waiver becomes effective in accordance with its terms and thereafter binds every Holder. The Issuer may fix a record date for determining which Holders must consent to such amendment, supplemental indenture or waiver.

Section 13.9. Notation on or Exchange of Notes Following Amendment. The Trustee may place an appropriate notation about an amendment, supplemental indenture or waiver on any Note thereafter authenticated. If the Issuer shall so determine, new Notes so modified as to conform to any such amendment, supplemental indenture or waiver may be prepared and executed by the Issuer and authenticated and delivered by the Trustee (upon receipt of an Issuer Order) in exchange

for outstanding Notes. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplemental indenture or waiver.

Section 13.10. The Trustee to Sign Amendments, etc. The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article 13 if the amendment or supplemental indenture does not adversely affect in any material respect the rights, duties, liabilities or immunities of the Trustee. If any amendment or supplemental indenture does have such a materially adverse effect, the Trustee may, but need not, sign it. In signing such amendment or supplemental indenture, the Trustee shall be entitled to receive, if requested, an indemnity reasonably satisfactory to it and to receive and, subject to Section 11.1, shall be fully protected in relying upon, an Officer's Certificate of the Issuer and an Opinion of Counsel as conclusive evidence that such amendment or supplemental indenture is authorized, permitted or not prohibited (as the case may be) by this Indenture and that it will be valid and binding upon the Issuer in accordance with its terms and all conditions precedent to the execution of such amendment or supplemental indenture have been satisfied.

Section 13.11. Back-Up Servicer Consent. No amendment or indenture supplement hereto (including pursuant to Section 2.2 hereof) shall be effective if such amendment or supplement shall adversely affect the rights, duties or obligations of the Back-Up Servicer (including in its capacity as successor Servicer) without its prior written consent, notwithstanding anything to the contrary.

ARTICLE 14.

REDEMPTION AND REFINANCING OF NOTES

Section 14.1. Redemption and Refinancing. The Notes of any Series are subject to redemption on any Payment Date on which the Issuer exercises its option to redeem the Notes for the Redemption Price; provided, however, that the Issuer has available funds sufficient to pay the Redemption Price. If the Notes of any Series are to be redeemed pursuant to this Section 14.1, the Issuer shall furnish notice of such election to the Trustee and the Noteholders not later than fifteen (15) days prior to the Redemption Date and the Issuer shall deposit with the Trustee in a Trust Account that is within the sole control of the Trustee no later than 10:00 a.m. New York time on the Redemption Date the Redemption Price of the Notes of such Series to be redeemed whereupon all such redeemed Notes shall be due and payable on the Redemption Date upon the furnishing of a notice complying with Section 14.2 to each Holder of such Notes.

Section 14.2. Form of Redemption Notice. Notice of redemption under Section 14.1 shall be given by the Trustee by facsimile or by first-class mail, postage prepaid, transmitted or mailed prior to the applicable Redemption Date to each Holder of Notes of the Series to be redeemed, as of the close of business on the Record Date preceding the applicable Redemption Date, at such Holder's address appearing in the Note Register.

All notices of redemption shall state:

- (i) the Redemption Date;

(ii) the Issuer's good faith estimate of the Redemption Price;

(iii) that the Record Date otherwise applicable to such Redemption Date is not applicable and that payments shall be made only upon presentation and surrender of such Notes and the place where such Notes are to be surrendered for payment of the Redemption Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 8.2); and

(iv) that interest on the Notes shall cease to accrue on the Redemption Date.

Notice of redemption of the Notes shall be given by the Trustee in the name and at the expense of the Issuer. For the avoidance of doubt, the Issuer shall provide the Trustee with the actual Redemption Price prior to the applicable Redemption Date. Failure to give notice of redemption, or any defect therein, to any Holder of any Note to be redeemed shall not impair or affect the validity of the redemption of any other Note.

Section 14.3. Notes Payable on Redemption Date. The Notes of any Series to be redeemed shall, following notice of redemption as required by Section 14.2 (in the case of redemption pursuant to Section 14.1), on the Redemption Date become due and payable at the Redemption Price and (unless the Issuer shall default in the payment of the Redemption Price) no interest shall accrue on the Redemption Price for any period after the date to which accrued interest is calculated for purposes of calculating the Redemption Price.

ARTICLE 15.

MISCELLANEOUS

Section 15.1. Compliance Certificates and Opinions, etc.

(a) Upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Trustee if requested thereby (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, (ii) an Opinion of Counsel (subject to reasonable assumptions and qualifications) stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with and (iii) (if this Indenture is required to be qualified under the TIA) an Independent Certificate from a firm of certified public accountants meeting the applicable requirements of this Section, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory such condition or covenant has been complied with.

(b) (1) Prior to the deposit of any Receivables or other property or securities (other than cash) with the Trustee that is to be made the basis for the release of any property or securities subject to the Lien of this Indenture, the Issuer shall, in addition to any obligation imposed in Section 15.1(a) or elsewhere in this Indenture, furnish to the Trustee upon the Trustee's request an Officer's Certificate certifying or stating the opinion of each individual signing such certificate as to the fair value (within ninety (90) days of such deposit) to the Issuer of the Receivables or other property or securities to be so deposited.

(i) Whenever the Issuer is required to furnish to the Trustee an Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters described in clause (i) above, the Issuer shall also deliver to the Trustee an Independent Certificate as to the same matters, if the fair value to the Issuer of the securities to be so deposited and of all other such securities made the basis of any such withdrawal or release since the commencement of the then-current Fiscal Year of the Issuer, as set forth in the certificates delivered pursuant to clause (i) above and this clause (ii), is 10% or more of the aggregate outstanding principal amount or par value of all the Notes of all Series issued by the Issuer, but such a certificate need not be furnished with respect to any securities so deposited, if the fair value thereof to the Issuer as set forth in the related Officer's Certificate is less than \$25,000 or less than 1% percent of the aggregate outstanding principal amount or par value of all the Notes of all Series issued by the Issuer of the Notes.

(ii) Other than with respect to the release of any cash (including Collections) in accordance with the Series Supplements, Removed Receivables or liquidated Receivables (and the Related Security therefor), and except for discharges of this Indenture as described in Section 12.1, whenever any property or securities are to be released from the Lien of this Indenture, the Issuer shall also furnish to the Trustee an Officer's Certificate certifying or stating the opinion of each individual signing such certificate as to the fair value (within ninety (90) days of such release) of the property or securities proposed to be released and stating that in the opinion of such individual the proposed release will not impair the security under this Indenture in contravention of the provisions hereof.

(iii) Whenever the Issuer is required to furnish to the Trustee an Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters described in clause (iii) above, the Issuer shall also furnish to the Trustee an Independent Certificate

as to the same matters if the fair value of the property or securities and of all other property other than cash (including Collections) in accordance with the Series Supplements, Removed Receivables and Defaulted Receivable, or securities released from the Lien of this Indenture since the commencement of the then current calendar year, as set forth in the certificates required by clause (iii) above and this clause (iv), equals 10% or more of the aggregate outstanding principal amount or par value of all Notes of all Series issued by the Issuer, but such certificate need not be furnished in the case of any release of property or securities if the fair value thereof as set forth in the related Officer's Certificate is less than \$25,000 or less than 1% percent of the then aggregate outstanding principal amount or par value of all Notes of all Series issued by the Issuer of the Notes.

Section 15.2. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of a Responsible Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate of an Responsible Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the initial Servicer, the Seller or the Issuer, stating that the information with respect to such factual matters is in the possession of or known to the initial Servicer, the Seller or the Issuer, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article 10.

Section 15.3. Acts of Noteholders.

(a) Wherever in this Indenture a provision is made that an action may be taken or a notice, demand or instruction given by Noteholders, such action, notice or instruction may be taken or given by any Noteholder, unless such provision requires a specific percentage of Noteholders. Notwithstanding anything in this Indenture to the contrary, so long as any other Person is a Noteholder, none of the Seller, the Issuer or any Affiliate controlled by Oportun or controlling Oportun shall have any right to vote with respect to any Note.

(b) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “Act” of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 11.1) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

(c) The fact and date of the execution by any Person of any such instrument or writing may be proved in any customary manner of the Trustee.

(d) The ownership of Notes shall be proved by the Note Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any such Notes shall bind such Noteholder and the Holder of every Note and every subsequent Holder of such Notes issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee, the Servicer or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 15.4. Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at, sent by facsimile to, sent by courier (overnight or hand-delivered) at or mailed by registered mail, return receipt requested, to (a) in the case of the Issuer, to 2 Circle Star Way, Room 119, San Carlos, California 94070, Attention: Secretary, (b) in the case of the Servicer or Oportun, to 2 Circle Star Way, San Carlos, California 94070, Attention: General Counsel and (c) in the case of the Trustee, to the Corporate Trust Office. Unless otherwise provided with respect to any Series in the related Series Supplement or otherwise expressly provided herein, any notice required or permitted to be mailed to a Noteholder shall be given by first class mail, postage prepaid, at the address of such Noteholder as shown in the Note Register. Any notice so mailed within the time prescribed in this Indenture shall be conclusively presumed to have been duly given, whether or not the Noteholder receives such notice.

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications; provided, however, the Issuer may not at any time

designate more than a total of three (3) addresses to which notices must be sent in order to be effective.

Any notice (i) given in person shall be deemed delivered on the date of delivery of such notice, (ii) given by first class mail shall be deemed given five (5) days after the date that such notice is mailed, (iii) delivered by telex or telecopier shall be deemed given on the date of confirmation of the delivery of such notice by e-mail or telephone, and (iv) delivered by overnight air courier shall be deemed delivered one (1) Business Day after the date that such notice is delivered to such overnight courier.

Notwithstanding any provisions of this Indenture to the contrary, the Trustee shall have no liability based upon or arising from the failure to receive any notice required by or relating to this Indenture or the Notes.

If the Issuer mails a notice or communication to Noteholders, it shall mail a copy to the Trustee at the same time.

Section 15.5. Notices to Noteholders: Waiver. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given if sent in accordance with Section 15.4 hereof. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Section 15.6. Alternate Payment and Notice Provisions. Notwithstanding any provision of this Indenture or any of the Notes to the contrary, the Trustee on behalf of the Issuer may enter into any agreement with any Holder of a Note providing for a method of payment, or notice by the Trustee or any Paying Agent to such Holder, that is different from the methods provided for in this Indenture for such payments or notices, provided that such methods are consented to by the Issuer (which consent shall not be unreasonably withheld). The Trustee will cause payments to be made and notices to be given in accordance with such agreements.

Section 15.7. Conflict with TIA. If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions

of the TIA, such required provision shall control (if this Indenture is required to be qualified under the TIA).

The provisions of TIA Sections 310 through 317 that impose duties on any Person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein (if this Indenture is required to be qualified under the TIA). Notwithstanding the foregoing, and regardless of whether the Indenture is required to be qualified under the TIA, the provisions of Section 316(a)(1) of the TIA shall be excluded from this Indenture.

Section 15.8. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents and Cross-Reference Table are for convenience of reference only, are not to be considered a part hereof, and shall not affect the meaning or construction hereof.

Section 15.9. Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors.

Section 15.10. Separability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Indenture or Notes shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Indenture and shall in no way affect the validity or enforceability of the other provisions of this Indenture or of the Notes or rights of the Holders thereof.

Section 15.11. Benefits of Indenture. Except as set forth in this Indenture, nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Secured Parties, any benefit or any legal or equitable right, remedy or claim under the Indenture.

Section 15.12. Legal Holidays. In any case where the date on which any payment is due to any Secured Party shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) any such payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 15.13. GOVERNING LAW; JURISDICTION. THIS INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS INDENTURE AND EACH SECURED PARTY HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENT THEREOF. EACH OF THE PARTIES AND EACH SECURED PARTY HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND

ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

Section 15.14. Counterparts. This Indenture may be executed in any number of counterparts, and by different parties on separate counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15.15. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Trustee or any other counsel reasonably acceptable to the Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Trustee under this Indenture.

Section 15.16. Issuer Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Seller, the Servicer or the Trustee or (ii) any partner, owner, incorporator, member, manager, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, the Seller, the Servicer or the Trustee, except (x) as any such Person may have expressly agreed and (y) nothing in this Section shall relieve the Seller or the Servicer from its own obligations under the terms of any Servicer Transaction Document. Nothing in this Section 15.16 shall be construed to limit the Trustee from exercising its rights hereunder with respect to the Trust Estate.

Section 15.17. No Bankruptcy Petition Against the Issuer. Each of the Secured Parties and the Trustee by entering into the Indenture, any Series Supplement or any Note Purchase Agreement, and in the case of a Noteholder by accepting a Note, hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of the latest maturing Note and the termination of the Indenture, it will not institute against, or join with any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation Proceedings, or other Proceedings, under any United States federal or state bankruptcy or similar Law in connection with any obligations relating to the Notes, the Indenture or any of the Transaction Documents. In the event that any such Secured Party or the Trustee takes action in violation of this Section 15.17, the Issuer shall file an answer with the bankruptcy court or otherwise properly contesting the filing of such a petition by any such Secured Party or the Trustee against the Issuer or the commencement of such action and raising the defense that such Secured Party or the Trustee has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert. The provisions of this Section 15.17 shall survive the termination of this Indenture, and the resignation or removal of the Trustee. Nothing contained herein shall preclude participation by any Secured Party or the Trustee in the assertion or defense of its claims in any such Proceeding involving the Issuer.

Section 15.18. No Joint Venture. Nothing herein contained shall be deemed or construed to create a co-partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor and not as agent for the Trustee or the Issuer.

Section 15.19. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Trustee, any Secured Party, any right, remedy, power or privilege hereunder, shall operate 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. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by Law.

Section 15.20. Third-Party Beneficiaries. This Indenture will inure to the benefit of and be binding upon the parties hereto, the Noteholders, the Secured Parties, and their respective successors and permitted assigns. Except as otherwise provided in this Article 15, no other Person will have any right or obligation hereunder.

Section 15.21. Merger and Integration. Except as specifically stated otherwise herein, this Indenture sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Indenture.

Section 15.22. Rules by the Trustee. The Trustee may make reasonable rules for action by or at a meeting of any Secured Parties.

Section 15.23. Duplicate Originals. The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

Section 15.24. Waiver of Trial by Jury. To the extent permitted by applicable Law, each of the Secured Parties irrevocably waives all right of trial by jury in any action or Proceeding arising out of or in connection with this Indenture or the Transaction Documents or any matter arising hereunder or thereunder.

Section 15.25. No Impairment. Except for actions expressly authorized by this Indenture, the Trustee shall take no action reasonably likely to impair the interests of the Issuer in any asset of the Trust Estate now existing or hereafter created or to impair the value of any asset of the Trust Estate now existing or hereafter created.

Section 15.26. Intercreditor Agreement. The Trustee shall, and is hereby authorized and directed to, execute and deliver the Intercreditor Agreement, and perform the duties and obligations, and appoint the Collateral Trustee, as described in the Intercreditor Agreement. Upon receipt of (a) an Issuer Order, (b) an Officer's Certificate of the Issuer stating that such amendment or replacement intercreditor agreement, as the case may be, will not cause a Material Adverse Effect, (c) evidence of the written consent of the Required Noteholders to such amendment or replacement intercreditor agreement, as the case may be, which consent shall not be unreasonably withheld, and (d) an Opinion of Counsel stating that all conditions precedent to the execution of such amendment or replacement intercreditor agreement, as the case may be, provided for in this Section 15.26 have

been satisfied, the Trustee shall, and shall thereby be authorized and directed to, execute and deliver, and direct the Collateral Trustee to execute and deliver, (x) one or more amendments to the Intercreditor Agreement and/or (y) one or more replacement intercreditor agreements and such documentation as is required to terminate the Intercreditor Agreement then in effect, in each case to accommodate additional financings entered into by Affiliates of the Issuer.

[THIS SPACE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Trustee, the Issuer, the Securities Intermediary and the Depository Bank have caused this Base Indenture to be duly executed by their respective duly authorized officers as of the day and year first written above.

OPORTUN FUNDING V, LLC,
as Issuer

By:
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but
solely as Trustee

By:
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but
solely as Securities Intermediary

By:
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but
solely as Depositary Bank

By:
Name:
Title:

[Base Indenture]

RELEASE AND RECONVEYANCE OF TRUST ESTATE

RELEASE AND RECONVEYANCE OF TRUST ESTATE, dated as of _____, _____, between Oportun Funding V, LLC (the “Issuer”) and Wilmington Trust, National Association, a national banking association with trust powers organized and existing under the laws of the United States (the “Trustee”) pursuant to the Base Indenture referred to below.

WITNESSETH:

WHEREAS, the Issuer and the Trustee are parties to the Base Indenture dated as of August 4, 2015 (hereinafter as such agreement may have been, or may from time to time be, amended, supplemented or otherwise modified, the “Base Indenture”);

WHEREAS, pursuant to the Base Indenture, upon the termination of the Lien of the Base Indenture pursuant to Section 12.1 of the Base Indenture and after payment of all amounts due under the terms of the Base Indenture on or prior to such termination, the Trustee shall at the request of the Issuer reconvey and release the Lien on the Trust Estate;

WHEREAS, the conditions to termination of the Base Indenture pursuant to Sections 12.1 and 12.6 have been satisfied;

WHEREAS, the Issuer has requested that the Trustee terminate the Lien of the Indenture on the Trust Estate pursuant to Section 12.6; and

WHEREAS, the Trustee is willing to execute such release and reconveyance subject to the terms and conditions hereof;

NOW, THEREFORE, the Issuer and the Trustee hereby agree as follows:

1. Defined Terms. All terms defined in the Base Indenture and used herein shall have such defined meanings when used herein, unless otherwise defined herein.

2. Release and Reconveyance. (a) The Trustee does hereby release and reconvey to the Issuer, without recourse, representation or warranty, on and after _____, _____ (the “Reconveyance Date”) all right, title and interest in the Trust Estate whether then existing or thereafter created, all monies due or to become due with respect thereto and all proceeds of such Trust Estate, except for amounts, if any, held by the Trustee or any Paying Agent pursuant to Section 12.5 of the Base Indenture.

(b) In connection with such transfer, the Trustee does hereby release the Lien of the Indenture on the Trust Estate and agrees, upon the reasonable request and at the expense of the

Issuer, to authorize the filing of any necessary or reasonably desirable UCC termination statements in connection therewith.

3. Return of Lists of Receivables. The Trustee shall deliver to the Issuer, not later than five (5) Business Days after the Reconveyance Date, each and every computer file or microfiche list of Receivables delivered to the Trustee pursuant to the terms of the Base Indenture.

4. Counterparts. This Release and Reconveyance may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

5. Governing Law. **THIS RELEASE AND RECONVEYANCE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

IN WITNESS WHEREOF, the undersigned have caused this Release and Reconveyance of Trust Estate to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

OPORTUN FUNDING V, LLC, as Issuer

By:
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By:
Name:
Title:

A-3 *Base Indenture*

[]
[]
[]

[, 20]

Wilmington Trust, National Association

[]
[]

Ladies and Gentlemen:

Reference is made to that certain Base Indenture dated as of August 4, 2015 (hereinafter as such agreement may have been, or may be from time to time, amended, supplemented, or otherwise modified, the “Base Indenture”), by and between Oportun Funding V, LLC (the “Issuer”) and Wilmington Trust, National Association, as trustee (the “Trustee”), as securities intermediary and as depository bank pursuant to which the Issuer has granted to the Trustee for the benefit of the Secured Parties a lien on and security interest in all of the Issuer’s right, title and interest in, to and under the Contracts and related Receivables and certain assets and rights of the Issuer more particularly described therein (the “Trust Estate”). Capitalized terms used but not otherwise defined herein have the meanings given such terms in the Base Indenture.

[Reference is further made to Section 5.8 of the Base Indenture and Section 2.02(k) of the Servicing Agreement dated as of August 4, 2015, by and between the Issuer, PF Servicing, LLC, as servicer (in such capacity, the “Servicer”), and the Trustee, pursuant to which the Servicer (or its Affiliate) has deposited into the Collection Account an amount equal to the aggregate Net Third Party Purchase Price with respect to those Receivables set forth on Schedule I hereto (such Receivables, “Removed Receivables”).]

