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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

December 20, 2021
Date of Report (date of earliest event reported)

OPORTUN FINANCIAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Commission File Number 001-39050

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company ☐

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

2.01 Completion of Acquisition or Disposition of Assets

As previously announced, on December 22, 2021, Oportun Financial Corporation (the "Company") completed its acquisition of Hello Digit, Inc. ("Digit") through a series of transactions, after which Digit became a wholly-owned subsidiary of the Company (the "Digit Acquisition").

This Current Report on Form 8-K/A amends the Current Report on Form 8-K filed by the Company on December 22, 2021 in order to include certain financial statements of Digit and the unaudited pro forma financial information required by Item 9.01 of Form 8-K.

The audited consolidated financial statements of Digit as of and for the year ended December 31, 2020 and 2019 are filed herewith as Exhibit 99.1. The unaudited consolidated financial statements of Digit as of and for the nine months ended September 30, 2021 are filed herewith as Exhibit 99.2. The unaudited pro forma condensed combined statements of operations and balance sheet of the Company as of and for the year ended December 31, 2020 and for the nine months ended September 30, 2021 giving effect to the Digit Acquisition are filed herewith as Exhibit 99.3. The actual results may differ significantly from those reflected in the pro forma statements of operations for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma statements of operations and actual amounts. Such unaudited pro forma condensed combined statements of operations are not necessarily indicative of the operating results that actually would have been achieved if the Digit Acquisition had been in effect on the date indicated or that may be achieved in future periods, and should be read in conjunction with the financial statements of the Company and Digit.

The information in this Current Report and exhibits attached hereto is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. Such information shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Registered Public Accounting Firm
99.1	Consolidated financial statements of Hello Digit, Inc. as of and for the year ended December 31, 2020 and 2019
99.2	Consolidated financial statements of Hello Digit, Inc. as of and for the nine months ended September 30, 2021 (unaudited)
99.3	Pro forma condensed combined statements of operations and balance sheet as of and for the year ended December 31, 2020 and the nine months ended September 30, 2021 (unaudited)
104	Cover Page Interactive Data File embedded within the Inline XBRL document

SIGNATURE

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

OPORTUN FINANCIAL CORPORATION
(Registrant)

Date: March 1, 2022	By: /s/ Jonathan Coblentz
	Jonathan Coblentz
	Chief Financial Officer and Chief Administrative Officer
	(Principal Financial and Accounting Officer)

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Current Report on Form 8-K (Amendment No. 1) of Oportun Financial Corporation of our audit report dated May 10, 2021, except for the effects of subsequent events and the restatement discussed in Notes 10 and 11, respectively, as to which the date is February 22, 2022, relating to the consolidated financial statements of Hello Digit, Inc. for the years ended December 31, 2020 and 2019.

/s/ Frank, Rimerman + Co. LLP

San Francisco, California
March 1, 2022

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Current Report on Form 8-K (Amendment No. 1) of Oportun Financial Corporation of our review report dated February 22, 2022, relating to the consolidated financial statements of Hello Digit, Inc. for the period from January 1, 2021 through September 30, 2021.

/s/ Frank, Rimerman + Co. LLP

San Francisco, California
March 1, 2022

Hello Digit, Inc. (dba Digit)

Consolidated Financial Statements

December 31, 2020 and 2019

Board of Directors
Hello Digit, Inc. (dba Digit)
San Francisco, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hello Digit, Inc. (dba Digit), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hello Digit, Inc. (dba Digit) as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Restatement of the Financial Statements

As described in Note 11 to the consolidated financial statements, management identified errors in the presentation of customer accounts, customer deposits, sales tax liability, software development capitalization and classification of interest income. Accordingly, the 2020 consolidated financial statements have been restated to correct the accounting.

Emphasis-of-Matter Regarding Acquisition

As described in Note 10 to the consolidated financial statements, the Company was acquired by Oportun, Inc. in December 2021.

/s/ Frank, Rimerman + Co. LLP

San Francisco, California
May 10, 2021, except for the effects of subsequent events
and the restatement discussed in Notes 10 and 11, respectively,
as to which the date is February 22, 2022

Hello Digit, Inc. (dba Digit)
Consolidated Balance Sheets

	December 31, 2020 (restated)	December 31, 2019 (restated)
ASSETS		
Current Assets		
Cash	$ 15,936,362	$ 23,383,824
Prepaid expenses and other current assets	701,597	474,715
Total current assets	16,637,959	23,858,539
Certificates of Deposit	1,745,981	1,725,981
Property and Equipment, net	528,801	557,196
Capitalized Software, net	1,717,617	-
Deposits	213,878	163,879
Other Assets	249,662	-
Restricted Cash	20,000	-
Total assets	$ 21,113,898	$ 26,305,595
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 837,142	$ 1,703,457
Accrued expenses and other current liabilities	1,342,440	1,776,684
Deferred revenue	1,221,252	1,171,565
Total current liabilities	3,400,834	4,651,706
Deferred Rent	313,539	244,083
Deposits Held	88,521	215,360
Warrant Liability	33,836	-
Stockholders' Equity (Note 7)		
Series C convertible preferred stock, $0.0001 par value	87	87
Series B convertible preferred stock, $0.0001 par value	173	173
Series A convertible preferred stock, $0.0001 par value	116	116
Series Seed-2 convertible preferred stock, $0.0001 par value	84	84
Series Seed-1 convertible preferred stock, $0.0001 par value	31	31
Common stock, $0.0001 par value	115	113
Additional paid-in capital	72,245,681	70,531,729
Accumulated deficit	(54,969,119)	(49,337,887)
Total stockholders' equity	17,277,168	21,194,446
Total liabilities and stockholders' equity	$ 21,113,898	$ 26,305,595

See Notes to Consolidated Financial Statements

Hello Digit, Inc. (dba Digit)
Consolidated Statements of Operations

	12 months ending December 31, 2020 (restated)	12 months ending December 31, 2019 (restated)
Revenue, net	$ 35,831,529	$ 22,560,400
Cost of Revenue	12,586,750	9,327,018
Gross margin	23,244,779	13,233,382
Operating Expenses		
Sales and marketing	13,466,393	24,689,322
Research and development	12,681,575	9,256,170
General and administrative	7,063,855	5,443,191
Total operating expenses	33,211,823	39,388,683
Loss from Operations	(9,967,044)	(26,155,301)
Interest Income	3,977,902	5,318,347
Interest Expense	(72,635)	-
Other Income, net	430,545	163,594
Net Loss	$ (5,631,232)	$ (20,673,360)

See Notes to Consolidated Financial Statements

Hello Digit, Inc. (dba Digit)
Consolidated Statements of Stockholders' Equity

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at December 31, 2018	4,038,661	$ 404	1,161,393	$ 116	39,252,855	$ (28,664,527)	$ 10,588,848
Issuance of Series C convertible preferred stock at $36.7463 per share in exchange for cash, net of issuance costs	783,397	79	-	-	28,622,758	-	28,622,837
Issuance of common stock upon exercise of stock options for cash	-	-	89,560	9	111,746	-	- 111,755
Repurchase of common stock	-	-	(35,446)	(4)	(41,207)	-	(41,211)
Conversion of common stock into Series C convertible preferred stock	81,640	8	(81,640)	(8)	-	-	-
Vesting of early exercise options	-	-	-	-	2,525	-	2,525
Stock-based compensation	-	-	-	-	2,583,052	-	2,583,052
Net loss	-	-	-	-	-	(20,673,360)	(20,673,360)
Balances at December 31, 2019	4,903,698	491	1,133,867	113	70,531,729	(49,337,887)	21,194,446
Issuance of common stock upon exercise of stock options for cash	-	-	15,423	2	99,319	-	99,321
Stock-based compensation	-	-	-	-	1,545,619	-	1,545,619
Issuance of common stock warrant	-	-	-	-	69,014	-	69,014
Net loss	-	-	-	-	-	(5,631,232)	(5,631,232)
Balances at December 31, 2020 (restated)	4,903,698	$ 491	1,149,290	$ 115	$ 72,245,681	$ (54,969,119)	$ 17,277,168