[Reference is further made to Section 5.8 of the Base Indenture and Section 2.08 of the Servicing Agreement dated as of August 4, 2015, by and between the Issuer, PF Servicing, LLC, as servicer (in such capacity, the “Servicer”), and the Trustee, pursuant to which the Servicer has deposited into the Collection Account an amount equal to the Outstanding Receivables Balance of those Receivables set forth on Schedule I hereto (such Receivables, “Removed Receivables”), together with accrued and unpaid interest thereon.]

[Reference is further made to Section 5.8 of the Base Indenture and Section 2.4 of the Purchase and Sale Agreement dated as of August 4, 2015, by and between the Issuer and Oportun, Inc., as seller (the “Seller”), pursuant to which the Seller has deposited into the Collection Account an amount equal to the Outstanding Receivables Balance of those Receivables set forth on Schedule

I hereto (such Receivables, "Removed Receivables"), together with accrued and unpaid interest thereon.]

In connection with the Issuer's sale, transfer and assignment of the Removed Receivables, the Issuer hereby certifies that the conditions precedent to the release of the Removed Receivables have been satisfied and requests that the Trustee, and the Trustee by acknowledging this Lien Release Request does, irrevocably and unconditionally release the Removed Receivables and the related Related Security (the "Released Assets") from the lien granted to the Trustee pursuant to the Base Indenture, and the Released Assets shall no longer constitute a part of the Trust Estate under the Base Indenture, any related security agreement or financing statement.

Very truly yours,

OPORTUN FUNDING V, LLC

By: _____
Name: _____
Title: _____

Acknowledged as of the
above date:

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual
capacity, but solely as Trustee

By: _____
Name: _____
Title: _____

SCHEDULE I

Removed Receivables

B-3 *Base Indenture*

EXHIBIT C
TO BASE INDENTURE
Form of Permitted Takeout Release

[____], 20[__]

Oportun Funding V, LLC
2 Circle Star Way, Room 119
San Carlos, California 94070
Attention: General Counsel

Wilmington Trust, National Association,
not individually but solely in its capacity as Trustee
1100 North Market Street, 3rd Floor
Wilmington, Delaware 19890
Attention: Corporate Trust Administration – Oportun V Funding

Re: Release of Security Interest in Certain Receivables

Ladies and Gentlemen:

Reference is made to that certain Base Indenture, dated as of August 4, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Base Indenture”), among Oportun Funding V, LLC (the “Issuer”), and Wilmington Trust, National Association, as trustee (the “Trustee”), as supplemented by that certain Series 2015 Supplement, dated as of August 4, 2015 (the “Series Supplement” and together with the Base Indenture, the “Indenture”). Capitalized terms used in this letter agreement and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Issuer has advised the Noteholders and the Trustee that it desires to enter into a Permitted Takeout and in connection therewith requests that the Secured Parties release any security interest, liens or other rights which they have in the Receivables listed on Exhibit A hereto and the Related Security to the extent directly related thereto (collectively, the “Released Assets”).

The aggregate amount attributable to the Released Assets due to the Secured Parties under the Transaction Documents in accordance with Section 2.16(c) of the Base Indenture, if paid in immediately available funds by 12:00 p.m. (New York time), on [____], 20[__] (the “Purchase Time”), will be the amount specified on Schedule I (such amount, in the aggregate, the “Purchase Price”). Payment of the Purchase Price shall be made by wire transfer to the Collection Account.

In consideration of the payment in full of the Purchase Price by the Purchase Time, each of the Noteholders and the Trustee (on behalf of the other Secured Parties), upon receipt of the Purchase

Price in immediately available funds in the Collection Account, hereby acknowledges and agrees that, with respect to the Released Assets:

- (i) all security interests, liens or other rights which the Secured Parties may have on or in the Released Assets shall be terminated and shall be of no further force and effect (it being understood that no other security interests, liens or other rights under or in connection with the Transaction Documents are being terminated or released); and
- (ii) the Trustee (on behalf of the Secured Parties) hereby (a) authorizes and requests the Issuer to prepare and file, at the expense of the Issuer, UCC amendments with respect to all UCC financing statements covering the Released Assets in order to exclude from the description of collateral thereon all of the Released Assets, and all other appropriate documents deemed necessary or desirable by the Issuer to terminate the security interests, liens and other rights on or in the Released Assets under the Transaction Documents in a form reasonably acceptable to the Required Noteholders and (b) agrees to promptly deliver to the Issuer (or such other Person designated by the Issuer) all possessory collateral to the extent directly related to the Released Assets held by the Trustee.

The Issuer hereby represents and warrants as of the date hereof and immediately after the release of the security interest pursuant to this letter that:

- (i) no Rapid Amortization Event, Servicer Default, Event of Default or Default would exist after giving effect to the transactions contemplated hereby;
- (ii) the transactions contemplated hereby could not reasonably be expected to have a Material Adverse Effect on (x) the Issuer, the Seller, the Servicer, the Parent, the Trustee, the Agent, the Collateral Trustee, any Noteholder or any other Secured Party or (y) the bankruptcy remoteness of the Issuer or any of the transfers contemplated by the Transaction Documents;
- (iii) the transactions contemplated hereby will not violate any assumption set forth in any bankruptcy opinion delivered under or in connection with any Transaction Document;
- (iv) upon effectiveness of this letter agreement and the transactions contemplated hereby, this agreement and the transactions contemplated hereby shall collectively constitute a Permitted Takeout; and
- (v) upon effectiveness of this letter agreement and the transactions contemplated hereby, the Overcollateralization Test will be satisfied.

Notwithstanding anything in this letter agreement to the contrary, if all or any portion of the Purchase Price is rescinded or must otherwise be returned for any reason under any state or federal bankruptcy or other law, then all obligations of the Issuer under the Indenture and all other Transaction Documents in respect of the Purchase Price (or any portions thereof) so rescinded or returned shall be automatically and immediately revived (without any further action or consent by any of the parties hereto or any other Person) and shall continue in full force and effect as if such amounts had not been paid, and this letter agreement shall in no way impair the claims of any Person with respect to such revived obligations.

THIS LETTER AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS LETTER AGREEMENT AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENT THEREOF. EACH OF THE PARTIES TO THIS LETTER AGREEMENT HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

This letter agreement may be executed in counterparts and by separate parties hereto on separate counterparts, each of which shall constitute an original but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart to this letter agreement by facsimile, “.pdf” file or similar electronic means shall constitute, and shall be effective as, delivery of a manually signed counterpart hereto.

[signature pages follow]

Very truly yours,

[Required Noteholders],

By:
Name:
Title:

C-4 *Base Indenture*

OPORTUN FUNDING V, LLC,
as Issuer

By: _____
Name: _____
Title: _____

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity, but solely as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT D
TO BASE INDENTURE
Form of Intercreditor Agreement

D-1 *Base Indenture*

EXHIBIT E
TO BASE INDENTURE
Form of Asset Repurchase Demand Activity Report

Reporting Period: [_____]
Issuer: Oportun Funding V, LLC
Reporting Entity: Wilmington Trust, National Association

Activity During Reporting Period		
Date of Reputed Demand	Party Making Reputed Demand	Date of Withdrawal of Reputed Demand

E-1 *Amended and Restated Base Indenture*

PERFECTION REPRESENTATIONS, WARRANTIES
AND COVENANTS

In addition to the representations, warranties and covenants contained in the Indenture, the Issuer hereby represents, warrants, and covenants to the Trustee as follows on the Closing Date:

General

1. The Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Trust Estate in favor of the Trustee, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from the Issuer.
2. The Contracts evidencing the Receivables constitute “general intangibles”, “accounts”, “instruments”, “electronic chattel paper” or “tangible chattel paper” within the meaning of the UCC as in effect in the State of New York.
3. Each of the Trust Accounts and all subaccounts thereof constitute either a deposit account or a securities account.

Creation

4. The Issuer owns and has good and marketable title to the Receivables free and clear of any Lien, claim or encumbrance of any Person, excepting only Liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper Proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.
5. The Seller has received all consents and approvals, if any, to the sale of the Receivables under the Purchase Agreement to the Issuer required by the terms of the Receivables that constitute instruments or payment intangibles.

Perfection:

6. The Issuer has caused or will have caused, by the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable Law in order to perfect the sale of the Contracts and Related Rights from the Seller to the Issuer, and the security interest in the Trust Estate granted to the Trustee hereunder; and the Servicer or the Custodian has in its possession the original copies of such instruments, certificated securities or tangible chattel paper that constitute or evidence the

Receivables, and all financing statements referred to in this paragraph contain or will contain when filed a statement that: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the secured party.”

7. With respect to Receivables that constitute an instrument or tangible chattel paper, either:

- (i) All original executed copies of each such instrument have been delivered to the Servicer or the Custodian;
- (ii) Such instruments or tangible chattel paper are in the possession of the Servicer or the Custodian and the Trustee has received a written acknowledgment from the Servicer or the Custodian that the Servicer or the Custodian is holding such instruments or tangible chattel paper solely on behalf and for the benefit of the Trustee; or
- (iii) The Servicer or the Custodian received possession of such instruments after the Trustee received a written acknowledgment from the Servicer or the Custodian that the Servicer or the Custodian is acting solely as agent of the Trustee.

8. With respect to Receivables that constitute electronic chattel paper, either:

- (i) The Issuer has caused, or will have caused by the effective date of the Indenture, the filing of financing statement against the Issuer in favor of the Trustee in connection herewith describing such Receivables and containing a statement that: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the secured party”; or
- (ii) All of the following are true:
 - (A) Only one authoritative copy of each such loan agreement exists; and each such authoritative copy (A) is unique, identifiable and unalterable (other than with the participation of the Trustee in the case of an addition or amendment of an identified assignee and other than a revision that is readily identifiable as an authorized or unauthorized revision), (B) has been marked with a legend to the following effect: “Authoritative Copy” and (C) has been communicated to and is maintained by the Servicer or a custodian who has acknowledged in writing that it is maintaining the authoritative copy of each electronic chattel paper solely on behalf of and for the benefit of the Trustee, or is acting solely as its agent; and
 - (B) Issuer has marked the authoritative copy of each loan agreement that constitutes or evidences the Receivables with a legend to the following effect: “Oportun Funding V, LLC has pledged all its rights and interest herein to Wilmington Trust, National Association, as Trustee.” Such loan agreements or leases do not have any other marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Trustee or the Purchaser; and

(C) Issuer has marked all copies of each loan agreement that constitute or evidence the Receivables other than the authoritative copy with a legend to the following effect: “This is not an authoritative copy”; and

(D) The records evidencing the Receivables have been established in a manner such that (a) all copies or revisions that add or change an identified assignee of the authoritative copy of each such electronic chattel paper must be made with the participation of the Trustee and (b) all revisions of the authoritative copy of each such electronic chattel paper must be readily identifiable as an authorized or unauthorized revision.

9. With respect to each of the Trust Accounts and all subaccounts that constitute deposit accounts, either:

(i) The Issuer has delivered to the Trustee a fully executed agreement pursuant to which the bank maintaining the deposit accounts has agreed to comply with all instructions originated by the Trustee directing disposition of the funds in the Trust Accounts without further consent by the Issuer; or

(ii) The Issuer has taken all steps necessary to cause the Trustee to become the account holder of the Trust Accounts.

10. With respect to each of the Trust Accounts or subaccounts thereof that constitute securities accounts or securities entitlements, either:

(i) The Issuer has delivered to the Trustee a fully executed agreement pursuant to which the securities intermediary has agreed to comply with all instructions originated by the Trustee relating to the Trust Accounts without further consent by the Issuer; or

(ii) The Issuer has taken all steps necessary to cause the securities intermediary to identify in its records the Trustee as the person having a security entitlement against the securities intermediary in each of the Trust Accounts.

Priority

11. Other than the transfer of the Receivables to the Issuer under the Purchase Agreement and the security interest granted to the Trustee pursuant to this Indenture, none of the Issuer or the Seller have pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Receivables or the Trust Accounts. Neither the Issuer nor the Seller has authorized the filing of, or is aware of any financing statements against the Issuer or the Seller that include a description of collateral covering the Receivables or the Trust Accounts or any subaccount thereof other than those that have been released or any financing statement relating to the security interest granted to the Trustee hereunder or that has been terminated.

12. No judgment, ERISA or tax lien filings have been made against the Issuer.

13. Neither Issuer nor a custodian holding any collateral that is electronic chattel paper has communicated an authoritative copy of any loan agreement that constitutes or evidences the Receivables to any Person other than the Trustee or the Servicer.

14. None of the instruments, certificated securities, tangible chattel paper or electronic chattel paper that constitute or evidence the Receivables has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Issuer or Trustee.

15. None of the Trust Accounts nor any subaccount thereof are in the name of any Person other than the Trustee. The Issuer has not consented to the bank maintaining the Trust Accounts that constitute deposit accounts to comply with instructions of any person other than the Trustee. The Issuer has not consented to the securities intermediary of any Trust Account that constitutes a securities account to comply with entitlement orders of any Person other than the Trustee.

16. Survival of Perfection Representations. Notwithstanding any other provision of the Indenture or any other Transaction Document, the Perfection Representations contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as the Secured Obligations under the Indenture have been finally and fully paid and performed.

17. Issuer to Maintain Perfection and Priority. The Issuer covenants that, in order to evidence the interests of the Trustee under this Indenture, the Issuer shall take such action, or execute and deliver such instruments (other than effecting a Filing (as defined below), unless such Filing is effected in accordance with this paragraph) as may be necessary or advisable (including, without limitation, such actions as are requested by the Trustee) to maintain and perfect, as a first priority interest, the Trustee's security interest in the Trust Estate. The Issuer shall, from time to time and within the time limits established by Law, prepare and present to the Trustee for the Trustee to authorize the Issuer to file, all financing statements, amendments, continuations, initial financing statements in lieu of a continuation statement, terminations, partial terminations, releases or partial releases, or any other filings necessary or advisable to continue, maintain and perfect the Trustee's security interest in the Trust Estate as a first-priority interest (each a "Filing").

[***] = Certain information contained in this document, marked by brackets, has been omitted because it is both not material and would be competitively harmful if publicly disclosed.

Execution Version

**AMENDMENT NO. 4 TO AMENDED AND RESTATED
PURCHASE AND SALE AGREEMENT**

AMENDMENT NO. 4 TO AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT dated as of January 31, 2020 (this “Amendment”), by and between OPORTUN, INC., a Delaware corporation, as seller (the “Seller”), and ECL FUNDING LLC, a Delaware limited liability company, as purchaser (the “Purchaser”).

WITNESSETH:

WHEREAS, the Seller and the Purchaser are parties to that certain Amended and Restated Purchase and Sale Agreement dated as of June 29, 2018, as amended by Amendment No. 1 thereto dated as of December 1, 2018, Amendment No. 2 thereto dated as of February 1, 2019 and Amendment No. 3 thereto dated as of September 12, 2019 (the “Original Purchase Agreement”); and

WHEREAS, the Seller and the Purchaser desire to amend the Original Purchase Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

SECTION 1. Changes to Commitment Termination Event. Clause (xiv) of Section 2.2(c) of the Original Purchase Agreement is hereby amended and restated, to read in its entirety as follows:

(xiv) As of the last day of any period consisting of three (3) consecutive calendar months, the weighted average interest rate (weighted by initial principal balance) for Receivables that are not Renewal Receivables purchased by the Purchaser during such period is less than 33.5%.

SECTION 2. Amended Purchase Agreement. The document attached as Exhibit A hereto constitutes the Original Purchase Agreement, as modified by this Amendment (the “Amended Purchase Agreement”). In the event of any conflict, inconsistency or ambiguity between this Amendment and the Amended Purchase Agreement, the Amended Purchase Agreement shall control.

SECTION 3. Binding Effect; Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

SECTION 4. Effectiveness of Amendment. Except as amended hereby, the Original Purchase Agreement shall remain in full force and effect according to its terms. On and after the date hereof, all references to the Original Purchase Agreement shall be deemed to be references to the Amended Purchase Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ECL FUNDING LLC,
as Purchaser

By: Ellington Management Group LLC, its Investment Manager
By: /s/ Laurence Penn
Name: Laurence Penn
Title: Vice Chairman

OPORTUN, INC.,
as Seller

By: /s/ John Foxgrover
Name: John Foxgrover
Title: SVP, Capital Markets & Treasurer

Exhibit A

[Amended Purchase Agreement Attached]



AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

Dated as of June 29, 2018

between

ECL FUNDING LLC,
as Purchaser,

and

OPORTUN, INC.,
as Seller

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AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT dated as of June 29, 2018 (this “Agreement”), by and between OPORTUN, INC., a Delaware corporation, as seller (the “Seller”), and ECL FUNDING LLC, a Delaware limited liability company, as purchaser (the “Purchaser”).

W I T N E S E T H:

WHEREAS, the Seller and the Purchaser have previously entered into that certain Purchase and Sale Agreement, dated as of August 2, 2016 (as amended to the date hereof, the “Original Agreement”), pursuant to which the Seller has sold and intends to sell Receivables to the Purchaser from time to time on the terms and subject to the conditions set forth therein; and

WHEREAS, the Seller and the Purchaser wish to amend the Original Agreement in certain respects;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree that the Original Agreement shall be, and it hereby is, amended and restated to read in its entirety as follows:

(i)

DEFINITIONS

SECTION 1.2 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“2016 Ellington Investors” means ECO, EFCH and EPOB.

“2017 Ellington Investors” means ECO-GS, EFCH-GS, EPOB-GS and EPOB2-GS.

“Actual Changed GCP Cashflow” means for any Subject Renewal Receivable, (a) the sum of (i) the actual principal payment received (both scheduled principal and prepaid principal), (ii) the actual interest received, minus (b) servicing compensation payable to the Servicer, in the period of the actual refinancing of the Subject Renewal Receivable.

“ADS Score” means the credit score for an Obligor referred to as the “Alternative Data Score” determined by the Seller in accordance with its proprietary scoring method.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting stock, by contract or otherwise.

“Aggregate Make-Whole Amount” means, for each Monthly Vintage, the sum of all past and current Make-Whole Amounts attributable to that Monthly Vintage.

“Agreement” has the meaning assigned to that term in the preamble. “Amendment Date” means March 3, 2017.

“At-Closing GCP” means a “Good Customer Program” where an Obligor is eligible to refinance his or her Contract if the following criteria are satisfied: (i) if the initial principal balance of an Obligor’s Contract is less than or equal to \$2,525, then the Obligor must have repaid more than 60% of the original principal balance, and the original Contract must be outstanding for more than six (6) months, or (ii) if the initial principal balance of an Obligor’s Contract is greater is \$2,525, (A) the Obligor must have repaid more than 40% of the original principal balance, and the original Contract must be outstanding for more than twelve (12) months, or (B) the Obligor must have repaid more than 60% of the original principal balance, and the original Contract must be outstanding for more than six (6) months.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as amended from time to time, and as codified as 11 U.S.C. Section 101 et seq.

“Benefit Plan” means any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Seller, the Servicer or any ERISA Affiliate thereof is, or at any time during the immediately preceding six (6) years was, an “employer” as defined in Section 3(5) of ERISA, or

with respect to which the Seller, the Servicer or any of their respective ERISA Affiliates has any liability, contingent or otherwise.

“Business Day” means any day other than a Saturday, Sunday or other day on which banking institutions or trust companies in the States of California, Florida, Illinois, Missouri, New York or Texas are authorized or obligated by Law to be closed.

“Changed GCP” means a “Good Customer Program” other than the At-Closing GCP that results from a change, with respect to a Consumer Installment Loan Product, in (i) the required paydown percentage, (ii) the number of months outstanding or (iii) the initial principal balance.

“Closing Date” means August 2, 2016.

“Code” means the Internal Revenue Code of 1986, as amended, and the rules and Treasury Regulations promulgated thereunder.

“Collateral Trustee” means initially Deutsche Bank Trust Company Americas, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor collateral trustee appointed in accordance with the provisions of the Intercreditor Agreement.