See Notes to Consolidated Financial Statements

Hello Digit, Inc. (dba Digit)
Consolidated Statements of Cash Flows

	12 months ending December 31, 2020 (restated)	12 months ending December 31, 2019 (restated)
Cash Flows from Operating Activities		
Net loss	$ (5,631,232)	$ (20,673,360)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	419,247	89,934
Non-cash interest expense	72,639	-
Stock-based compensation	1,545,619	2,583,052
Revaluation of preferred stock warrant liability	(521)	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(226,882)	(327,642)
Accounts payable	(866,315)	1,337,731
Accrued expenses and other current liabilities	(561,083)	1,070,559
Deferred revenue	49,687	544,200
Deferred rent	69,456	212,413
Net cash used in operating activities	(5,129,385)	(15,163,113)
Cash Flows from Investing Activities		
Movement in certificates of deposit and restricted cash	(70,001)	(849,763)
Purchase of property and equipment	(154,078)	(564,691)
Capitalized software costs	(1,954,391)	-
Net cash used in investing activities	(2,178,470)	(1,414,454)
Cash Flows from Financing Activities		
Capitalization of debt issuance costs	(218,926)	-
Proceeds from exercise of stock options	99,319	111,755
Proceeds from issuance of convertible preferred stock, net	-	28,622,837
Repurchase of common stock	-	(41,211)
Net cash (used in) provided by financing activities	(119,607)	28,693,381
Increase (Decrease) in Cash	(7,427,462)	12,115,814
Cash and Restricted Cash, beginning of year	23,383,824	11,268,010
Cash and Restricted Cash, end of year	15,956,362	23,383,824

Supplemental Schedule of Non-Cash Financing Activities		
Issuance of common stock warrant	$ 69,014	
Issuance of convertible preferred stock warrants	$ 34,357	
Vesting of early exercised of stock options	$ -	$ 2,525
Conversion of common stock into Series C convertible preferred stock	$ -	$ 8

See Notes to Consolidated Financial Statements

1. Nature of Business and Management's Plans Regarding Financing of Future Operations

Nature of Business

Hello Digit, Inc. (dba Digit) (the Company) was incorporated in the State of Delaware on November 27, 2012. The Company started as a savings platform that connects to customers' checking accounts and analyzes their income and spending patterns to find amounts that can safely be set aside towards savings goals. The Company calculates these amounts by identifying upcoming bills and regular spending habits to ensure optimal amounts are flagged for savings. The platform allows customers to save without thinking about it and savings are immediately accessible.

In August 2019, the Company established a wholly-owned subsidiary, Digit Advisors, LLC (Digit Advisors). Digit Advisors is a registered investment advisor with the United States Securities and Exchange Committee (SEC) with plans to offer retirement products to its customer base, addressing longer term savings as part of its product offering.

The Company's headquarters is in San Francisco, California.

Management's Plans Regarding Financing of Future Operations

The Company has experienced losses since its inception and has an accumulated deficit of $54,969,119 as of December 31, 2020. Management believes the Company has sufficient resources to meet working capital needs through at least May 7, 2022. However, if the Company does not generate sufficient operating cash flows, additional debt or equity financing may be required. There is no assurance that if the Company requires additional financing, such financing will be available in the future on terms which are acceptable to the Company, or at all.

2. Significant Accounting Policies

Principles of Consolidation:

The consolidated financial statements include accounts of the Company and Digit Advisors. All intercompany accounts have been eliminated in consolidation.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. Significant Accounting Policies (continued)

Revenue Recognition:

The Company recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 *Revenue from Contracts with Customers* (Topic 606). The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company currently has two different streams of revenue: (1) subscription revenue and (2) transaction revenue.

The Company earns revenue on a subscription basis from users of its platform. Revenue is recognized ratably over each monthly subscription. Revenue is recorded net of promotions and other discounts, which are recognized as a deduction from revenue at the time the associated revenue is earned. Deferred revenue is recognized when the service period spans into the following month. This resulted in a deferred revenue balance of $1,221,252 as of December 31, 2020 ($1,171,565 as of December 31, 2019).

The Company earns transaction revenue when customers choose to withdraw their saved funds instantly through the Real-time Payments network. Revenue is recognized at the time of transaction. Because transaction revenue is recognized at the time when the instant withdrawal transaction is completed.

2. Significant Accounting Policies (continued)

Cost of Revenue:

Cost of revenue consists primarily of the costs associated with operating and maintaining the Company's platform. These costs include information technology costs, banking fees, consulting services, salaries and related expenses, amortization of capitalized software costs and customer service support.

Sales and Marketing:

Sales and marketing expenses consist primarily of salaries and related costs, advertising, customer acquisition costs, public relations, branding, consulting fees and the costs associated with providing free trials, which are determined based on an allocation from operations and cost of revenue as described above.

Referral bonuses to customers are included in sales and marketing expenses and were $1,224,285 in 2020 and $4,409,566 in 2019.

Cash and Restricted Cash:

Cash includes all cash balances and highly liquid investments purchased with a remaining maturity of three months or less that belong to Digit. Restricted cash includes security/collateral in the event of outstanding obligations in relation to vendor contracts.

Certificates of Deposit:

Certificates of deposit are held with major financial institutions, as collateral against risks related to the volume of electronic banking activity.

2. Significant Accounting Policies (continued)

Fair Value Measurement:

The Company uses a three-level hierarchy, which prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information for fair value measurement based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. Fair value focuses on an exit price and is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with those financial instruments.

The three-level hierarchy for fair value measurement is defined as follows:

Level I: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level II: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III: Inputs to the valuation methodology, which are significant to the fair value measurement, are unobservable.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company's certificates of deposit are recorded at fair value and classified as Level II investments under the fair value hierarchy as of December 31, 2020 and 2019.

2. Significant Accounting Policies (continued)

Fair Value Measurement (continued):

The Company issued warrants as part of debt financing in 2020 and are classified as Level III liabilities under the fair value hierarchy as of December 31,2020. The Company recorded the fair value of the warrant in the amount of $34,357 using the Black-Scholes-Merton option pricing model using the following assumptions; expected life of 7 years, risk-free interest rate of 0.47%, expected volatility of 75% and no dividends. Expected volatility is based on volatilities of public companies operating in the Company's industry. The expected life of the warrant represents the term of the exercise period. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

As at December 31, 2020, the warrant liability had been revalued to $33,836.

Balance, December 31, 2019	$ -
Warrants issued	34,357
Decrease in fair value	(521)
Balance, December 31, 2020	$ 33,836

Concentration of Credit Risk:

Financial instruments, which potentially subject the Company to concentration of credit risk consist primarily of cash, customer accounts and certificates of deposit, which are held with major financial institutions. The aggregate balance of these deposits were in excess of the Federal Deposit Insurance Corporation's insurable limit as of December 31, 2020. The Company has not experienced any losses on its deposits of cash, customer accounts or certificates of deposit through December 31, 2020.

Property and Equipment:

Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, typically three years. Leasehold improvements are amortized over the lesser of the asset's estimated useful life or the remaining lease term.

Software Development Costs:

Capitalization of software development costs begins during the application development stage. Costs incurred in the application development phase, including upgrades and enhancements, if it is probable that such expenditures will result in additional functionality, are subject to capitalization and amortization over their estimated useful life. The determination of the probability the technology will result in additional functionality and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors, including anticipated future gross revenue, estimated economic life and changes in hardware and software technology.

2. Significant Accounting Policies (continued)

Accounting for Impairment of Long-Lived Assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying cost or fair value less cost to sell. The Company has not recognized losses related to impairment through December 31, 2020.

Income Taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the amounts at which assets and liabilities are recorded for financial reporting purposes and the amounts recorded for income tax purposes. A valuation allowance is provided against the Company's deferred income tax assets when their realization is not reasonably assured.