“Collection Account” means the account established as such for the benefit of the Purchaser at Deutsche Bank Trust Company Americas or such other depository institution as the Purchaser shall approve pursuant to Section 3.01 of the Servicing Agreement.

“Collections” means, with respect to any Receivable, all cash collections and other cash proceeds of such Receivable made by or on behalf of Obligors, including, without limitation, all principal, Finance Charges and cash proceeds of Related Security with respect to such Receivable and any Deemed Collections in each case, received after the applicable Purchase Date; *provided, however*, that, if not otherwise specified, the term “Collections” shall refer to the Collections on all the Receivables collectively.

“Combined Outstanding Receivables Balance” means, at any time of determination, the sum of (i) the Outstanding Receivables Balance of the Receivables purchased by the Purchaser under this Agreement, (ii) the “Outstanding Receivables Balance” (as defined in the ECO Purchase Agreement) of the ECO Receivables, and (iii) the “Outstanding Receivables Balance” (as defined in the EFCH Purchase Agreement) of the EFCH Receivables.

“Commitment Termination Event” has the meaning specified in Section 2.2(c).

“Concentration Limits” shall be deemed exceeded if any of the following is true on any date of determination, with each of the percentages and weighted average credit scores below determined by combining the Receivables, the ECO Receivables and the EFCH Receivables (and, accordingly, treating the ECO Receivables and the EFCH Receivables, solely for purposes of this definition of “Concentration Limits”, as if they were “Receivables” for purposes of this Agreement):

- (i) the aggregate Outstanding Receivables Balance of all Re-Written Receivables and Re-Aged Receivables that are Eligible Receivables exceeds 5.0% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;
- (ii) the weighted average fixed interest rate of all Eligible Receivables is less than 28.0%;
- (iii) the weighted average life of all Eligible Receivables exceeds forty-one (41) months;
- (iv) the aggregate Outstanding Receivables Balance of all Eligible Receivables with a fixed interest rate less than 24.0% exceeds 5.0% of the Outstanding Receivables Balance of all Eligible Receivables;
- (v) the weighted average credit score of the related Obligor of all Eligible Receivables (excluding any Eligible Receivables the Obligor of which has no (or a zero) credit score) is less than: (x) ADS Score: 700, (y) PF Score: 640 and (z) VantageScore: 600;
- (vi) the aggregate Outstanding Receivables Balance of all Eligible Receivables the Obligor of which have credit scores within the following respective credit score buckets: (x) ADS Score: less than or equal to 560, (y) PF Score: less than or equal to 500 and (z) VantageScore: less than or equal to 520 exceeds 5.0% of the aggregate Outstanding Receivables Balance of all Eligible Receivables;
- (vii) the aggregate Outstanding Receivables Balance of all Eligible Receivables with Original Receivables Balances of less than \$800 exceeds 10.0% of the Outstanding Receivables Balance of all Eligible Receivables;
- (viii) the aggregate Outstanding Receivables Balance of all Eligible Receivables with Original Receivables Balances of greater than \$6,000 is less than 20.0% of the Outstanding Receivables Balance of all Eligible Receivables; or
- (ix) the aggregate Outstanding Receivables Balance of all Eligible Receivables that are not Renewal Receivables exceeds 40.0% of the Outstanding Receivables Balance of all Eligible Receivables.

“Consolidated Parent” means initially, Oportun Financial Corporation, a Delaware corporation, and any successor to Oportun Financial Corporation, as the indirect or direct parent of the Seller, the financial statements of which are for financial reporting purposes consolidated with the Seller in accordance with GAAP, or if there is none, then the Seller.

“Consumer Installment Loan Product” means consumer installment loans of the type offered by Oportun, Inc. and the Nevada Originator as of the date of this Agreement and shall not include, for the avoidance of doubt, loans secured by vehicles or business assets and any other newly introduced types of loan or financing products offered by Oportun, Inc. or the Nevada Originator after the date of this Agreement.

“Contingent Liability” means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person’s obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum outstanding principal amount, if larger) of the debt, obligation or other liability guaranteed thereby.

“Contract” means any promissory note, retail installment sales contract, other contract or other loan documentation originally entered into (i) between the Seller and an Obligor in connection with consumer loans made by the Seller to such Obligor in the ordinary course of its business or (ii) between the Nevada Originator and an Obligor in connection with consumer loans made by the Nevada Originator to such Obligor in the ordinary course of its business and subsequently acquired by the Seller.

“Credit and Collection Policies” means the Seller’s and the Servicer’s credit and collection policy or policies relating to Contracts and Receivables and referred to in Exhibit C to the Servicing Agreement, as the same is amended, supplemented or otherwise modified and in effect from time to time in accordance with Section 2.12(c) of the Servicing Agreement; *provided, however*, if the Servicer is any Person other than the initial Servicer, “Credit and Collection Policies” shall refer to the collection policies of such Servicer as they relate to receivables of a similar nature to the Receivables.

“Cushion Adjusted Aggregate Make-Whole Amount” means for each Monthly Vintage, the greater of (i) zero, and (ii) the Aggregate Make-Whole Amount minus the Cushion Amount.

“Cushion Amount” means an amount attributable to each Monthly Vintage, each being equal to the product of (i) the aggregate Outstanding Receivables Balance of Receivables at time of purchase by the Purchaser with respect to such Monthly Vintage and (ii) 0.50%.

“Custodian” means the Servicer in its capacity as Custodian under, and subject to the terms and conditions of, the Servicing Agreement.

“Deemed Collections” means in connection with any Receivable, all amounts payable (without duplication) with respect to such Receivable, by (i) the Seller pursuant to Section 2.4 hereof, and/or (ii) the initial Servicer pursuant to Section 2.02(f) or Section 2.08 of the Servicing Agreement.

“Default Percentage” means, for any calendar month, the aggregate Outstanding Receivables Balance for all Receivables that became Defaulted Receivables during such calendar month, less Recoveries received during such calendar month, expressed as an annualized percentage of the aggregate Outstanding Receivables Balance of all Eligible Receivables as of the last day of such calendar month.

“Defaulted Receivable” means a Receivable (i) as to which any scheduled payment, or part thereof, remains unpaid for 120 days or more past the due date for such payment determined by reference to the contractual payment terms, as amended, of such Receivable, (ii) the Obligor thereon has died or is suffering or has suffered an Event of Bankruptcy or (iii) which, consistent with the Credit and Collection Policies, would be written off in the Seller’s or the Servicer’s books as uncollectible.

“Delinquency Percentage” means, for any calendar month, the aggregate Outstanding Receivables Balance of all Delinquent Receivables as of the last day of such calendar month as a percentage of the aggregate Outstanding Receivables Balance of all Eligible Receivables as of the last day of such calendar month.

“Delinquent Receivable” means a Receivable (other than a Defaulted Receivable) as to which all or any part of a scheduled payment remains unpaid for thirty (30) days or more from the due date for such payment.

“Deposit Account Control Agreement” means the Deposit Account Control Agreement, dated as of the Closing Date, among the Purchaser, the Servicer and Deutsche Bank Trust Company Americas, as amended, supplemented, or otherwise modified from time to time.

“Dollars” and the symbol “\$” mean the lawful currency of the United States.

“ECL Master Trust” means ECL Funding 2016-OPTN Master Participation Trust, a Delaware statutory trust.

“ECO” means ECO CH LLC, a Delaware limited liability company.

“ECO Guarantor” or “ECO-GS Guarantor” means Ellington Credit Opportunities, Ltd., a Cayman Islands exempted company.

“ECO Guaranty” means the ECO Guaranty, dated as of the Closing Date, delivered by the ECO Guarantor to the Seller, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

“ECO Purchase Agreement” means the Purchase and Sale Agreement, dated as of November 10, 2015, between ECO and Oportun, Inc., as amended, supplemented or otherwise modified from time to time.

“ECO Receivables” means the receivables purchased by ECO under the ECO Purchase Agreement.

“ECO-GS” means ECO GS 2017-OPTN LLC, a Delaware limited liability company. “ECO-GS Guaranty” means the ECO-GS Guaranty, dated as of the Amendment Date, delivered by the ECO-GS Guarantor to the Seller, as such agreement may be amended, supplemented or otherwise modified from time to time.

“EFCH” means EF CH LLC, a Delaware limited liability company.

“EFCH Guarantor” or “EFCH-GS Guarantor” means Ellington Financial Operating Partnership LLC, a Delaware limited liability company.

“EFCH Guaranty” means the EFCH Guaranty, dated as of the Closing Date, delivered by the EFCH Guarantor to the Seller, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

“EFCH Purchase Agreement” means the Amended and Restated Purchase Agreement, dated as of November 10, 2015, between EFCH and Oportun, Inc., as amended, supplemented or otherwise modified from time to time.

“EFCH Receivables” means the receivables purchased by EFCH under the EFCH Purchase Agreement or the predecessor agreement thereto.

“EFCH-GS” means EFCH GS 2017-OPTN LLC, a Delaware limited liability company.

“EFCH-GS Guaranty” means the EFCH-GS Guaranty, dated as of the Amendment Date, delivered by the EFCH-GS Guarantor to the Seller, as such agreement may be amended, supplemented or otherwise modified from time to time.

“Eligible Electronic Repository” means any electronic document repository engaged by the Seller, *provided* that the Seller shall not change the electronic document repository engaged by the Seller, unless the Seller shall have given to the Purchaser not less than five (5) Business Days’ prior written notice thereof.

“Eligible Receivable” means each Receivable:

(a) that was originated in compliance with all applicable Requirements of Law (including without limitation all Laws relating to truth in lending, fair credit billing, fair credit reporting, fair debt collection practices and privacy) and which complies with all applicable Requirements of Law (other than non-compliance that has no adverse effect on the obligations of the Obligor and creates no financial liability or other loss, cost or expense for the Purchaser and does not have any other Material Adverse Effect);

(b) with respect to which all consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Seller or the Nevada Originator in connection with the creation or the execution, delivery and performance of such Receivable, or by the Purchaser in connection with its ownership of, or the administration or servicing of, such Receivable have been duly obtained, effected or given and are in full force and effect (other than non-compliance that has no adverse effect on the obligations of the Obligor and creates no financial liability or other loss, cost or expense for the Purchaser and does not have any other Material Adverse Effect);

(c) as to which, at the time of the sale of such Receivable (i) to the Purchaser, the Seller was the sole owner thereof and had good and marketable title thereto free and clear of

all Liens and (ii) if applicable, to the Seller by the Nevada Originator, the Nevada Originator was the sole owner thereof and had good and marketable title thereto free and clear of all Liens;

(d) that is the legal, valid and binding payment obligation of the Obligor thereof, enforceable against such Obligor in accordance with its terms, except that the enforceability thereof may be subject to (a) the effects of any applicable bankruptcy, insolvency, reorganization, receivership, conservatorship or other Laws affecting the rights of creditors generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law), and is not subject to any right of rescission, setoff, counterclaim or defense (including the defense of usury) or to any repurchase obligation or return right;

(e) the related Contract of which constitutes a “general intangible”, “instrument”, “account,” “chattel paper” or “electronic chattel paper”, in each case under and as defined in Article 9 of the UCC of all applicable jurisdictions;

(f) that was established in accordance with the Credit and Collection Policies in the regular and ordinary course of the business of the Seller or the Nevada Originator, as applicable;

(g) that is denominated and payable in Dollars, is only payable in the United States of America and each Obligor in respect of which are residents of, and have provided a billing address in, the United States of America;

(h) that is not, at the time of the sale of such Receivable to the Purchaser, a Delinquent Receivable;

(i) that has an original and remaining term to maturity of no more than fifty-one (51) months;

(j) that has an Outstanding Receivables Balance equal to or less than \$11,250;

(k) that has a fixed interest rate that is greater than or equal to 15.0%;

(l) that is not evidenced by a judgment or has been reduced to judgment;

(m) that is not a Defaulted Receivable;

(n) that is not a revolving line of credit;

(o) the terms of which have not been modified or waived except as permitted under the Credit and Collection Policies or the Servicing Agreement;

(p) that has no Obligor thereon that is a Governmental Authority;

(q) that has no Obligor thereon that is the Obligor of a Defaulted Receivable;

(r) the assignment of which (i) to the Purchaser does not contravene or conflict with any Law or any contractual or other restriction, limitation or encumbrance, and the sale or

assignment of which does not require the consent of the Obligor thereof and (ii) if applicable, to the Seller from the Nevada Originator does not contravene or conflict with any Law or any contractual or other restriction, limitation or encumbrance, and the sale or assignment of which does not require the consent of the Obligor thereof;

(s) the related Contract provides for repayment in full of the principal balance thereof in equal installments not less frequently than monthly;

(t) the proceeds of the related Contract are fully disbursed, there is no requirement for future advances under such Contract and neither the Seller nor the Nevada Originator has any further obligations under such Contract;

(u) as to which, the Custodian is in possession of a full and complete Receivable File in physical or electronic format;

(v) that represents the undisputed, bona fide transaction created by the lending of money by the Seller or the Nevada Originator, as applicable, in the ordinary course of business and completed in accordance with the terms and provision contained in the related Contract;

(w) a Concentration Limit would not be exceeded at the time of the sale, transfer or assignment of such Receivable to the Purchaser;

(x) that is fully funded by the Seller or, if applicable, by the Nevada Originator on the Initiation Date and for which the Funding Request is delivered no earlier than the first Business Day after the Initiation Date;

(y) that has an Initiation Date that is not more than five (5) Business Days prior to the applicable Purchase Date; and

(z) that if originated by the Nevada Originator, the Obligor in respect of which is a resident of, and has provided the Servicer a billing address in, the State of Nevada.

“Ellington Guaranties” means the ECO Guaranty, the EFCH Guaranty and the EPOB Guaranty.

“Ellington Guarantors” means the ECO Guarantor, the ECO-GS Guarantor, the EFCH Guarantor, the EFCH-GS Guarantor, the EPOB Guarantor, the EPOB-GS Guarantor and the EPOB2-GS Guarantor.

“Ellington Investors” means (i) the 2016 Ellington Investors, (ii) the 2017 Ellington Investors, and (iii) any other Affiliate of the ECO Guarantor, the EFCH Guarantor, the EPOB Guarantor or the EPOB2-GS Guarantor identified to the Seller by the Purchaser in writing.

“Ellington-GS Guaranties” means the ECO-GS Guaranty, the EFCH-GS Guaranty, the EPOB-GS Guaranty and the EPOB2-GS Guaranty.

“EPOB” means EPOB CH LLC, a Delaware limited liability company.

“EPOB Guarantor” or “EPOB-GS Guarantor” means each of Ellington Private Opportunities Master Fund (A) LP, an exempted Cayman Islands partnership, and Ellington Private Opportunities Master Fund (B) LP, an exempted Cayman Islands partnership.

“EPOB Guaranty” means the EPOB Guaranty, dated as of the Closing Date, delivered by the EPOB Guarantor to the Seller, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

“EPOB-GS” means EPOB GS 2017-OPTN LLC, a Delaware limited liability company. “EPOB-GS Guaranty” means the EPOB-GS Guaranty, dated as of the Amendment Date, delivered by the EPOB-GS Guarantor to the Seller, as such agreement may be amended, supplemented or otherwise modified from time to time.

“EPOB2-GS” means EPO II (B) GS 2018-OPTN LLC, a Delaware limited liability company.

“EPOB2-GS Guarantor” means each of Ellington Private Opportunities Master Fund II (A) LP, an exempted Cayman Islands partnership, and Ellington Private Opportunities Master Fund II (B) LP, an exempted Cayman Islands partnership.

“EPOB2-GS Guaranty” means the EPOB2-GS Guaranty, dated as of June 29, 2018, delivered by the EPOB2-GS Guarantor to the Seller, as such agreement may be amended, supplemented or otherwise modified from time to time.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“ERISA Affiliate” means, with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as such Person; (ii) any trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with such Person; or (iii) any member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as such Person, any corporation described in clause (i) above or any trade or business described in clause (ii) above.

“Event of Bankruptcy” shall be deemed to have occurred with respect to a Person if:

(a) a Proceeding shall be commenced, without the application or consent of such Person, before any Governmental Authority, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or adjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any Law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and in the case of any Person, such Proceeding shall continue undismissed, or unstayed and in effect, for a period of sixty (60) consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy Laws or other similar Laws now or hereafter in effect; or

(b) such Person shall (i) consent to the institution of any Proceeding or petition described in clause (a) of this definition, or (ii) commence a voluntary Proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar Law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

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

“Finance Charges” means any finance, interest, late, servicing or similar charges or fees owing by an Obligor pursuant to the Contracts plus all Recoveries.

“Financing Document Default” means any “Rapid Amortization Event”, “Event of Default” or “Servicer Default” as defined in any Financing Facility Document (or any event, which though defined in different terminology, has the same substantive effect under the Financing Facility Documents for any financing).

“Financing Facility Documents” means (i) the Transaction Documents, as defined in that certain Base Indenture, dated as of August 4, 2015 (as amended, supplemented or otherwise modified from time to time), between Oportun Funding V, LLC and Wilmington Trust, National Association, (ii) the Transaction Documents, as defined in that certain Base Indenture, dated as of June 8, 2017 (as amended, supplemented or otherwise modified from time to time), between Oportun Funding VI, LLC and Wilmington Trust, National Association, (iii) the Transaction Documents, as defined in that certain Base Indenture, dated as of October 11, 2017 (as amended, supplemented or otherwise modified from time to time), between Oportun Funding VII, LLC and Wilmington Trust, National Association, (iv) the Transaction Documents, as defined in that certain Base Indenture, dated as of March 8, 2018 (as amended, supplemented or otherwise modified from time to time), between Oportun Funding VIII, LLC and Wilmington Trust, National Association, (v) the Transaction Documents, as defined in that certain Base Indenture, dated as of July 9, 2018 (as amended, supplemented or otherwise modified from time to time), between Oportun Funding IX, LLC and Wilmington Trust, National Association, (vi) the Transaction Documents, as defined in that certain Base Indenture, dated as of October 22, 2018 (as amended, supplemented or otherwise modified from time to time) between Oportun Funding X, LLC and Wilmington Trust, National Association, (vii) the Transaction Documents, as defined in that certain Base Indenture, dated as of December 7, 2018 (as amended, supplemented or otherwise modified from time to time) between Oportun Funding XII, LLC and Wilmington Trust, National Association, (viii) the Transaction Documents, as defined in that certain Base Indenture, dated as of August 1, 2019 (as amended, supplemented or otherwise modified from time to time) between Oportun Funding XIII, LLC and Wilmington Trust, National Association and (ix) any transaction documents relating to any future financing facility that the Seller enters into relating to its core Consumer Installment Loan Product.

“Funding Request” means a request in the form of Exhibit A.

“GAAP” means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board, the American Institute of Certified Public Accountants or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended, and applied on a basis consistent with the most recent audited financial statements of Consolidated Parent before the Closing Date.

“Governmental Authority” means any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of any such government or political subdivision, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

“Hypothetical At-Closing GCP Cashflow” means for any Subject Renewal Receivable, a hypothetical cashflow of such Subject Renewal Receivable if it had been refinanced at the first possible period under the At-Closing GCP where each period’s cashflow equals (a) the sum of (i) the scheduled principal payment, (ii) scheduled interest and (iii) the prepaid principal amount, minus (b) servicing compensation payable to the Servicer, where period zero of the cashflow occurs in the period of the actual refinancing of the Subject Renewal Receivable.

“Ineligible Receivables” has the meaning assigned to that term in Section 2.4(a). “Initiation Date” means, with respect to any Receivable, the date upon which such Receivable was originated (closed and funded) or acquired by the Seller.

“Intercreditor Agreement” means the Twentieth Amended and Restated Intercreditor Agreement, dated as of August 1, 2019, by and among the Seller, the Collateral Trustee, the Servicer, the back-up servicer party thereto, the Purchaser, EF CH LLC, ECO CH LLC, EPOB CH LLC, EF GS 2017-OPTN LLC, ECO GS 2017-OPTN LLC, EPOB GS 2017-OPTN LLC, EPOB II (B) GS 2018-OPTN LLC, EF Holdco Inc., and the trustees party thereto, as such agreement may be amended, modified, waived, supplemented or restated from time to time.

“Law” means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority

“Lien” means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the UCC or comparable Law of any jurisdiction).

“Make-Whole Amount” means, with respect to any Subject Renewal Receivable, the net present value of the Hypothetical At-Closing GCP Cashflow discounted at an annual discount rate of [***]%, minus the Actual Changed GCP Cashflow. An example of the calculation of a Make-Whole Amount is attached hereto as Exhibit A.

“Make-Whole Payment” means the Cushion Adjusted Aggregate Make-Whole Amount minus the Cushion Adjusted Aggregate Make-Whole Amount as calculated with respect to the immediately preceding calendar month, if applicable.

“Material Adverse Effect” means any event or condition which would have a material adverse effect on (i) the collectability of any material portion of the Receivables, (ii) the condition (financial or otherwise), businesses or properties of the Servicer or the Seller, (iii) the ability of the Seller to perform its obligations under the Transaction Documents or the ability of the Servicer to perform its obligations under the Transaction Documents or (iv) the interest of the Purchaser in the Receivables.

“Monthly Vintage” means the group of Receivables purchased by the Purchaser for any calendar month.

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA with respect to which the Seller, the Servicer or any of their respective ERISA Affiliates is making, is obligated to make, or has made or been obligated to make, contributions.

“Nevada Originator” means Oportun LLC, a Delaware limited liability company, or its successor.

“Obligor” means, with respect to any Receivable, the Person or Persons obligated to make payments with respect to such Receivable, including any guarantor thereof.

“Original Receivables Balance” means, with respect to any Receivable, an amount equal to the original principal balance of such Receivable at origination.

“Original Agreement” has the meaning set forth in the preamble.

“Outstanding Receivables Balance” means, as of any date with respect to any Receivable, an amount equal to the outstanding principal balance for such Receivable; *provided, however*, that if not otherwise specified, the term “Outstanding Receivables Balance” shall refer to the Outstanding Receivables Balance of all Receivables collectively.

“Owner Trustee” means Deutsche Bank National Trust Company in its capacity as the Owner Trustee of the ECL Master Trust or any successor or assignee thereof.

“Owner Trustee Letter” means a letter, dated the Closing Date, from the Owner Trustee to the Seller in the form attached hereto as Schedule IV.

“Parent” means Oportun Financial Corporation.

“Pension Plan” means a Benefit Plan that is an “employee pension benefit plan” as described in Section 3(2) of ERISA (including a Multiemployer Plan) that is subject to Title IV of ERISA or Section 302 of ERISA or 412 of the Code.

“Performance Guaranty” means the Performance Guaranty, dated as of the Closing Date, between Oportun, Inc. and the Purchaser relating to the Servicer’s obligations under the Servicing Agreement, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

“Performance Guaranty Default” means any material default by Oportun, Inc. in its obligations under the Performance Guaranty.

“Person” means any corporation, limited liability company, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

“PF Score” means the credit score for an Obligor referred to as the “PF Score” determined by the Seller in accordance with its proprietary scoring method.

“Proceeding” means any suit in equity, action at law or other judicial or administrative proceeding.

“Purchase Date” means (i) the Closing Date and (ii) each date thereafter prior to the Purchase Termination Date that is identified on a Funding Request prepared and delivered to the Purchaser in accordance with Section 6.2 on such date, or if such date is not a Business Day, on the immediately following Business Day.

“Purchase Percentage” means (i) in relation to each of the 2016 Ellington Investors, 0%, (ii) in relation to ECO-GS, 0%, (iii) in relation to EFCH-GS, 50%, (iv) in relation to EPOB-GS, 0%, and (v) in relation to EPOB2-GS, 50%, or, if applicable, such other percentages as the Purchaser shall have specified for the Ellington Investors in accordance with Section 2.2(d).

“Purchase Price” has the meaning assigned to that term in Section 2.3(a).

“Purchase Settlement Date” has the meaning assigned to that term in Section 2.3(a).

“Purchase Termination Date” shall mean the earliest of (i) November 10, 2020, (ii) the date of the occurrence of a Commitment Termination Event, (iii) the date of the occurrence of any Seller Event of Default or (iv) at the Seller’s sole option, the date of the occurrence of any Sale Termination Event; *provided, however*, that if as of November 10, 2020, the aggregate principal amount of Receivables purchased by the Purchaser under this Agreement for the period commencing on November 11, 2019 and ending on November 10, 2020, is not equal to at [***] unless at any time fixed as an earlier date pursuant to clause (ii), (iii) or (iv) of this definition, shall be extended to the date when the aggregate principal amount of Receivables purchased by the Purchaser under this Agreement for the period commencing on November 11, 2019 is at least such amount.

“Purchaser” has the meaning assigned to that term in the preamble.

“Re-Aged Receivable” means any Receivable, the contractual delinquency of which has been modified by the Servicer in accordance with the Credit and Collection Policy without changing the original periodic payment amounts of such Receivable.

“Re-Written Receivable” means (i) any Receivable which replaces an existing Receivable due and (ii) any Receivable which is modified using criteria consistent with the re-write provisions of the Credit and Collection Policies, and in either case, which does not involve the receipt of any new funds by the applicable Obligor.

“Receivable” means the indebtedness of any Obligor under a Contract that is listed on the Receivables Schedule, whether constituting an account, electronic or tangible chattel paper, an instrument, a general intangible, payment intangible, promissory note or otherwise, and shall include (i) the right to payment of such indebtedness and any interest or finance charges and other obligations of such Obligor with respect thereto (including, without limitation, the principal amount of such indebtedness, periodic finance charges, late fees and returned check fees), and (ii) all proceeds of, and payments or Collections on, under or in respect of any of the foregoing; *provided, however*, that the ECO Receivables and EFCH Receivables shall not constitute Receivables under this Agreement except for the limited purpose stated in the definition of “Concentration Limits”. If a Contract is refinanced, the original Receivable shall be deemed collected and cease to be a Receivable for purposes of this Agreement upon payment in accordance with Section 2.5 with respect thereto.

“Receivable File” means with respect to a Receivable, the Contracts or other Records and the note, related to such Receivable; *provided* that such Receivable File may be created in electronic format, or converted to microfilm or other electronic media.

“Receivables Schedule” shall mean the receivables schedule (which may be in the form of a computer file or microfiche list) in the form of Schedule I, as supplemented for the addition of Subsequently Purchased Receivables included in Funding Requests and sold to the Purchaser by the Seller in accordance with Section 2.1(b).

“Records” means all Contracts and other documents, books, records and other information in physical or electronic format (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) maintained with respect to Receivables and the related Obligors.

“Recoveries” means, with respect to any period, all Collections (net of expenses) received during such period in respect of a Receivable after it became a Defaulted Receivable.

“Related Rights” has the meaning assigned to that term in Section 2.1(a).

“Related Security” means, with respect to any Receivable, all guaranties, indemnities, insurance and other agreements (including the related Receivable File and any rights against merchants) or arrangement and other collateral of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable.

“Renewal Receivable” means a Receivable that satisfies the following conditions: (i) the Obligor was previously an obligor on another receivable originated by the Seller or the Nevada Originator, as applicable (the “Prior Receivable”), and (ii) the Obligor paid the Prior Receivable in cash in full or by net funding the Renewal Receivable proceeds (whether pursuant to the Seller’s or the Nevada Originator’s “Good Customer” program or otherwise) and such payment in full or

net funding was not made in connection with the conversion of such Prior Receivable into a Re-Aged Receivable or a Re-Written Receivable.

“Repurchase Date” has the meaning assigned to that term in Section 2.4(a).

“Repurchase Event” has the meaning assigned to that term in Section 2.4(a).

“Repurchase Payment” has the meaning assigned to that term in Section 2.4(a).

“Requirements of Law” means, as to any Person, the organizational documents of such Person and any Law applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Sale Termination Event” has the meaning specified in Section 7.3.

“Securitization Trustee” means Deutsche Bank Trust Company Americas or any other bank, trust company or financial institution acting as an indenture trustee or collateral agent under the Financing Facility Documents for any financing facility.

“Securitization Trustee Website” means any website through which the Securitization Trustee for any financing facility makes available servicer reports, remittance reports and/or similar documents to the investors holding securities issued under the applicable Financing Facility Documents.

“Seller” has the meaning assigned to that term in the preamble.

“Seller Default” shall mean any condition, act or event specified in Section 7.1 that, with the giving of notice or the lapse of time, or both, would become a Seller Event of Default.

“Seller Event of Default” has the meaning assigned to that term in Section 7.1.

“Series 2016-B Securitization Documents” means the Transaction Documents as defined in the Purchase and Sale Agreement dated July 8, 2016 between the Seller and Oportun Funding III, LLC.

“Servicer” means initially PF Servicing, LLC and its permitted successors and assigns and thereafter any Person appointed as successor pursuant to the Servicing Agreement to service the Receivables.

“Servicer Default” shall mean any condition, act or event specified in Section 2.04 of the Servicing Agreement.

“Servicing Agreement” means the Servicing Agreement, dated as of the Closing Date, between the Servicer and the Purchaser, as the same may be amended or supplemented from time to time.

“Similar Replacement Loans” means a pool of Receivables relating to Contracts satisfying the following requirements: (i) minimum aggregate Outstanding Receivables Balance equal to or greater than the aggregate Outstanding Receivables Balance of the refinanced Contracts, (ii) minimum average interest rate equal to or greater than the weighted average interest rate of the refinanced Contracts, (iii) average remaining term within one (1) month of the average remaining term of the refinanced Contracts and (iv) the percentage of Renewal Receivables (by principal balance) is at least equal to the percentage of Renewal Receivables of the refinanced Contracts.

“Solvent” means with respect to any Person that as of the date of determination both (A)(i) the then fair saleable value of the property of such Person is (y) greater than the total amount of liabilities (including Contingent Liabilities) of such Person and (z) not less than the amount that will be required to pay the probable liabilities on such Person’s then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person; (ii) such Person’s capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (iii) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (B) such Person is “solvent” within the meaning given that term and similar terms under applicable Laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any Contingent Liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Subject Renewal Receivable” means a Renewal Receivable that was refinanced under a Changed GCP earlier than would have been possible under the At-Closing GCP.

“Subsequently Purchased Receivables” means additional Receivables that are (or the related Contracts of which are) identified on a Funding Request and sold to the Purchaser from time to time after the Closing Date.

“Term” means the period of time beginning on the Closing Date and ending on the Purchase Termination Date.

“Three-Month Average Default Percentage” means, for any calendar month, the average Default Percentage for the three most recent calendar months (which may include such calendar month).

“Three-Month Average Delinquency Percentage” means, for any calendar month, the average Delinquency Percentage for the three most recent calendar months (which may include such calendar month).

“Transaction Documents” means, collectively, this Agreement, the Servicing Agreement, the Performance Guaranty, the Intercreditor Agreement, the Ellington Guaranties, the Ellington- GS Guaranties, the Deposit Account Control Agreement and the Owner Trustee Letter.

“UCC” means, with respect to any jurisdiction, the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in such jurisdiction

“VantageScore” means the credit score for an Obligor referred to as a “VantageScore 3.0” calculated and reported by Experian plc.

SECTION 1.3 Accounting and UCC Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP applied on a consistent basis; and all terms used in Article 9 of the UCC that are used but not specifically defined herein are used herein as defined therein.

(i)

AMOUNTS AND TERMS OF THE PURCHASES

SECTION 1.4 Purchase of Receivables.

(a) The Seller hereby sells, assigns, transfers and conveys to the Purchaser on the Closing Date, on the terms and subject to the conditions specifically set forth herein, but without recourse except as provided herein, all of its right, title and interest, in (i) each Contract listed on the Receivables Schedule on the Closing Date, (ii) all Receivables related thereto and all Collections received thereon after the applicable Purchase Date, (iii) all Related Security, (iv) all products of the foregoing, (v) all Recoveries relating thereto, and (vi) all proceeds of the foregoing (items specified in clauses (ii) through (vi), collectively the “Related Rights”).

(b) On each Purchase Date occurring after the Closing Date, all of the Seller’s right, title and interest in, to and under the Contracts identified on the Funding Request for such Purchase Date and the Related Rights shall be sold, assigned, transferred and conveyed to the Purchaser, without the need for any further action by the parties hereto, on the terms and subject to the conditions specifically set forth herein, but without recourse except as provided herein. In connection with each sale hereunder occurring after the Closing Date, the Seller shall deliver to the Purchaser and the Servicer, on the applicable Purchase Date (or if such Purchase Date is not a Business Day, on the immediately following Business Day), a Funding Request which shall include a list of all Contracts sold on such Purchase Date.

(c) The parties to this Agreement intend that the transactions contemplated hereby shall be, and shall be treated as, a sale by the Seller of the Receivables, as applicable, and not as a lending transaction. All sales of Receivables by the Seller hereunder shall be without recourse to, or representation or warranty of any kind (express or implied) by, the Seller, except as otherwise specifically provided herein.

(d) Notwithstanding Section 2.1(a) above or any other provision of this Agreement, the Purchaser hereby advises the Seller that the Purchaser is acquiring, through the ECL Master Trust, only the beneficial interest in any Contracts and Related Rights sold pursuant to this Agreement and not the legal title to any such Contracts or Related Rights. Accordingly, the Purchaser hereby authorizes and instructs the Seller to transfer legal title to all such Contracts and Related Rights to the Owner Trustee, not in its individual capacity but solely in its capacity as owner trustee for the ECL Master Trust, and to record in its records the Owner Trustee as the holder of such legal title. The Purchaser hereby further advises the Seller that the Purchaser intends to transfer to one or more of the Ellington Investors, immediately or promptly after the Purchaser’s acquisition thereof, the

beneficial interest in all of the Contracts and Related Rights which the Purchaser acquires pursuant to this Agreement. The Seller hereby consents to each such transfer made by the Purchaser to an Ellington Investor.

SECTION 1.5 Purchase and Sale Commitment.

(a) Subject to the terms and conditions of this Agreement, from time to time during the Term but not more frequently than twice per week upon receipt by the Purchaser of a Funding Request, the Purchaser shall purchase Contracts and Related Rights aggregating at least 10.0% of the Seller's Consumer Installment Loan Product originations (the "Minimum Volume"), subject to the Seller's obligations under the Financing Facility Documents, by paying the applicable Purchase Price; *provided, however*, that such percentage may be increased by the Seller in its sole discretion to up to 15% (the "Maximum Volume") upon not less than three (3) Business Days' advance notice to the Purchaser; *provided further*, that such percentage, if so increased by the Seller, may thereafter also be decreased by the Seller in its sole discretion upon not less than three (3) Business Days' advance notice to the Purchaser so long as the percentage (as so decreased) is not less than the Minimum Volume; and *provided further*, that during the Term (i) the Combined Outstanding Receivables Balance relating to the Contracts purchased by the Purchaser from November 1, 2018 to and including November 10, 2019 shall not exceed \$[***] at any one time, and (ii) the Combined Outstanding Receivables Balance relating to the Contracts purchased by the Purchaser from November 11, 2019 to and including November 10, 2020 shall not exceed \$[***] at any one time.

(b) Subject to the terms and conditions of this Agreement and the Seller's obligations under the Financing Facility Documents, from time to time during the Term, the Seller shall sell to the Purchaser the Minimum Volume of its Consumer Installment Loan Product originations; *provided, however*, that such percentage may be increased by the Seller in its sole discretion to up to the Maximum Volume upon not less than three (3) Business Days' advance notice to the Purchaser; *provided further*, that such percentage, if so increased by the Seller, may thereafter also be decreased by the Seller in its sole discretion upon not less than three (3) Business Days' advance notice to the Purchaser so long as the percentage (as so decreased) is not less than the Minimum Volume; and *provided, further*, that during the Term (i) the Combined Outstanding Receivables Balance relating to the Contracts purchased by the Purchaser from November 1, 2018 to and including November 10, 2019 shall not exceed \$[***] at any one time, and (ii) the Combined Outstanding Receivables Balance relating to the Contracts purchased by the Purchaser from November 11, 2019 to and including November 10, 2020 shall not exceed \$[***] at any one time.

(c) The Purchaser's obligations under this Section 2.2 shall terminate upon the occurrence of any of the following events, unless waived by the Purchaser, in each case subject to any cure period specified in the related agreements (each such event a "Commitment Termination Event"):

(i) The occurrence of a Financing Document Default.

(ii) The outstanding principal balance of Renewal Receivables (including any "Renewal Receivables" under the ECO Purchase Agreement or the EFCH Purchase Agreement) as

a percentage of the Combined Outstanding Receivables Balance, is less than 60%, calculated on a three-month moving average basis.

(iii) As of the last day of any period consisting of six (6) consecutive calendar months, the aggregate outstanding balance of Receivables purchased by the Purchaser during such period that are thirty (30) or more days delinquent is greater than 4.0% of the aggregate outstanding balance of the Receivables purchased by the Purchaser in the immediately preceding six (6) months;

(iv) Any failure by the Seller to repurchase Receivables as required under Section 2.4 of this Agreement.

(v) A Servicer Default or Servicer Event of Default, as defined in the Servicing Agreement.

(vi) Any other Seller Event of Default.

(vii) A Performance Guaranty Default.

(viii) A Concentration Limit, as applied to the Receivables purchased by the Purchaser hereunder, the ECO Receivables and the EFCH Receivables, taken together, is exceeded for three consecutive weeks.

(ix) The occurrence of a material adverse “headline” event whereby the Seller, the Nevada Originator or any Affiliate of the Seller or the Nevada Originator were to be fined or made to pay restitution by a regulator or other Governmental Authority (including a court) in an amount exceeding \$5,000,000.

(x) The Purchaser, any Ellington Investor or any other Affiliate of the Purchaser is named or included as a defendant in any material lawsuit or governmental action in connection with this Agreement, or is otherwise named or included in connection with any regulatory investigation of the Seller or the Nevada Originator or any Affiliate of the Seller or the Nevada Originator.

(xi) As of the last day of any period consisting of three (3) consecutive calendar months, the ratio of the aggregate initial principal balance of all Receivables sold by the Seller to third parties (including the Purchaser) unaffiliated with the Seller over the aggregate initial principal balance of all Receivables originated by the Seller during such period exceeds 25%.

(xii) As of the last day of any period consisting of six (6) consecutive calendar months, the ratio of the aggregate initial principal balance of Renewal Receivables purchased by the Purchaser during such period over the aggregate initial principal balance of all Receivables purchased by the Purchaser during such period is less than 72%.

(xiii) As of the last day of any period consisting of three (3) consecutive calendar months, the weighted average interest rate (weighted by initial principal balance) for Renewal Receivables purchased by the Purchaser during such period is less than 30.5%.

(xiv) As of the last day of any period consisting of three (3) consecutive calendar months, the weighted average interest rate (weighted by initial principal balance) for Receivables that are not Renewal Receivables purchased by the Purchaser during such period is less than 33.5%.

(xv) As of the last day of any period consisting of three (3) consecutive calendar months, the weighted average original term to maturity (weighted by initial principal balance) of all Receivables purchased by the Purchaser during such period is less than 28 months.

(xvi) As of the last day of a calendar month, the Three-Month Average Delinquency Percentage for such calendar month exceeds 9.5%.

(xvii) As of the last day of a calendar month, the Three-Month Average Default Percentage for any calendar month exceeds 17.0%.