Advertising Costs:

All advertising costs are expensed as incurred and included in sales and marketing expenses in the accompanying statements of operations. Advertising expense was $9,092,331 in 2020 and $17,791,284 in 2019.

Research and Development:

The Company expenses research and development expenditures as incurred.

2. Significant Accounting Policies (continued)

Stock-Based Compensation:

Effective January 1, 2020, the Company adopted the requirements of Accounting Standards Update (ASU) 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 is an update to Topic 718 and simplifies the accounting for share-based payments to non-employees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The main provision of ASU 2018-07 requires the measurement of all share-based equity classified awards will be fixed at the grant date. Management determined that the adoption of ASU 2018-07 did not result in a material change to accumulated deficit at January 1, 2020, nor did it result in material changes to the Company's accounting policies for its stock options.

The Company generally grants stock options to its employees and non-employees for a fixed number of shares with an exercise price equal to the fair value of the shares at the date of grant. Fair value is determined by the Company's Board of Directors. The Company accounts for stock option grants under FASB ASC Topic 718-10, *Compensation – Stock Compensation*. Under Topic 718-10, all stock option grants are accounted for using the fair value method and compensation is recognized as the underlying options vest. The Company assumes a 10% forfeiture rate estimated at grant.

Recent Accounting Pronouncements Not Yet Effective:

Leases:

In February 2016, the FASB issued ASC 842, *Leases*. This standard requires all entities that lease assets with terms of more than 12 months to capitalize the assets and related liabilities on the balance sheet. The standard is effective for the Company as of January 1, 2022 and requires the use of a modified retrospective transition approach for its adoption. The Company is currently evaluating the effect Topic 842 will have on its consolidated financial statements and related disclosures.

Management expects the assets leased under operating leases, similar to the lease disclosed in Note 4 to the consolidated financial statements, will be capitalized together with the related lease obligations on the balance sheet upon the adoption of the standard.

3. Property and Equipment

Property and equipment consists of the following as of December 31:

		2020		2019
Computer hardware	$	447,505	$	302,936
Leasehold improvements		271,757		269,974
Furniture and fixtures		191,567		191,625
Leasehold improvements		910,829		764,535
Less accumulated depreciation and amortization		(382,028)		(207,339)
	$	528,801	$	557,196

4. Commitments and Contingencies

Operating Leases:

The Company leases two office facilities in San Francisco, California under non-cancelable operating lease agreements. The first lease expired in February 2021 and the second expires in April 2027. Under the terms of the lease agreements, the Company is responsible for certain insurance and maintenance expenses. The lease agreements contain scheduled rent increases over the lease term. The related rent expense for the lease is calculated on a straight-line basis with the difference recorded as deferred rent. Rent expense was $1,703,000 in 2020 ($831,000 in 2019).

In June 2019, the office facility which expired in February 2021 was subleased to an unrelated party. Rental income under the sublease was $412,523 in 2020 ($68,206 in 2019), which was recognized as other income on the consolidated statements of operations.

Future minimum rental payments under both leases are as follows:

Years ending December 31:		
2021	$	1,249,000
2022		1,223,000
2023		1,260,000
2024		1,297,000
2025		1,336,000
Thereafter		1,961,000
Total		8,326,000

4. Commitments and Contingencies (continued)

Operating Leases: (continued)

Future minimum rental receipts under the sublease are as follows:

Years ending December 31:		
2021	$	70,000

Indemnification Agreements:

From time to time, in the normal course of business, the Company may indemnify other parties, with which it enters into contractual relationships, including directors, employees, customers, lessors and parties to other transactions with the Company. The Company may agree to hold other parties harmless against specific losses, such as those that could arise from a breach of representation, covenant or third-party infringement claims. It may not be possible to determine the maximum potential amount of liability under such indemnification agreements due to the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Management believes that potential liabilities related to indemnification claims, if any, would be immaterial to the consolidated financial statements.