(d) Until such time (if any) as the Purchaser shall otherwise instruct the Seller in writing, the Seller shall allocate the Contracts and Related Rights purchased by the Purchaser on any Purchase Date among the Ellington Investors by allocating to each of them Receivables having an aggregate Outstanding Receivable Balance equal to the product of (i) the Purchase Percentage of such Ellington Investor, and (ii) the aggregate Outstanding Receivable Balance of all Receivables then being purchased by the Purchaser (subject to such rounding as the Seller reasonably deems necessary). The Seller shall make each such allocation of Receivables through a random or mechanical method not intended by it to materially favor or disfavor any Ellington Investor over any other. The Purchaser may by written notice delivered to the Seller from time to time change the Purchase Percentages; *provided* that (i) the Purchaser may not deliver more than one such notice in any calendar month, (ii) the Purchaser shall deliver each such notice not less than three Business Days before it is to take effect, (iii) the sum of the Purchase Percentages shall always equal 100%, and (iv) subject to the immediately preceding clause (iii), the Purchase Percentage of each Ellington Investor shall at all times be either (A) 0%, or (B) an integral multiple of 1% that is not less than 10%; and *provided further* that, except as the Seller may otherwise consent, at all times either (i) the sum of the Purchase Percentages of the 2016 Ellington Investors shall be 100% and the Purchase Percentage of each of the 2017 Ellington Investors shall be 0%, or (ii) the sum of the Purchase Percentages of the 2017 Ellington Investors shall be 100% and the Purchase Percentage of each of the 2016 Ellington Investors shall be 0%. The Seller shall for each Purchase Date prepare a written list of the specific Receivables it has allocated to each Ellington Investor and shall provide copies of such list to the Purchaser and the Servicer.

(e) Any Similar Replacement Loans sold by the Seller to the Purchaser pursuant to Section 2.8 of the Agreement (i) shall not be included in the numerator or the denominator for purposes of calculating the Minimum Volume and the Maximum Volume, (ii) shall not be included in the aggregate principal amount of Receivables purchased by the Purchaser under this Agreement for the period commencing on November 11, 2019 and ending on November 10, 2020 for purposes of the Purchase Termination Date and (iii) shall be included in the Combined Outstanding Receivables Balance pursuant to Sections 2.2(a) and 2.2(b).

SECTION 1.6 Purchase Price and Payment Procedures.

(a) The amount payable by the Purchaser to the Seller for the Contracts and Related Rights sold hereunder on each Purchase Date shall equal the Outstanding Receivables Balance of (i) all Re-Written Receivables being purchased on such Purchase Date multiplied by [***]% and (ii) all other Receivables being purchased on such Purchase Date multiplied by [***]%, plus in each case up to four days of any accrued Obligor interest (as applicable, the “Purchase Price”). For the avoidance of doubt, the Outstanding Receivables Balance of the purchased Receivables shall be calculated as of the close of business on the day preceding the applicable Purchase Date and the phrase “accrued Obligor interest” shall include any accrued but unpaid interest calculated on the applicable Receivable from the Initiation Date to the applicable Purchase Settlement Date. Also for the avoidance of doubt, under no circumstances shall the Purchase Price for any Receivable include more than four days of accrued Obligor interest even if more than four calendar days elapse between the Initiation Date and the Purchase Settlement Date for such Receivable. The Purchase Price for Receivables shall be paid in the manner provided below on the Closing Date and, in connection with each Purchase Date occurring after the Closing Date, on the Business Day following such Purchase Date (each, a “Purchase Settlement Date”).

(b) The Purchase Price for Contracts and Related Rights shall be paid by the Purchaser to the Seller not later than 3:00 p.m. (New York time) on the applicable Purchase Settlement Date in lawful money of the United States of America in same day funds to the United States bank account designated in writing by the Seller to the Purchaser. If the Purchaser fails to remit the Purchase Price on any Purchase Settlement Date as required herein, any transfer of Contracts and Related Rights on the related Purchase Date shall be null and void.

SECTION 1.7 Repurchase of Ineligible Receivables.

(a) If any of the representations or warranties of the Seller contained in subsection (a) or (b) of Section 4.2 was not true with respect to any Contract and related Receivable on the applicable Purchase Date in any material respect (a “Repurchase Event” and any such Receivable, an “Ineligible Receivable”), then on the date that is five (5) Business Days following the date that the Seller or the Servicer receives notice or knowledge thereof, the purchase of such Ineligible Receivable shall be rescinded and the Seller shall repurchase such Ineligible Receivable from the Purchaser (a “Repurchase Date”) for an amount equal to (1) the sum of (i) the applicable Purchase Price paid by the Purchaser for such Receivable and the related Contract and (ii) all accrued and unpaid Finance Charges on such Receivable to and including the Repurchase Date, less (2) (i) if the Repurchase Date occurs prior to or on the date that is thirty (30) days after the Purchase Date, the amount of any payments previously paid to the Purchaser with respect to such Receivable or (ii) if the Repurchase Date occurs more than thirty (30) days after the Purchase Date, the amount of any principal payments previously paid to the Purchaser with respect to such Receivable (any such payment, a “Repurchase Payment”). Prior to the Purchase Termination Date, such Repurchase Payment shall be paid (i) if such Repurchase Date is also a Purchase Settlement Date, by reducing the Purchase Price payable by the Purchaser to the Seller on such Purchase Settlement Date pursuant to Section 2.3 hereof, and (ii) if such Repurchase Date is not also a Purchase Settlement Date or to the extent such Repurchase Payment exceeds the Purchase Price payable on such Purchase Settlement Date, by the Seller making a wire transfer to the Purchaser. On or subsequent to the

Purchase Termination Date, such Repurchase Amount shall be paid by the Seller making a wire transfer to the Purchaser.

(b) The Purchaser and the Seller agree that after payment of the Repurchase Payment for an Ineligible Receivable as provided in clause (a) above, (i) such Ineligible Receivable shall no longer constitute a Receivable for purposes of this Agreement and (ii) the Purchaser shall automatically and without further action reconvey such Ineligible Receivable to the Seller, without representation or warranty, but free and clear of all Liens arising through or under the Purchaser.

(c) Except as set forth in Section 2.4(a), the Seller shall not have any right under this Agreement, by implication or otherwise, to repurchase from the Purchaser any Contract or to rescind or otherwise retroactively affect any purchase of any Contract after the transfer to the Purchaser thereof hereunder.

(d) So long as the Seller repurchases such Ineligible Receivable in accordance with clause (a) above, such repurchase shall constitute the sole remedy against the Seller with respect to a Repurchase Event; provided that such repurchase shall not limit or affect in any way any rights that the Purchaser or any Ellington Investor may have in relation to Seller or such Ineligible Receivable under Sections 2.2(c), 7.1, 7.2 or 8.1.

(e) The Seller agrees that its undertakings in this Section 2.4 shall apply for the benefit of any Ellington Investor which has purchased an Ineligible Receivable from the Purchaser. Accordingly, the Seller agrees to repurchase Ineligible Receivables from each Ellington Investor on the same terms (including the same Repayment Price) as are set forth herein for the repurchase of Ineligible Receivables from the Purchaser.

SECTION 1.8 Refinancings. The Seller may refinance any Receivable in accordance with the Credit and Collection Policies, *provided* that, with respect to such refinanced Receivables, an amount equal to the Outstanding Receivables Balance thereof plus all accrued and unpaid Finance Charges and other amounts then owing with respect to the related Contract shall be paid to the Purchaser on the effective date of such refinancing. The amounts due to the Purchaser pursuant to the preceding sentence shall be paid by the Seller by deposit of same day funds in the Collection Account or netted against the Purchase Price for Subsequently Purchased Receivables.

SECTION 1.9 Selection of Receivables. The Contracts and Related Rights to be sold to the Purchaser on the Closing Date and each subsequent Purchase Date shall be selected using the following methodology: (i) first, the Seller will determine which of its Receivables would be Eligible Receivables on such Purchase Date; (ii) second, the Seller will apply random selection procedures to select Contracts from such Eligible Receivables pool in the amount being sold on such Purchase Date; and (iii) third, the Seller will list such Eligible Receivables (by principal amount, rounded to the nearest whole Receivable) being sold on the Closing Date or any subsequent Purchase Date, as applicable, on the Receivables Schedule or Funding Request, as applicable, delivered under this Agreement, in each case subject to the Seller's obligations under the Financing Facility Documents.

SECTION 1.10 Purchaser Transfers. The Purchaser may not sell, transfer, assign or otherwise convey the Contracts, Related Rights and Receivables transferred to the Purchaser

hereunder to any competitor of the Seller that is listed on Schedule III hereto. The sale, transfer or assignment of any Contracts, Related Rights or Receivables by the Purchaser is not otherwise restricted.

SECTION 1.11 Auto Loan Refinancing. Notwithstanding Section 2.5 above or any other provision of this Agreement, if in any calendar month the aggregate Outstanding Receivables Balance of Receivables repaid early because they were refinanced into automobile loans originated by the Seller or an Affiliate thereof exceeds \$50,000, then the Seller shall sell to the Purchaser Similar Replacement Loans with a purchase price of par plus accrued interest within fifteen (15) days after the applicable month end.

SECTION 1.12 Good Customer Program Make-Whole Payments. No later than 15 days after the end of each calendar month occurring prior to November 10, 2021, the Seller shall calculate the Make-Whole Payment with respect to all Subject Renewal Receivables and, if the Make-Whole Payment amount is greater than zero, pay such amount by wire transfer to the Purchaser.

(i)

CONDITIONS TO PURCHASES

SECTION 1.13 Conditions Precedent to Purchaser's Initial Purchase. The obligation of the Purchaser to purchase each Contract and the Related Rights hereunder on the Closing Date is subject to the following conditions precedent:

(a) The Transaction Documents shall have been executed and delivered and shall be in full force and effect;

(b) The Seller shall have delivered to the Purchaser a copy of duly adopted resolutions of the Seller's Board of Directors authorizing or ratifying the execution, delivery and performance of the Transaction Documents to which it is a party, certified by the Seller's Secretary or Assistant Secretary;

(c) the Seller shall have delivered to the Purchaser a duly executed certificate of the Seller's Secretary or Assistant Secretary certifying the names and true signatures of the officers authorized on behalf of the Seller to sign the Transaction Documents to which it is a party;

(d) the Seller shall have filed with the Delaware Secretary of State, at its own expense, a UCC financing statement with respect to the Contracts and Related Rights, naming the Seller as the debtor and each of the Purchaser and the Owner Trustee as a secured party and describing the Contracts and the Related Rights, and has arranged for delivery of a file-stamped copy of such UCC financing statement or other evidence of such filing to the Purchaser within five (5) Business Days of the Closing Date; and all other action necessary or desirable, in the opinion of the Purchaser to establish the ownership of the Contracts and Related Rights by the Purchaser and/or the Owner Trustee shall have been duly taken;

(e) the Seller shall have delivered to the Purchaser a Funding Request, including the Receivables Schedule;

(f) the Purchaser shall have received photocopies of reports of a UCC search of the Delaware Secretary of State with respect to the Contracts and the Related Rights being purchased on the Closing Date reflecting the absence of Liens thereon, except the Liens created hereunder for the benefit of the Purchaser and/or the Owner Trustee and except for Liens as to which the Purchaser has received UCC termination statements or instruments executed by secured parties releasing any conflicting Liens on such Contracts and Related Rights;

(g) the Deposit Account Control Agreement shall have been executed by the parties thereto and delivered to the Purchaser; and

(h) the Purchaser shall have received such other approvals, documents, certificates and opinions as the Purchaser may reasonably request.

SECTION 1.14 Conditions Precedent to All Purchases. The obligation of the Purchaser to purchase Receivables hereunder on each Purchase Date (including the Closing Date) shall be subject to the further conditions precedent that on such Purchase Date (or, if such Purchase Date is not a Business Day, on the immediately following Business Day but with respect to such Purchase Date):

(a) the following statements shall be true (and delivery by the Seller of a Funding Request and the acceptance by the Seller of the Purchase Price on the related Purchase Settlement Date shall constitute a representation and warranty by the Seller that on such Purchase Date such statements are true):

(i) the representations and warranties of the Seller contained in Sections 4.1 and 4.2 shall be correct on and as of such Purchase Date as though made on and as of such date, unless such representation or warranty speaks as of another date, in which case such representation or warranty shall be correct as of such other date;

(ii) no Seller Event of Default or Seller Default shall have occurred and be continuing; and

(iii) the Purchase Termination Date has not occurred;

(b) the Seller shall have clearly and unambiguously marked its accounting records evidencing the Receivables being purchased hereunder on such Purchase Date with a legend stating that such Receivables have been sold to the Purchaser (as beneficial owner through the Owner Trustee as holder of legal title) in accordance with this Agreement;

(c) no Servicer Default, Seller Event of Default or Performance Guaranty Default shall have occurred and be continuing under the Transaction Documents;

(d) no Financing Document Default shall have occurred and be continuing;

(e) no material change shall have occurred after the Closing Date with respect to the Seller's systems, computer programs, related materials, computer tapes, disks and cassettes, procedures and record keeping relating to and required for the collection of the Receivables by the Seller which makes them not sufficient and satisfactory in order to permit the purchase, administration and collection of the Receivables by the Purchaser in accordance with the terms and intent of this Agreement;

(f) the Purchaser shall have received such other approvals, opinions or documents as the Purchaser may reasonably request; and

(g) the Seller shall have complied with all of the covenants and satisfied all of its obligations hereunder required to be complied with or satisfied as of such date.

SECTION 1.15 Conditions Precedent to Seller's Initial Sale. The obligation of the Seller to make its initial sale of Contracts and Related Rights hereunder on the Closing Date is subject to the conditions precedent that the Seller shall have received on or before the Closing Date the following, each (unless otherwise indicated) dated the Closing Date and in form and substance satisfactory to the Seller:

(a) a duly executed certificate of the Managing Member of the Purchaser certifying the names and true signatures of the officers of the Purchaser who are authorized to sign on behalf of the Purchaser this Agreement and the other documents to be delivered by it hereunder;

(b) the Owner Trustee Letter, executed by the Owner Trustee;

(c) the ECO Guaranty duly executed by the ECO Guarantor;

(d) the EFCH Guaranty duly executed by the EFCH Guarantor;

(e) the EPOB Guaranty duly executed by the EPOB Guarantor; and

(f) an undertaking executed by the 2016 Ellington Investors in the form of Exhibit B to the Original Agreement (which undertaking shall be updated by the 2016 Ellington Investors on the date hereof in the form of Exhibit B hereto).

SECTION 1.16 Conditions Precedent to Certain Sales. The obligation of the Seller to make its initial sale of any Contracts and Related Rights that will be allocated to the 2017 Ellington Investors is subject to the conditions precedent that the Seller shall have received on or before the Amendment Date the following, each (unless otherwise indicated) dated the Amendment Date and in form and substance satisfactory to the Seller:

(a) the ECO-GS Guaranty duly executed by the ECO-GS Guarantor;

(b) the EFCH-GS Guaranty duly executed by the EFCH-GS Guarantor;

(c) the EPOB-GS Guaranty duly executed by the EPOB-GS Guarantor; and

(d) an undertaking executed by the 2017 Ellington Investors in the form contemplated by Section 3.4(d) of the Original Agreement (which undertaking shall be updated by the 2017 Ellington Investors on the date hereof in the form of Exhibit C hereto).

In addition, the obligation of the Seller to make its initial sale of any Contracts and Related Rights that will be allocated to EPOB2-GS shall be subject to its receipt, on or before the date of such initial sale, of the EPOB2-GS Guaranty duly executed by the EPOB2-GS Guarantor in form and substance satisfactory to the Seller.

(i)

REPRESENTATIONS AND WARRANTIES

SECTION 1.17 Representations and Warranties of the Parties. The Purchaser and the Seller each represents and warrants as to itself on the Closing Date and on each subsequent Purchase Date as follows:

(a) Each of the Seller and the Purchaser (i) is a corporation, in the case of the Seller, or limited liability company, in the case of the Purchaser, duly organized, validly existing and in good standing under the Laws of the state or jurisdiction of its organization, (ii) has all requisite power and authority to own its properties and to conduct its business as now conducted and as presently contemplated and to execute and deliver each Transaction Document to which it is a party and to consummate the transactions contemplated thereby and (iii) is duly qualified to do business and is in good standing as a foreign entity (or is exempt from such requirements), and has obtained all necessary licenses and approvals, in each jurisdiction in which failure to so qualify or to obtain such licenses and approvals would have a material adverse effect on the conduct of the Seller's or the Purchaser's business.

(b) The purchase and sale of Contracts and Related Rights pursuant to this Agreement, the performance of its obligations under this Agreement and the consummation of the transactions herein contemplated have been duly authorized by all requisite action and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than pursuant to this Agreement or the other Transaction Documents) upon any of its property or assets, pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party by which it is bound or to which any property or assets of it is subject, nor will such action result in any violation of the provisions of its organizational documents or of any Law of any Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any such Governmental Authority is required to be obtained by or with respect to it for the purchase and sale of the Contracts and Related Rights or the consummation of the transactions contemplated by this Agreement.

(c) This Agreement has been duly executed and delivered by it and constitutes a valid and legally binding obligation of it, enforceable against it in accordance with its terms, except that the enforceability thereof may be subject to (a) the effects of any applicable bankruptcy, insolvency, reorganization, receivership, conservatorship or other Laws affecting the rights of creditors generally

and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law).

(d) There is no pending or, to its knowledge after due inquiry, threatened action or proceeding affecting it before any Governmental Authority, that may reasonably be expected to materially and adversely affect its condition (financial or otherwise), operations, properties or prospects, or that purports to affect the legality, validity or enforceability of this Agreement. None of the transactions contemplated hereby is or is threatened to be restrained or enjoined (temporarily, preliminarily or permanently).

(e) Neither it nor any of its ERISA Affiliates contributes to, sponsors, maintains or has an obligation to contribute to or maintain any Pension Plan and has not at any time prior to the date hereof established, sponsored, maintained, been a party to, contributed to, or been obligated to contribute to any Pension Plan. Except as required by Section 4980B of the Internal Revenue Code, neither it nor any of its ERISA Affiliates maintains an employee welfare benefit plan (as defined in Section 3(1) of ERISA) which provides health or welfare benefits (through the purchase of insurance or otherwise) for any retired or former employee of such party or any of its ERISA Affiliates or coverage after a participant's termination of employment.

SECTION 1.18 Additional Representations of the Seller. The Seller additionally represents and warrants on the Closing Date and on each subsequent Purchase Date as follows with respect to the Contracts and the Related Rights sold on such Purchase Date:

(a) Eligible Receivable. All Receivables sold to the Purchaser hereunder are Eligible Receivables on the related Purchase Date.

(b) Sale of Receivables. The Seller is, on such Purchase Date, the sole owner of each Receivable being sold on such Purchase Date free from any Lien other than those released at or prior to such Purchase Date. There is no effective financing statement (or similar statement or instrument of registration under the Law of any jurisdiction) on file or registered in any public office filed against the Seller covering any Contracts or Related Rights and the Seller will not execute nor will there be on file in any public office any effective financing statement (or similar statement or instrument of registration under the Laws of any jurisdiction) or statements covering such Contracts and Related Rights, except (i) in each case any financing statements filed in respect of and covering the purchase of the Contracts and Related Rights by the Purchaser pursuant to this Agreement and (ii) financing statements for which a release of Lien has been obtained or that has been assigned to the Purchaser. All UCC filings required by the Purchaser pursuant to Section 3.1(d) of this Agreement have been filed and are in full force and effect, or will be accomplished and in full force and effect within five (5) Business Days of such Purchase Date. The Seller shall at its expense perform all acts and execute all documents reasonably requested by the Purchaser at any time and from time to time to evidence, perfect, maintain and enforce the title of the Purchaser and/or the Owner Trustee in the Contracts and Related Rights.

(c) Accuracy of Receivables Schedule/Information. As of the Closing Date, the Receivables Schedule furnished by the Seller is an accurate and complete listing of all the Contracts and Related Rights and the information contained therein with respect to such Contracts and Related

Rights is true and correct as of such date. As of each Purchase Date, the applicable Funding Request furnished by the Seller is an accurate and complete listing of all the Contracts and Related Rights being sold to the Purchaser on such date and the information contained therein with respect to such Contracts and Related Rights is true and correct as of such date. All information heretofore furnished by, or on behalf of, the Seller to the Purchaser in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in every material respect (without omission of any information necessary to prevent such information from being materially misleading).

(d) Location of Office and Records. The principal place of business and chief executive office of Seller is located at 2 Circle Star Way, San Carlos, California 94070. Originals or duplicates of any Records evidencing Contracts and Related Rights that may be kept by the Seller shall be kept at (i) said offices, (ii) at the Seller's document storage company, DataSafe, located at 37580 Filbert Street, Newark, CA 94560, or (iii) through the use of an Eligible Electronic Repository, and Seller will not move its principal place of business and chief executive office or permit any Records or any books evidencing the Contracts and Related Rights that it may hold in its possession to be moved unless the Seller shall have given to the Purchaser not less than thirty (30) days' prior written notice thereof, clearly describing the new location.

(e) Legal Names. The Seller has not changed its legal name during the six-year period preceding the Closing Date, other than its change in name from Progress Financial Corporation to Oportun, Inc.

(f) Financial Statements. The Seller has heretofore made available to the Purchaser copies of Consolidated Parent's consolidated balance sheets and statements of income and changes in financial condition as of and for the fiscal years ended December 31, 2016 and December 31, 2017, audited by and accompanied by the opinion of Deloitte & Touche LLP independent public accountants. Except as disclosed to the Purchaser prior to the Closing Date, such financial statements present fairly in all material respects the financial condition and results of operations of Consolidated Parent and its consolidated subsidiaries as of such dates and for such periods; such balance sheets and the notes thereto disclose all liabilities, direct or contingent, of the Consolidated Parent and its consolidated subsidiaries as of the dates thereof required to be disclosed by GAAP and such financial statements were prepared in accordance with GAAP applied on a consistent basis. Since December 31, 2017, there has been no material adverse change in the condition (financial or otherwise), operations, properties, assets or prospects of the Seller and its consolidated subsidiaries.

(g) No Consent. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority (other than any UCC financing statements required to be filed hereby) is or will be required in connection with execution, delivery and performance by the Seller of this Agreement and the consummation of the transactions contemplated by this Agreement, except such as have been made or obtained and are in full force and effect.

(h) No Adverse Selection. No selection procedures in contravention of this Agreement or that are materially adverse to the Purchaser were utilized in selecting the Receivables sold by the Seller to the Purchaser on such Purchase Date. The provisions of Section 2.6 relating to the selection of Receivables for sale under this Agreement were not designed or intended to, and do

not, adversely select Eligible Receivables for inclusion in the sale by the Seller to the Purchaser on such Purchase Date and are not otherwise designed or intended to, and do not when applied, materially and adversely affect the Purchaser.

(i) Sale to Purchaser. This Agreement constitutes a valid sale, transfer and assignment to the Purchaser and/or the Owner Trustee of all right, title and interest in the Contracts and the Related Rights. Except as otherwise provided in this Agreement, neither the Seller nor any Person claiming through or under the Seller has any claim to or interest in the Collection Account.

(j) Contracts. Each Contract (i) creates a related Receivable for a liquidated amount as stated in the Records relating thereto, (ii) is enforceable against the Obligor in accordance with its terms, except that the enforceability thereof may be subject to (a) the effects of any applicable bankruptcy, insolvency, reorganization, receivership, conservatorship or other Laws affecting the rights of creditors generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law), (iii) is not subject to any offset, defense, counterclaim or deduction and (iv) bears a signature of the related Obligor which is genuine and not forged or unauthorized.

(k) No Material Adverse Change. Since December 31, 2017, there has been no material adverse change in the collectability of the Contracts and Related Rights or Seller's ability to perform its obligations under any Transaction Document.

(l) Solvency. The Seller is Solvent.

(m) Perfection Representations. The Seller agrees that the representations set forth on Schedule II hereto shall be a part of this Agreement for all purposes.

(n) Pension Benefit Guaranty Corporation. No Lien exists in favor of the Pension Benefit Guaranty Corporation on any Receivable.

(o) Investment Company Act, Etc. The Seller is not, and is not controlled by, an "investment company" or an "affiliated person" of, "promoter" or "principal underwriter" for, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(p) No Proceedings. There is no order, judgment, decree, injunction, stipulation or consent order of or with any Governmental Authority to which the Seller is subject, and there is no action, suit, arbitration, regulatory proceeding or investigation pending, or, to the knowledge of the Seller, threatened, before or by any Governmental Authority, against the Seller that, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect.

(q) Reasonably Equivalent Value. The sale of Contracts and Related Rights by the Seller to the Purchaser under this Agreement has been made for "reasonably equivalent value" (as such term is used under Section 548 of the Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used under Section 547 of the Bankruptcy Code) owed by the Purchaser to the Seller.

(r) Nevada Originator. The Nevada Originator (i) is a limited liability company duly organized, validly existing and in good standing under the Laws of the state or jurisdiction of its organization, (ii) has all requisite power and authority to own its properties and to conduct its business as now conducted and as presently contemplated and (iii) is duly qualified to do business and is in good standing as a foreign entity (or is exempt from such requirements), and has obtained all necessary licenses and approvals, in each jurisdiction in which failure to so qualify or to obtain such licenses and approvals would have a material adverse effect on the conduct of its or the Seller's business. There is no pending or, to its knowledge after due inquiry, threatened action or proceeding affecting the Nevada Originator before any Governmental Authority, that may reasonably be expected to materially and adversely affect its condition (financial or otherwise), operations, properties or prospects. The Nevada Originator is Solvent.

(s) No Margin Stock. The Seller is not and will not be engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation T, U or X), and no proceeds of any sale will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or for any purpose that violates, or is inconsistent with, the provisions of Regulation T, U and X.

SECTION 1.19 Additional Representations and Warranties of the Purchaser. The Purchaser represents and warrants further as to itself on the Closing Date and on each subsequent Purchase Date as follows:

(a) ECL Master Trust (i) is duly organized, validly existing and in good standing under the Laws of the state of its organization, (ii) has all requisite power and authority to own Contracts and Related Rights and (iii) is duly qualified to do business and is in good standing as a foreign entity (or is exempt from such requirements), and has obtained all necessary licenses and approvals (or is exempt from such requirements), in each jurisdiction in which failure to so qualify or to obtain such licenses and approvals would adversely affect the Contracts or Related Rights.

(b) The Purchaser is a direct wholly-owned subsidiary of EMG Holdings, L.P., a Delaware limited partnership.

(c) The Purchaser has (i) participated in due diligence sessions with the Servicer and (ii) had an opportunity to discuss the Servicer's and the Seller's businesses, management and financial affairs.

(d) The Purchaser is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has sufficient knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investing in, and it is able and prepared to bear the economic risk of investing in, the Contracts and Related Rights.

(e) Under the terms of the ECL Master Trust, the Owner Trustee will own and hold legal title to the Contracts and Related Rights. The Purchaser will not acquire legal title to the Contracts and Related Rights.

(i)

GENERAL COVENANTS

SECTION 1.20 Affirmative Covenants of the Seller. During the Term, the Seller shall, unless the Purchaser otherwise consents in writing:

(a) Financial Statements, Reports, Etc. Deliver or cause to be delivered to the Purchaser:

(i) as soon as available and in any event within one hundred twenty (120) days after the end of each Fiscal Year of the Parent, a balance sheet of the Consolidated Parent as of the end of such year and statements of income and retained earnings and of source and application of funds of the Seller for the period commencing at the end of the previous Fiscal Year and ending with the end of such Fiscal Year, in each case setting forth comparative figures for the previous Fiscal Year, certified without material qualification in a manner satisfactory to the Purchaser by Deloitte & Touche LLP or other nationally recognized, independent public accountants acceptable to the Purchaser, together with a certificate of such accounting firm stating that in the course of the regular audit of the business of the Seller, which audit was conducted in accordance with generally accepted auditing standards in the United States, such accounting firm has obtained no knowledge that a Seller Default or Seller Event of Default has occurred and is continuing, or if, in the opinion of such accounting firm, such a Seller Default or Seller Event of Default has occurred and is continuing, a statement as to the nature thereof;

(ii) as soon as available and in any event within forty-five (45) days after the end of each fiscal quarter, quarterly balance sheets and quarterly statements of source and application of funds and quarterly statements of income and retained earnings of the Consolidated Parent, certified by the chief financial or executive officer of the Consolidated Parent (which certification shall state that such balance sheets and statements fairly present the financial condition and results of operations for such fiscal quarter, subject to year-end audit adjustments), delivery of which balance sheets and statements shall be accompanied by a certificate of such chief financial or executive officer to the effect that no Seller Default or Seller Event of Default has occurred and is continuing;

(iii) as soon as possible and in any event within three days after any officer of the Seller becomes aware of the occurrence of a Servicer Default or a Seller Default or a Seller Event of Default or an event that, with the giving of notice or time elapse, or both, would constitute a Servicer Default, an officer's certificate of the Seller setting forth the details of such event and the action that the Servicer or the Seller, as the case may be, proposes to take with respect thereto; and

(iv) as soon as possible and in any event within three days after any officer of the Seller becomes aware of the occurrence of any Financing Document Default, an officer's certificate of the Seller setting forth the details of such event and any action that the Seller proposes to take with respect thereto.

If the Consolidated Parent is subject to the reporting requirements of Section 13(a) of the Exchange Act, its filing of the annual and quarterly reports required under the Exchange Act, on a timely basis, shall be deemed compliance with clauses (i) and (ii) of this paragraph (a).

(b) Compliance with Laws, Etc. Comply, and cause all of the Contracts to comply on the applicable Purchase Date, in all material respects with all Laws applicable to the Seller and the Contracts, including, without limitation, rules and regulations relating to truth in lending, retail installment sales, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy, environmental matters, labor, taxation and ERISA, where in any such case failure to so comply could reasonably be expected to have an adverse impact on the Receivables or the amount of Collections thereunder. It will comply in all material respects with its obligations under the Contracts prior to the applicable Purchase Date.

(c) Preservation of Existence. Preserve and maintain in all material respects its corporate existence, corporate rights (charter and statutory) and franchises.

(d) Inspection Rights. Permit the Purchaser or its duly authorized representatives, attorneys or auditors to inspect the Receivables, the related documents and the related accounts, records and computer systems, software and programs used or maintained by the Seller at such times as the Purchaser may reasonably request. Upon instructions from the Purchaser, the Seller shall provide copies of relevant documents to the Purchaser.

(e) Keeping of Records and Books of Account. Maintain and implement, or cause to be maintained or implemented, administrative and operating procedures necessary or advisable for the administration of all Receivables, and, until the delivery to the Purchaser or its designee, keep and maintain, or cause to be kept and maintained, all documents, books, records and other information necessary or advisable for the administration of all Receivables.

(f) Performance and Compliance. Duly fulfill in all material respects all obligations on its part to be fulfilled prior to the applicable Purchase Date under or in connection with the Contracts and Related Rights, including complying with all Requirements of Law applicable thereto, and will do nothing to impair the right, title and interest of the Purchaser in the Contracts and Related Rights.

(g) Location of Records. Keep the chief executive office of the Seller located at 2 Circle Star Way, San Carlos, California 94070, and keep originals or duplicates of any Records related to Contracts and Related Rights that it maintains at said offices or at the Seller's document storage company, DataSafe, located at 37580 Filbert Street, Newark, CA 94560, and the Seller will not move its chief executive office or permit any Records and books evidencing the Contracts and Related Rights that it may maintain to be moved unless the Seller shall have given to the Purchaser not less than thirty (30) days' prior written notice thereof, clearly describing the new location. The Seller may not, in any event, move the location where it conducts any administration of the Contracts and Related Rights from 2 Circle Star Way, San Carlos, California 94070, without the prior written consent of the Purchaser.

(h) Credit and Collection Policies. Comply in all material respects with the Credit and Collection Policies.

(i) Insurance. Keep its material insurable properties adequately insured at all times by financially sound and responsible insurers; maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies of the same or similar size in the same or similar businesses; maintain in full force and effect public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it in such amounts and with such deductibles as are customary with companies of the same or similar size in the same or similar businesses and in the same geographic area; and maintain such other insurance as may be required by Law.

(j) Obligations and Taxes. Pay and discharge promptly when due all material obligations, all sales tax and all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property before the same shall become in default, as well as all material lawful claims for labor, materials and supplies or otherwise which, if unpaid, might become a Lien or charge upon such properties or any part thereof; *provided, however*, that it shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and for which the Seller shall have set aside on its books adequate reserves with respect thereto.

(k) Obligations with Respect to Receivables. Prior to the applicable Purchase Date, the Seller shall, at its own expense, take any such steps as are necessary to maintain perfection of the security interest, if any, created by each Contract; *provided, however*, that the Seller shall not be required to file any UCC financing statement with respect to any Obligor.

(l) Furnishing Copies, Etc. Furnish to the Purchaser (i) upon the Purchaser's request, a certificate of the chief financial or executive officer of the Seller certifying, as of the date thereof, that no Seller Default or Seller Event of Default referred to in Section 7.1(c) has occurred and is continuing; (ii) as soon as possible and in any event within one day after the occurrence of any Seller Default or Seller Event of Default, a statement of the chief financial or executive officer of the Seller, as applicable, setting forth details of such Seller Default or Seller Event of Default and the action that the Seller proposes to take or has taken with respect thereto; (iii) promptly after obtaining knowledge that a Receivable was, at the time of the Purchaser's purchase thereof, not an Eligible Receivable, notice thereof; and (iv) promptly following request therefor, such other information, documents, records or reports with respect to the Receivables or the underlying Contracts or the conditions or operations, financial or otherwise, of the Seller, as the Purchaser may from time to time reasonably request.

(m) Obligation to Record and Report. The Seller will treat the purchase of Contracts and Related Rights as a sale for tax and financial accounting purposes (as required by GAAP) and as a sale for all other purposes (including, without limitation, legal and bankruptcy purposes), on all relevant books, records, tax returns, financial statements and other applicable documents.

(n) Continuing Compliance with the Uniform Commercial Code. At its expense perform all acts and execute all documents reasonably requested by the Purchaser at any time to evidence, perfect, maintain and enforce the title or security interest of the Purchaser and/or the Owner Trustee

in the Contracts and Related Rights and the priority thereof. The Seller will authorize and deliver financing statements covering the Contracts and Related Rights sold to the Purchaser (reasonably satisfactory in form and substance to the Purchaser) and the Seller will file one or more financing statements covering the Contracts and Related Rights. The Seller shall cause each Contract to be stamped in a conspicuous place and Records relating to the Contracts and Related Rights to be marked as specified in Paragraph 5(b)(ii) of Schedule II. The Seller shall deliver the Receivable Files related to each Contract to the Custodian; *provided* that while any Records are in custody of the Seller, the Seller will hold the same for the benefit of the Purchaser. The Seller will not file or authorize the filing of any effective financing statement (or similar statement or instrument of registration under the Laws of any jurisdiction) or statements relating to any Contracts and Related Rights, except any financing statements filed or to be filed covering the purchase of the Contracts and Related Rights by the Purchaser pursuant to this Agreement.

(o) Proceeds of Receivables. In the event that the Seller receives any amounts in respect of Contracts or Related Rights, use its best efforts to cause such amounts to be delivered to the Servicer or deposited into the Collection Account.

(p) Reserved.

(q) Further Action Evidencing Purchases. Provide such cooperation, information and assistance, and prepare and supply the Purchaser with such data regarding the performance by the Obligors of their obligations under the Contracts and related Receivables and the performance by the Seller of its obligations under the Transaction Documents, as may be reasonably requested by the Purchaser or the Servicer.

(r) Financing Statement Changes. Within thirty (30) days after the Seller makes any change in its, name, identity or corporate structure that would make any financing statement filed in accordance with this Agreement seriously misleading within the meaning of Section 9-506 of the UCC, the Seller shall give the Purchaser notice of any such change and shall file such financing statements or amendments to previously filed financing statements as may be necessary to continue the perfection of the interest of the Purchaser and/or the Owner Trustee in the Contracts and Related Rights.

(s) Access to Financing Facility Documents and Reports. The Seller shall provide to the Purchaser on the Closing Date copies of all Financing Facility Documents that are in effect on the Closing Date and shall after the Closing Date provide to the Purchaser copies of any amendments made to the Financing Facility Documents, and copies of any new Financing Facility Documents, promptly after the same are executed. The Seller further shall provide (or shall cause each Securitization Trustee to provide) a reasonable number of employees of the Purchaser or its investment manager with access to its Securitization Trustee Website from and after the Closing Date. The Seller shall also provide the Purchaser with copies of such annual accountant compliance audit reports, servicer reports, remittance reports or similar documents prepared under or in connection with the Financing Facility Documents for any financing facility as the Purchaser may from time to time reasonably request to the extent that such documents or reports are not available to the Purchaser through the applicable Securitization Trustee Website.

SECTION 1.21 Negative Covenants of the Seller. During the Term, the Seller shall not, unless the Purchaser otherwise consents in writing:

(a) Liens. Sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien arising through or under it upon or with respect to, any Contracts or any Related Right, or assign any right to receive proceeds in respect thereof except as created or imposed by this Agreement.

(b) Change in Business. Make any material change in the nature of its business as carried on at the date hereof or engage in or conduct any business or activity that is materially inconsistent with such business.

(c) Change in Payment Instructions to Obligors. Instruct the Obligors on any Receivables to make any payments with respect to such Receivables to any place other than the places specified in Section 2.02 of the Servicing Agreement.

(d) Mergers; Sales of Assets. Sell all or substantially all of its property and assets to, or consolidate with or merge into, any other entity, if the effect of such sale or merger would cause a Seller Default or a Seller Event of Default or a Financing Document Default.

(e) No Amendments. (i) Amend, supplement or otherwise modify this Agreement or (ii) otherwise take any action under this Agreement that could adversely affect the Purchaser's interests hereunder.

(f) Accounting Changes. Make any material change (i) in accounting treatment and reporting practices except as permitted or required by GAAP, (ii) in tax reporting treatment except as permitted or required by Law, (iii) in the calculation or presentation of financial and other information contained in any reports delivered hereunder, or (iv) in any financial policy of the Seller if such change could reasonably be expected to have a material adverse effect on the Receivables or the collection thereof.

(i)

ADMINISTRATION AND COLLECTION OF RECEIVABLES

SECTION 1.22 Collection Procedures.

(a) The Seller shall cause any payments received by the Seller to be (i) processed as soon as possible after such payments are received by the Seller but in no event later than the Business Day after such receipt, and (ii) delivered to the Servicer or deposited in the Collection Account no later than the second Business Day following the date of such receipt.

(b) The Seller and the Purchaser shall deliver to the Servicer or deposit into the Collection Account all Recoveries received by it within two (2) Business Days after the date of receipt.

(c) Any funds held by the Seller representing Collections of Receivables shall, until delivered to the Servicer or deposited in the Collection Account, be held in trust by the Seller on behalf of the Purchaser.

(d) The Seller hereby irrevocably waives any right to set off against, or otherwise deduct from, any Collections.

SECTION 1.23 Purchase Information.

(a) On each Purchase Date, the Seller shall prepare and deliver to the Purchaser and the Servicer a Funding Request with respect to Contracts and Related Rights sold to the Purchaser on such Purchase Date, which shall include a list of such Contracts.

(b) Upon request of the Purchaser or Servicer, the Seller shall provide the Purchaser or Servicer, as the case may be, with all information required to prepare periodic reports that may be required to be furnished to the Purchaser pursuant to the Servicing Agreement, as promptly as possible on each Business Day on the basis of the sales and collections figures transmitted the previous day to the Seller's central computer processing center.

SECTION 1.24 Compliance Statements. The Seller shall deliver, or cause to be delivered, to the Purchaser (i) on or before the thirtieth (30th) day after the one year anniversary of the Closing Date and (ii) on or before each anniversary thereof, an officer's certificate signed by the Chief Executive Officer, Chief Financial Officer, President, Senior Vice President or any Vice President of the Seller stating that (a) a review of the activities of the Seller during the preceding year and of its performance under this Agreement has been made under such officer's supervision and (b) to the best of such officer's knowledge, based on such review, the Seller has fulfilled its obligations under this Agreement throughout such year and has complied in all respects with the Credit and Collection Policies, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof.

SECTION 1.25 Limitation on Liability of the Seller and Others. No recourse under or upon any obligation or covenant of this Agreement, or the Receivables, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, employee, agent, limited partner, officer or director, in its capacity as such, past, present or future, of the Seller or of any successor thereto, either directly or through the Seller, whether by virtue of any Law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Agreement and the obligations issued hereunder are solely its obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by the incorporators, shareholders, employees, agents, limited partners, officers or directors, as such, of the Seller or of any successor thereto, or any of them, because of the creation of the obligations hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Agreement or in the Receivables or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, shareholder, employee, agent, officer or director, as such, under or by reason of the obligations or covenants contained in this Agreement or in the Receivables or implied

therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Agreement.

SECTION 1.26 Limitation on Liability of the Purchaser. No recourse under or upon any obligation or covenant of this Agreement, or the Receivables, or for any claim based thereon or otherwise in respect thereof, shall be had against any employee, agent, officer, member or director, in its capacity as such, past, present or future, of the Purchaser or any Ellington Investor or of any successor thereto, either directly or through the Purchaser or of such Ellington Investor, whether by virtue of any Law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Agreement and the obligations issued hereunder are solely its obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by the employees, agents, officers, members or directors, as such, of the Purchaser or of any Ellington Investor or of any successor thereto, or any of them, because of the creation of the obligations hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Agreement or in the Receivables or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such employee, agent, officer, member or director, as such, under or by reason of the obligations or covenants contained in this Agreement or in the Receivables or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Agreement.

SECTION 1.27 Good Faith Reliance. The Seller and the Purchaser and any director, officer, employee, member or agent of the Seller or the Purchaser may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder.

SECTION 1.28 Nonpetition. Notwithstanding any prior termination of this Agreement, neither the Seller nor the Purchaser shall, prior to the date which is one year and one day after the date upon which all obligations and payments under the ECO-GS Credit Agreement have been paid in full, acquiesce, petition or otherwise invoke or cause ECO-GS to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against ECO-GS under any United States federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of ECO-GS or any substantial part of its property, or ordering the winding up or liquidation of the affairs of ECO-GS.

(a) Notwithstanding any prior termination of this Agreement, neither the Seller nor the Purchaser shall, prior to the date which is one year and one day after the date upon which all obligations and payments under the EFCH-GS Credit Agreement have been paid in full, acquiesce, petition or otherwise invoke or cause EFCH-GS to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against EFCH-GS under any United States federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of EFCH-GS or any substantial part of its property, or ordering the winding up or liquidation of the affairs of EFCH-GS.

(b) Notwithstanding any prior termination of this Agreement, neither the Seller nor the Purchaser shall, prior to the date which is one year and one day after the date upon which all obligations and payments under the EPOB-GS Credit Agreement have been paid in full, acquiesce, petition or otherwise invoke or cause EPOB-GS to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against EPOB-GS under any United States federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of EPOB-GS or any substantial part of its property, or ordering the winding up or liquidation of the affairs of EPOB-GS.

(c) Notwithstanding any prior termination of this Agreement, neither the Seller nor the Purchaser shall, prior to the date which is one year and one day after the date upon which all obligations and payments under the EPOB2-GS Credit Agreement have been paid in full, acquiesce, petition or otherwise invoke or cause EPOB2-GS to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against EPOB2-GS under any United States federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of EPOB2-GS or any substantial part of its property, or ordering the winding up or liquidation of the affairs of EPOB2-GS.

(d) As used in this Section 6.7, “ECO-GS Credit Agreement” means the Credit Agreement, dated as of the Closing Date, by and among ECO-GS, the Purchaser, Goldman Sachs Bank US, as a Lender and Administrative Agent, and the other Lenders party thereto; “EFCH- GS Credit Agreement” means the Credit Agreement, dated as of the Closing Date, by and among EFCH-GS, the Purchaser, Goldman Sachs Bank US, as a Lender and Administrative Agent, and the other Lenders party thereto; “EPOB-GS Credit Agreement” means the Credit Agreement, dated as of the Closing Date, by and among EPOB-GS, the Purchaser, Goldman Sachs Bank US, as a Lender and Administrative Agent, and the other Lenders party thereto; in each case as the same may be amended, restated, modified or supplemented from time to time; and “EPOB2-GS Credit Agreement” means any Credit Agreement executed by and among EPOB2-GS, the Purchaser, Goldman Sachs Bank US, as a Lender and Administrative Agent, and the other Lenders party thereto; in each case as the same may be amended, restated, modified or supplemented from time to time.

(i)

EVENTS OF DEFAULT

SECTION 1.29 Seller Default or Seller Event of Default. If any of the following events (each, a “Seller Event of Default”) shall occur and be continuing:

(a) any representation or warranty made or deemed made by or on behalf of the Seller under or in connection with this Agreement or other information or report delivered by the Seller pursuant hereto shall prove to have been false or incorrect in any material respect when made or deemed made; *provided, however*, that the falsity or incorrectness of any representation made pursuant to Section 4.2(a) with respect to any Contract or Related Rights shall not constitute a Seller Event of Default so long as the Seller has complied with its obligations in respect of such Contract or Related Rights pursuant to Section 2.4;

(b) the Seller shall fail to (i) perform or observe any term, covenant or agreement contained in Sections 5.1(c), 5.1(d), 5.1(h), 5.1(i), 5.1(j), 5.1(k), 5.1(l), 5.1 (m), 5.1 (n), 5.1(o) or 5.2 or (ii) make any payment or deposit to be made by it hereunder within two (2) Business Days after the same became due and payable;

(c) the Seller shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for thirty (30) days;

(d) the Seller shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the actions set forth above in this subsection (d) or the Seller shall be the subject of an Event of Bankruptcy; or

(e) the Seller transfers, sells or otherwise disposes of (whether in one transaction or a series of transactions) all or substantially all of its assets;

then, and in any such event, the Purchaser may, by notice to the Seller, declare its obligation to purchase Contracts and Related Rights from the Seller to be terminated, whereupon such obligation shall forthwith be terminated; *provided, however*, that in the case of any event described in subsection (d) above, such termination shall automatically occur upon the happening of such event. No termination under this Section 7.1 of the Purchaser's obligation to purchase Contracts and Related Rights shall affect the then-existing obligations of the Seller hereunder (other than the Seller's obligations to sell Contracts and Related Rights to the Purchaser pursuant hereto).

SECTION 1.30 Remedies.

(a) If a Seller Event of Default has occurred and is continuing:

(i) The Purchaser (and its assignees) shall have all of the rights and remedies provided to a purchaser of payment intangibles, instruments or chattel paper under the UCC by applicable Law in respect thereto.

(ii) The Seller shall, upon the Purchaser's (or its assignee's) request and at the Seller's expense (i) assemble all of the Seller's Records, (ii) deliver such documents to the Purchaser or its designee at a place designated by the Purchaser or, at the Purchaser's option, provide the Purchaser or its designee with access thereto and (iii) deliver to the Purchaser, its designees or assignees all computer programs, material and data necessary to the immediate collection of the Receivables by the Purchaser, or a party designated by the Purchaser, with or without the participation of the Seller.

(iii) The Purchaser (and its assignees) may (A) notify the respective Obligors of the Purchaser's ownership of the Contracts and Related Rights or (B) give notice, or require that the Seller and the Servicer, at the Seller's expense, give notice of such ownership to each such Obligor.

(b) In addition, if a Servicer Default has occurred and is continuing, the Purchaser (and its assignees) may (i) direct Obligors that payment of all amounts due or to become due under the Contracts and Related Rights be made directly to the Purchaser or its designee or assignee or (ii) require that the Seller and the Servicer, at the Seller's expense, direct Obligors that all payments be made directly to the Purchaser or its designee or assignee.

(c) If a Servicer Default has occurred and is continuing, the Purchaser (and its assignees) may elect to (i) sue for collection on any Contract and Related Rights or (ii) sell any Contract and Related Rights to any Person for a price that is acceptable to the Purchaser (or its assignees). In connection with any such sale, the Purchaser or its assignees shall have the right to assign its rights under this Agreement to a third-party.

(d) The Seller hereby irrevocably authorizes the Purchaser or its designee or assignees, if a Servicer Default has occurred and is continuing, to take any and all steps in the Seller's name and on the Seller's behalf necessary or desirable, in the reasonable opinion of the Purchaser, designee or assignee, to collect all amounts due under the Contracts and Receivables, including, without limitation, endorsing the Seller's name on checks and other instruments representing Collections, enforcing the Receivables and the underlying Contracts and exercising all rights and remedies in respect thereof.

(e) If a Servicer Default has occurred and is continuing, the Seller will make such arrangements with respect to the collection of the Receivables as may be reasonably required by the Purchaser or its assignees.

(f) If (i) any Seller Event of Default has occurred or (ii) an Event of Default shall have occurred under any Financing Facility Documents, then the Purchaser may declare (and if the Seller Event of Default set forth in Section 7.1(d) has occurred, the Purchaser will be deemed automatically to have declared) that a Purchase Termination Date has occurred. Upon such declaration, the Purchaser's obligation to purchase Contracts and Related Rights hereunder, and the Seller's obligation to sell Contracts and Related Rights hereunder shall each terminate. No such termination under this Section 7.2 shall affect the Purchaser's right to pursue any remedies against the Seller for such termination.

SECTION 1.31 Sale Termination Events. If any of the following events (each, a "Sale Termination Event") shall occur and be continuing:

(a) the Purchaser or any Ellington Investor shall fail to make any payment to be made by it hereunder within two (2) Business Days after the same became due and payable;

(b) the Purchaser or any Ellington Guarantor shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the actions set forth above in this subsection (b) or the Purchaser or any Ellington Guarantor shall be the subject of an Event of Bankruptcy;

(c) any material default by an Ellington Guarantor in its obligations under the applicable Ellington Guaranty or Ellington-GS Guaranty; or

(d) the Purchaser or any Ellington Investor shall assign, transfer or sell, or attempt to sell, transfer or sell, any Contracts, Related Rights or Receivables in violation of Section 2.7;

then, and in any such event, the Seller may, by notice to the Purchaser, declare its obligation to sell Contracts and Related Rights to the Purchaser to be terminated, whereupon such obligation and the Purchaser's obligation to purchase any Contracts and Related Rights shall forthwith be terminated; *provided, however*, that in the case of any event described in subsection (b) above, such termination shall automatically occur upon the happening of such event. No termination under this Section 7.3 of the Seller's obligation to sell Contracts and Related Rights shall affect the then-existing obligations of the Seller hereunder or its right to pursue any remedies against the Purchaser for any such termination.

(i)
INDEMNIFICATION

SECTION 1.32 Indemnities by the Seller. Without limiting any other rights that the Purchaser may have hereunder or under applicable Law, the Seller hereby agrees to indemnify the Purchaser and its assignees (including, for the avoidance of doubt, each Ellington Investor) and its and their officers, directors, agents, members and employees (each an "Indemnified Party"), forthwith on demand, from and against any and all claims, losses and liabilities (including, without limitation, reasonable attorneys' fees and disbursements) (all the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or resulting from the Seller's failure to perform its obligations under this Agreement excluding, however, (x) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party (BUT EXPRESSLY INCLUDING IN THE INDEMNITY SET FORTH IN THIS SECTION 8.1, INDEMNIFIED AMOUNTS ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF PURCHASER OR SUCH INDEMNIFIED PARTY, IT BEING THE INTENT OF THE PARTIES THAT, TO THE EXTENT PROVIDED IN THIS SECTION 8.1, PURCHASER AND INDEMNIFIED PARTIES SHALL BE INDEMNIFIED FOR THEIR OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE NOT CONSTITUTING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) or (y) Indemnified Amounts to the extent related to a default on any Receivable by the related Obligor. Such indemnity shall survive the execution, delivery, performance and termination of this Agreement. Without limiting or being limited by the foregoing, the Seller shall pay on demand to the Purchaser or any Indemnified Party any and all amounts necessary to indemnify such Person from and against any and all Indemnified Amounts relating to or resulting from:

(a) the sale hereunder of any Receivable that is not at the date of such sale an Eligible Receivable;

(b) reliance on any representation or warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement or in any certificate

report or document delivered pursuant hereto that, in any such case, shall have been false or incorrect in any material respect when made or deemed made;

(c) the failure by the Seller to comply prior to the applicable Purchase Date with any applicable Law with respect to any Receivable or the related Contract, or the nonconformity on the applicable Purchase Date of any Receivable or the related Contract with any such applicable Law;

(d) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable Laws with respect to the interest in any Receivables of the Purchaser and/or the Owner Trustee in accordance with instructions of the Purchaser;

(e) any dispute, claim, offset or defense (other than arising in a bankruptcy proceeding of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms) that does not arise from the acts or omissions of the Purchaser or its assignees;

(f) any failure of the Seller to perform its duties or obligations under this Agreement or the applicable Contract;

(g) the payment by the Purchaser of any California, Illinois, Nevada, Texas, Utah or Arizona franchise tax as to which any part thereof is attributable to the Seller, the Servicer, the Parent, the Nevada Originator or any Affiliate of any of the foregoing;

(h) the commingling of Collections of Receivables at any time with other funds of the Seller, regardless of whether such commingling shall be permitted by the Transaction Documents;

(i) any investigation, litigation or proceeding related to this Agreement or in respect of any Receivable or any Contract (other than a bankruptcy proceeding of an Obligor), which investigation, litigation or proceeding does not relate to the acts or omissions of the Purchaser or its assignees; or

(j) the payment by the Purchaser of any taxes owed by the Seller, including, but not limited to, federal, state or local income taxes, excise taxes or business taxes.

(i)

MISCELLANEOUS

SECTION 1.33 Amendments, Etc. No amendment, modification or waiver of any provision of this Agreement, or consent to any departure by the Seller therefrom, shall in any event be effective unless the same shall be in writing and signed by the Purchaser and the Seller, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 1.34 Notices Etc. All notices and other communications provided for hereunder shall be in writing (including facsimile communication) and mailed or delivered by

courier service, if to the Seller, at its address at 2 Circle Star Way, San Carlos, California 94070, Attention: Chief Legal Officer; if to the Purchaser, at its address at c/o Ellington Financial Management LLC, 53 Forest Avenue, Old Greenwich, Connecticut 06870, Attention: General Counsel; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall when mailed be effective five (5) days after deposit in the mail, or upon receipt if sent by facsimile or courier, except that notices to the Purchaser pursuant to Article II shall not be effective until received by the Purchaser.

SECTION 1.35 No Waiver; Remedies. No failure on the part of the Purchaser to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by Law.

SECTION 1.36 Binding Effect; Governing Law. This Agreement shall be binding upon and inure to the benefit of the Seller and the Purchaser and their respective successors and assigns, except that the Seller shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Purchaser. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time as neither the Purchaser nor any Ellington Investor shall have any interest in any Receivables and all obligations of the Seller hereunder shall have been paid in full; *provided, however*, that the indemnification provisions of Article VIII shall be continuing and shall survive any termination of this Agreement. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

SECTION 1.37 Costs, Expenses and Taxes. In addition to the rights of indemnification granted to the Purchaser under Article VIII, the Seller agrees to all costs and expenses (including, without limitation, reasonable counsel fees and expenses), incurred by the Purchaser or its assignees (including, for the avoidance of doubt, any Ellington Investor) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) against the Seller of this Agreement and the documents to be delivered hereunder. In addition, the Seller agrees to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents to be delivered hereunder by the Seller, and agrees to hold the Purchaser and its assignees harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes and fees. Except as otherwise specified in this Section 9.5, each of the Seller and the Purchaser shall pay their own expenses, including counsel fees and expenses, incurred in connection with the Transaction Documents.

SECTION 1.38 Purchaser Financing. Should the Purchaser elect to finance its purchase of Contracts and Related Rights under this Agreement, the Seller shall provide the Purchaser with such assistance as the Purchaser may reasonably request of it to facilitate the completion of such transaction, including, without limitation, participating in a reasonable amount of conference calls and basic due diligence that a financing partner may require, provided that the

Seller is not required to incur (a) any out-of-pocket costs in connection with such assistance or (b) any obligation or liability to such financing partner. The Seller shall upon request provide the same level of assistance to any Ellington Investor which elects to finance its purchase of the beneficial interest in Contracts and Related Rights from the Purchaser.

SECTION 1.39 Reserved.

SECTION 1.40 Waiver of Setoff. All payments hereunder by the Seller to the Purchaser or by the Purchaser to Seller shall be made without setoff, counterclaim or other defense and each of the Purchaser and the Seller hereby waives any and all of its rights to assert any right of setoff, counterclaim or other defense to the making of a payment due hereunder to the Seller or the Purchaser, as the case may be; *provided, however*; that, notwithstanding the foregoing, the Purchaser hereby reserves any and all of its rights to assert any such right of setoff, counterclaim or other defense against the Seller with respect to the Purchase Price of Receivables purchased from the Seller hereunder in the ordinary course of the Purchaser's business.

SECTION 1.41 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under such Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 1.42 Counterparts. This Agreement and any amendment or supplement hereto or any waiver granted in connection herewith may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

SECTION 1.43 Grant of License to Use Trademarks. For the sole purpose of enabling the Purchaser (or its assignees) to perform the functions of servicing and collecting the Receivables upon a Seller Event of Default, the Seller hereby grants to the Purchaser (or its assignees) or any other successor Servicer an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Seller) to use, license, or sublicense any copyright, trade name, trademark or similar rights or properties now owned or hereafter acquired by the Seller, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer and automatic machinery software and programs used for the compilation or printout thereof. The aforementioned servicing and collecting functions shall be performed in accordance with customary business practices and in a manner which will not materially adversely affect any of such licenses or licensed items.

SECTION 1.44 Jurisdiction; Consent to Service of Process.

(a) The Seller and the Purchaser hereby submit to the nonexclusive jurisdiction of any United States District Court for the Southern District of New York and of any New York state court sitting in New York, New York for purposes of all legal proceedings arising out of, or relating to, the Transaction Documents or the transactions contemplated thereby. The Seller and the Purchaser hereby irrevocably waive, to the fullest extent possible, any objection it may now or hereafter have

to the venue of any such proceeding and any claim that any such proceeding has been brought in an inconvenient forum. Nothing in this Section 9.12 shall affect the right of the Purchaser or the Seller to bring any action or proceeding against the Seller and the Purchaser or its property in the courts of other jurisdictions.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, OR IN CONNECTION WITH, ANY TRANSACTION DOCUMENT OR ANY MATTER ARISING THEREUNDER.

SECTION 1.45 Third Party Beneficiaries. The Owner Trustee and each Ellington Investor shall be an intended third-party beneficiary of this Agreement. No other Person shall be a third-party beneficiary of this Agreement.

SECTION 1.46 Confirmation of Intent. It is the express intent of the parties hereto that the sale to the Purchaser pursuant to Section 2.1 shall be treated under applicable state Law and federal bankruptcy Law as a sale by the Seller to the Purchaser. However, if it is determined contrary to the express intent of the parties that the transfer is not a sale, and that all or any portion of the Contracts or Related Rights continue to be property of the Seller, then the Seller shall be deemed to, and the Seller does hereby, grant to each of the Purchaser, and the Owner Trustee as designee of the Purchaser, a security interest in all of the Seller's right, title and interest in, to and under each Contract that is listed on the Receivables Schedule and the Related Rights to secure its obligations hereunder and this Agreement shall constitute a security agreement under applicable Law.

SECTION 1.47 Section and Paragraph Headings. Section and paragraph headings used in this Agreement are provided solely for convenience of reference and shall not affect the meaning or interpretation of any provision of this Agreement.

SECTION 1.48 Confidentiality. Neither the Seller nor the Purchaser shall issue or cause to be issued any announcement, press release, or other statement, or shall voluntarily disclose information concerning this Agreement or the other Transaction Documents to any other Person without the prior written consent of the other party. The foregoing shall not be deemed to prevent disclosure of this Agreement or the other Transaction Documents: (a) in response to a court order, subpoena, or other demand or request made in accordance with Law by a Governmental Authority having jurisdiction over the Seller or the Purchaser, as applicable, or as otherwise required by applicable Law (including, without limitation, applicable Federal securities law), or as the Seller may deem reasonably necessary as part of its Affiliate's filings of SEC Forms 8-K, 10-Q or 10-K and related disclosures to investors (but any such disclosure made in such filings or to such investors shall not identify the Purchaser or any Ellington Investor by name, or include information that would enable recipients to identify the Purchaser or any Ellington Investor by name, unless such identification or information is required by applicable Law as interpreted by the Seller); or (b) to the Seller's or Purchaser's Affiliates, officers, agents, representatives, attorneys, accountants, auditors, successors and assigns, and to qualified bidders or investors in connection with the sale of the Seller or the Purchaser or their respective assets, who have a need to know.

SECTION 1.49 Intercreditor Agreement Amendments and Restatements. Upon receipt of an officer's certificate of the Seller stating that an amendment to, or replacement of, the Intercreditor Agreement will not cause a Material Adverse Effect, the Purchaser shall execute and deliver, (a) one or more amendments to the Intercreditor Agreement and/or (b) one or more replacement intercreditor agreements and such documentation as is required to terminate the Intercreditor Agreement then in effect, in each case to accommodate additional financings entered into by the Seller and affiliates of the Seller; *provided, however*, that the Purchaser shall not be required to execute or deliver any such amendment, agreement or documentation that the Purchaser reasonably believes is materially adverse to it.

[signature page follows]

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

ECL FUNDING LLC,
as Purchaser

By: ___
Name:
Title:

Oportun, INC.,
as Seller

By: ___
Name:
Title:

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

ECL FUNDING LLC,
as Purchaser

By: ____
Name:
Title:

Oportun, Inc.,
as Seller

By: ____
Name:
Title:

[Signature Page to Amended and Restated Purchase and Sale Agreement]

FORM OF FUNDING REQUEST

[Attached]

AMENDED AND RESTATED ACKNOWLEDGEMENT AND AGREEMENT
OF 2016 ELLINGTON INVESTORS

June 29, 2018

Oportun, Inc.
2 Circle Star Way
San Carlos, California 94070

Re: Purchase and Sale Agreement

We refer to the Amended and Restated Purchase and Sale Agreement, dated as of the date hereof (as amended, supplemented, modified or restated from time to time, the "Purchase Agreement"), between ECL Funding LLC, as Purchaser (the "Purchaser"), and Oportun, Inc., as Seller (the "Seller"). Each of the undersigned 2016 Ellington Investors, as an assignee from the Purchaser of the beneficial interests in certain Contracts, Related Rights and Receivables, hereby agrees with the Seller as follows:

1. Each 2016 Ellington Investor agrees (i) on each Purchase Date to purchase from the Seller its applicable Purchase Percentage of the aggregate amount of Receivables then being sold by the Seller (it being understood that each such purchase shall be made by such 2016 Ellington Investor through the Purchaser acting as intermediary and shall be made in accordance with, and subject to the terms and conditions of, the Purchase Agreement), and (ii) the Seller shall be entitled to enforce such purchase obligation of such 2016 Ellington Investor directly against it as if the Purchase Agreement provided for such 2016 Ellington Investor to purchase such Receivables directly from the Seller without the Purchaser acting as intermediary.

2. Each of the undersigned 2016 Ellington Investors represents and warrants to the Seller that:

a. The aggregate Purchase Percentage of the Ellington Investors shall at all times equal 100%.

b. Each of the representations and warranties made by the Purchaser in Sections 4.1 and 4.3 of the Agreement is true and correct, as if such 2016 Ellington Investor were the "Purchaser" referred to in such representations and warranties, *provided that* (i) for purposes of Sections 4.1(b), 4.1(c) and 4.1(d), the term "this Agreement" shall mean this Amended and Restated Acknowledgement and Agreement of 2016 Ellington Investors, and (ii) in Section 4.3(b), the words "a direct wholly-owned subsidiary of EMG Holdings, L.P." shall be deemed replaced in the case of (A) ECO, with "an indirect wholly-owned subsidiary of Ellington Credit Opportunities, Ltd.", (B) EFCH, with "an indirect wholly-owned subsidiary of Ellington Financial Operating Partnership LLC", and (C) EPOB, with "an indirect wholly-owned subsidiary of Ellington Private Opportunities Master Fund (B), LP".

3. Each of the undersigned 2016 Ellington Investors covenants that it will comply with Section 2.7 of the Agreement in connection with any transfer by it of any Contracts, Related Rights and Receivables. Without limitation to the foregoing, each 2016 Ellington Investor agrees that its rights and obligations in respect of the Seller and the Receivables under the Purchase Agreement shall be the same as if it were the “Purchaser” named therein, except that (i) its obligation to purchase Receivables shall be limited as stated in paragraph (1) above, and (ii) any provision of the Purchase Agreement which provides for the delivery of any notice, document or instruction to or by the Purchaser shall, unless stated to the contrary, be satisfied by the delivery of the applicable notice, document or instruction to or by the Purchaser (with separate or additional deliveries to or by the 2016 Ellington Investors not being required).

This letter agreement amends, restates and replaces in its entirety the Acknowledgement and Agreement of Ellington Investors, dated as of August 2, 2016, previously delivered to the Seller by the 2016 Ellington Investors.

Any capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Purchase Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have caused this Acknowledgement and Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ECO CH LLC, as an Ellington Investor

By: Ellington Management Group, L.L.C.,
as Investment Manager

By: __
Name:
Title:

EF CH LLC, as an Ellington Investor

By: Ellington Financial Management LLC,
as Investment Manager

By: __
Name:
Title:

EPOB CH LLC, as an Ellington Investor

By: Ellington Management Group, L.L.C.,
as Investment Manager

By: __
Name:
Title:

**Acknowledged and Agreed as
of the date first above written:**

OPORTUN, INC.,
as Seller

By:___

Name:

Title:

AMENDED AND RESTATED ACKNOWLEDGEMENT AND AGREEMENT
OF 2017 ELLINGTON INVESTORS

June 29, 2018

Oportun, Inc.
2 Circle Star Way
San Carlos, California 94070

Re: Purchase and Sale Agreement

We refer to the Amended and Restated Purchase and Sale Agreement, dated as of the date hereof (as amended, supplemented, modified or restated from time to time, the "Purchase Agreement"), between ECL Funding LLC, as Purchaser (the "Purchaser"), and Oportun, Inc., as Seller (the "Seller"). Each of the undersigned 2017 Ellington Investors, as an assignee from the Purchaser of the beneficial interests in certain Contracts, Related Rights and Receivables, hereby agrees with the Seller as follows:

1. Each 2017 Ellington Investor agrees (i) on each Purchase Date to purchase from the Seller its applicable Purchase Percentage of the aggregate amount of Receivables then being sold by the Seller (it being understood that each such purchase shall be made by such 2017 Ellington Investor through the Purchaser acting as intermediary and shall be made in accordance with, and subject to the terms and conditions of, the Purchase Agreement), and (ii) the Seller shall be entitled to enforce such purchase obligation of such 2017 Ellington Investor directly against it as if the Purchase Agreement provided for such 2017 Ellington Investor to purchase such Receivables directly from the Seller without the Purchaser acting as intermediary.

2. Each of the undersigned 2017 Ellington Investors represents and warrants to the Seller that:

a. The aggregate Purchase Percentage of the Ellington Investors shall at all times equal 100%.

b. Each of the representations and warranties made by the Purchaser in Sections 4.1 and 4.3 of the Agreement is true and correct, as if such 2017 Ellington Investor were the "Purchaser" referred to in such representations and warranties, *provided that* (i) for purposes of Sections 4.1(b), 4.1(c) and 4.1(d), the term "this Agreement" shall mean this Amended and Restated Acknowledgement and Agreement of 2017 Ellington Investors, and (ii) in Section 4.3(b), the words "a direct wholly-owned subsidiary of EMG Holdings, L.P." shall be deemed replaced in the case of (A) ECO-GS, with "an indirect wholly-owned subsidiary of Ellington Credit Opportunities, Ltd.", (B) EFCH-GS, with "an indirect wholly-owned subsidiary of Ellington Financial Operating Partnership LLC", (C) EPOB-GS, with "an indirect wholly-owned subsidiary of Ellington Private Opportunities Master Fund (B),

LP, and (D) EPOB2-GS, with “an indirect wholly-owned subsidiary of Ellington Private Opportunities Master Fund II (B), LP”.

3. Each of the undersigned 2017 Ellington Investors covenants that it will comply with Section 2.7 of the Agreement in connection with any transfer by it of any Contracts, Related Rights and Receivables. Without limitation to the foregoing, each 2017 Ellington Investor agrees that its rights and obligations in respect of the Seller and the Receivables under the Purchase Agreement shall be the same as if it were the “Purchaser” named therein, except that (i) its obligation to purchase Receivables shall be limited as stated in paragraph (1) above, and (ii) any provision of the Purchase Agreement which provides for the delivery of any notice, document or instruction to or by the Purchaser shall, unless stated to the contrary, be satisfied by the delivery of the applicable notice, document or instruction to or by the Purchaser (with separate or additional deliveries to or by the 2017 Ellington Investors not being required).

4. No recourse under any obligation, covenant or agreement of any 2017 Ellington Investor shall be had against any member, employee, officer, director or affiliate of any such party; provided, however, that nothing in this Section 4 shall relieve any such Person from any liability which such Person may otherwise have for his/her or its gross negligence or willful misconduct.

5. The undertakings of the Seller in Section 6.7 of the Purchase Agreement are deemed incorporated into this letter agreement.

6. This letter agreement amends, restates and replaces in its entirety the Acknowledgement and Agreement of 2017 Ellington Investors, dated as of March 3, 2017, previously delivered to the Seller by all of the 2017 Ellington Investors other than EPOB2-GS.

Any capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Purchase Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have caused this Acknowledgement and Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ECO GS 2017-OPTN LLC, as an Ellington
Investor

By: ECO CH LLC, as Sole Member

By: Ellington Management Group, L.L.C.,
as Investment Manager

By: __
Name:
Title:

EF GS 2017-OPTN LLC, as an Ellington
Investor

By: EF CH LLC, as Sole Member

By: Ellington Financial Management LLC,
as Investment Manager

By: __
Name:
Title:

EPOB GS 2017-OPTN LLC, as an Ellington
Investor

By: EPOB CH LLC, as Sole Member

By: Ellington Management Group, L.L.C.,
as Investment Manager

By: __
Name:
Title:

EPO II (B) GS 2018-OPTN LLC, as an Ellington
Investor

By: EPO II (B) CH LLC, as Sole Member

By: Ellington Management Group, L.L.C.,
as Investment Manager

By: __

Name:

Title:

**Acknowledged and Agreed as
of the date first above written:**

OPORTUN, INC.,
as Seller

By:___

Name:

Title:

RECEIVABLES SCHEDULE

PERFECTION REPRESENTATIONS, WARRANTIES AND COVENANTS

In addition to the representations, warranties and covenants contained in the Amended and Restated Purchase and Sale Agreement, the Seller hereby represents, warrants, and covenants to the Purchaser on the Closing Date and each subsequent Purchase Date as follows:

General

1. The Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Contracts and Related Rights in favor of the Purchaser and/or the Owner Trustee, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from the Seller.
2. The Contracts evidencing the Receivables constitute “general intangibles”, “accounts”, “instruments”, “electronic chattel paper” or “tangible chattel paper” within the meaning of the UCC as in effect in the State of Delaware.

Creation

3. The Seller has received all consents and approvals, if any, to the sale of the Receivables under the Agreement to the Purchaser required by the terms of the Receivables that constitute instruments or payment intangibles.

Perfection:

4. With respect to Receivables that constitute an instrument or tangible chattel paper, either:
 - (i) All original executed copies of each such instrument or tangible chattel paper have been delivered to the Servicer or the Custodian;
 - (ii) Such instruments or tangible chattel paper are in the possession of the Servicer or the Custodian, and the Purchaser has received a written acknowledgment from the Servicer or the Custodian that the Servicer or the Custodian is holding such instruments or tangible chattel paper solely on behalf and for the benefit of the Purchaser or its assignees; or
 - (iii) The Servicer or the Custodian received possession of such instruments or tangible chattel paper after the Purchaser received a written acknowledgment from the Servicer or the Custodian that the Servicer or the Custodian is acting solely as agent of the secured party.

5. With respect to Receivables that constitute electronic chattel paper, either:

(a) The Seller has caused, or will have caused within ten days of the effective date of the Agreement, the filing of an appropriate financing statements against the Seller in favor of the Purchaser and the Owner Trustee in connection herewith describing such Receivables and containing

a statement that: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the secured party as more fully described in, and subject to the terms of, the related transaction documents”; or

(b) All of the following are true:

(i) Only one authoritative copy of each such loan agreement exists; and each such authoritative copy (A) is unique, identifiable and unalterable (other than with the participation of the Purchaser other than a revision that is readily identifiable as an authorized or unauthorized revision), (B) has been marked with a legend to the following effect: “Authoritative Copy” and (C) has been communicated to and is maintained by the Servicer or a custodian who has acknowledged in writing that it is maintaining the authoritative copy of each electronic chattel paper solely on behalf of and for the benefit of the Purchaser or its assignees, or is acting solely as its agent; and

(ii) Seller has marked the authoritative copy of each loan agreement that constitutes or evidences the Receivables with a legend to the following effect: “Opportun, Inc. has transferred all its rights and interest herein to ECL FUNDING LLC (as beneficial owner through Deutsche Bank National Trust Company as Owner Trustee and holder of legal title for the benefit of ECL FUNDING LLC or its assignees).” Such loan agreements or leases do not have any other marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Purchaser; and

(iii) Seller has marked all copies of each loan agreement that constitute or evidence the Receivables other than the authoritative copy with a legend to the following effect: “This is not an authoritative copy”; and

(iv) The records evidencing the Receivables have been established in a manner such that (a) all copies or revisions that add or change an identified assignee of the authoritative copy of each such electronic chattel paper must be made with the participation of the Purchaser and (b) all revisions of the authoritative copy of each such electronic chattel paper must be readily identifiable as an authorized or unauthorized revision.

6. Any statements made in this Schedule II regarding the timing of the filing of financing statements shall not limit or affect the Seller’s obligation to file the financing statement contemplated by Section 3.1(d) of the Agreement on or before the Closing Date as specified therein.

Priority

7. Other than the transfer of the Receivables to the Purchaser and/or the Owner Trustee under the Agreement, the Seller has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Receivables. The Seller has not authorized the filing of, or is aware of any financing statements against the Seller that include a description of collateral covering the Receivables or any subaccount thereof other than those that have been released

or any financing statement relating to the sale of the Receivables to the Purchaser or that has been terminated.

8. The Seller is not aware of any judgment, ERISA or tax lien filings against the Seller or the Nevada Originator.
9. Neither Seller nor a custodian holding any collateral that is electronic chattel paper has communicated an authoritative copy of any loan agreement that constitutes or evidences the Receivables to any Person other than the Servicer.
10. None of the instruments, certificated securities, tangible chattel paper or electronic chattel paper that constitute or evidence the Receivables has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Purchaser or the Owner Trustee.
11. Survival of Perfection Representations. Notwithstanding any other provision of the Agreement or any other Transaction Document, the Perfection Representations contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all Receivables purchased by the Purchaser shall have been either finally and fully paid or written off as uncollectible.
12. Seller to Maintain Perfection and Priority. The Seller covenants that, in order to evidence the interests of the Purchaser and/or the Owner Trustee under the Agreement, the Seller shall take such action, or execute and deliver such instruments (other than effecting a Filing (as defined below), unless such Filing is effected in accordance with this paragraph) as may be requested by the Purchaser to maintain and perfect, as a first priority interest, the security interest of the Purchaser and/or the Owner Trustee in the Contracts and Related Rights. The Seller shall, from time to time and within the time limits established by Law, prepare and present to the Purchaser for the Purchaser to authorize the Seller to file, all financing statements, amendments, continuations, initial financing statements in lieu of a continuation statement, terminations, partial terminations, releases or partial releases, or any other filings necessary or advisable to continue, maintain and perfect the security interest of the Purchaser and/or the Owner Trustee in the Contracts and Related Rights as a first-priority interest (each a "Filing").

SCHEDULE III

LIST OF COMPETITORS

By category - including affiliates and key owners/investors (individuals or corporate)

Consumer lenders
Small dollar lenders
Payday lenders
Marketplace lenders
Internet lenders
Peer-to-peer lenders

[***]

By name – including affiliates and key owners/investors (individuals or corporate)

[***]

SCHEDULE IV

OWNER TRUSTEE LETTER

DEUTSCHE BANK NATIONAL TRUST COMPANY

August 2, 2016

Oportun, Inc.
1600 Seaport Boulevard
Redwood City, California 94063

Re: ECL Funding LLC

Ladies and Gentlemen:

We understand that in Section 2.1(d) of that certain Purchase and Sale Agreement, dated as of August 2, 2016 (the "Purchase Agreement"), between ECL Funding LLC, as Purchaser (the "Purchaser"), and Oportun, Inc., as Seller (the "Seller"), the Purchaser instructed the Seller to transfer to the Owner Trustee legal title to all Contracts and Related Rights (as such terms are defined in the Purchase Agreement) that are transferred by the Seller under the Purchase Agreement.

Solely in our capacity as Owner Trustee, and not in our individual capacity, the Owner Trustee hereby confirms that pursuant to the terms of the Amended and Restated Trust Agreement dated August 2, 2016 (the "Trust Agreement") among the Purchaser, as depositor, the Owner Trustee, Deutsche Bank National Trust Company, as certificate registrar and trust paying agent, and Deutsche Bank Trust Company Delaware, as Delaware trustee, the legal title to each Purchased Asset shall be vested in the Owner Trustee not in its individual capacity but solely in its capacity as owner trustee for the Participation Trust.

This letter does not constitute a representation by the Owner Trustee as to the validity or enforceability of the Purchase Agreement, the Trust Agreement or any Purchased Assets or as to any other matters related thereto.

[Signature Page Follows]

Any capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Trust Agreement.

Very truly yours,

DEUTSCHE BANK NATIONAL TRUST COMPANY, not in its individual capacity, but solely as Owner Trustee

By: __

Name:

Title:

By: __

Name:

Title:

LIST OF SUBSIDIARIES OF OPORTUN FINANCIAL CORPORATION

The following is a list of subsidiaries of Oportun Financial Corporation and the state or other jurisdiction in which each was organized. This list does not include dormant subsidiaries or subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary within the meaning of Item 601(b)(21)(ii) of Regulation S-K.

Subsidiary	Jurisdiction of Formation
Oportun, Inc	Delaware
Oportun Global Holdings, Inc.	Delaware
Oportun Funding V, LLC	Delaware
Oportun Funding VI, LLC	Delaware
Oportun Funding VII, LLC	Delaware
Oportun Funding VIII, LLC	Delaware
Oportun Funding IX, LLC	Delaware
Oportun Funding X, LLC	Delaware
Oportun Funding XII, LLC	Delaware
Oportun Funding XIII, LLC	Delaware
Oportun, LLC	Delaware
OPRT Development Center Private Limited	India
OPTNSVC Mexico, S. de R.L. de C.V.	Mexico
PF Servicing, LLC	Delaware
PF Servicing, S. de R.L. de C.V.	Mexico

CERTIFICATIONS

I, Raul Vazquez, certify that:

1. I have reviewed this Annual Report on Form 10-K of Oportun Financial Corporation;
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)) 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. 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
 - c. 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: February 28, 2020

/s/ Raul Vazquez

Raul Vazquez

Chief Executive Officer and Director
(Principal Executive Officer)

CERTIFICATIONS

I, Jonathan Coblentz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Oportun Financial Corporation;
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)) 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. 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
 - c. 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: February 28, 2020

/s/ Jonathan Coblentz

Jonathan Coblentz

Chief Financial Officer and Chief Administrative Officer
(Principal Financial and Accounting Officer)

CERTIFICATIONS

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Raul Vazquez, President and Chief Executive Officer of Oportun Financial Corporation (the “Company”), and Jonathan Coblentz, Chief Financial Officer and Chief Administrative Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, to which this Certification is attached as Exhibit 32.1 (the “Annual Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 28, 2020

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 28th day of February, 2020.

/s/ Raul Vazquez

Raul Vazquez

Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Jonathan Coblentz

Jonathan Coblentz

Chief Financial Officer and Chief Administrative Officer
(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Oportun Financial Corporation, under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.