5. Long Term Debt

On July 31, 2020, the Company entered into a credit agreement with JPMorgan Chase Bank, N.A. for a $3,000,000 term loan at a floating interest rate of prime (3.25% as at December 31, 2020) plus 1.75% with a maturity of July 31, 2023, and a $5,000,000 million revolving line of credit at a floating interest rate of prime plus 1.00% with a maturity of July 31, 2022. The Company also issued JPMorgan Chase Bank, N.A. a warrant to purchase 7,965 shares of common stock at an exercise price of $11.30 per share. The warrant expires on July 31, 2030. The Company recorded the fair value of the warrant in the amount of $69,013 using the Black-Scholes-Merton option pricing model using the following assumptions; expected life of 10 years, risk-free interest rate of 0.93%, expected volatility of 75% and no dividends. Expected volatility is based on volatilities of public companies operating in the Company’s industry. The expected life of the warrant represents the term of the exercise period. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. $12,581 was amortized during 2020. The warrant was classified as equity and recorded as a deferred charge in the accompanying consolidated balance sheets. At December 31, 2020, the Company had not drawn down on either facility. The lender has first priority lien on the Company’s tangible and intangible assets.

5. Long Term Debt (continued)

On September 8, 2020, the Company entered into a credit agreement with Triple Point Venture Growth BDC Corp and Triple Point Private Venture Credit Inc (collectively “Triple Point Capital”) for a $10.0 million debt facility. The interest rate is dependent on the debt facility structure chosen, which is to be agreed upon at the time of draw. The facility has an availability period through June 30, 2021. The Company also issued Triple Point Capital. warrants to purchase a guaranteed minimum of 1,446 shares of Preferred Series C Stock, with an additional 5,782 shares contingent on the drawn down amount. The warrants have an exercise price of $ $36.7463 per share. The Company recorded the fair value of the warrant in the amount of $34,357 using the Black-Scholes-Merton option pricing model using the following assumptions; expected life of 7 years, risk-free interest rate of 0.47%, expected volatility of 75% and no dividends. Expected volatility is based on volatilities of public companies operating in the Company’s industry. The expected life of the warrant represents the term of the exercise period. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The warrant was classified as a liability due to the non-permanent warrant count and recorded as a deferred charge in the accompanying consolidated balance sheets.

The Company recorded total debt issuance costs consisting of legal fees associated with the debt financings of $218,926, excluding warrants, to be amortized over the term of the agreement. Amortization of debt issuance costs in 2020 was $60,054.

6. Income Taxes

The Company applies the provisions set forth in FASB ASC Topic 740, *Income Taxes*, to account for the uncertainty in accounting for income taxes.

Deferred income taxes result from the tax effect of transactions that are recognized in different periods for consolidated financial statement and income tax reporting purposes. As of December 31, 2020 and 2019, the Company’s net deferred income tax assets were approximately $12,257,000 (as restated) and $11,054,000 respectively, and have been fully offset by a valuation allowance, as their realization is not reasonably assured. These deferred income tax assets consist primarily of net operating losses and income tax credits, which may be carried forward to offset future income tax liabilities. As of December 31, 2020, the Company has federal and state net operating loss carryforwards of $49,139,000 (as restated) and $27,371,000 (as restated), respectively, ($43,887,000 and $22,849,000, respectively, as of December 31, 2019). The federal and state net operating losses will begin to expire in 2033 if not used. As of December 31, 2020, the Company has state research and development income tax credits of $107,000 ($107,000 as of December 31, 2019). The state research and development income tax credits do not expire.

6. Income Taxes (continued)

Under certain 1986 Tax Reform Act provisions, the availability of the Company's net operating loss and tax credit carryforwards are subject to limitation if it should be determined there has been a change in the ownership of more than 50% of the value of the Company's capital stock. Such a determination could substantially limit the eventual utilization of these net operating losses and income tax credit carryforwards.

The Company uses the "more likely than not" criterion for recognizing the tax benefit of uncertain tax positions and establishing measurement criteria for income tax benefits. The Company has evaluated the impact of its tax positions and believes that all income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2020. In the event the Company should need to recognize interest and penalties related to unrecognized tax liabilities, this amount will be recorded as an accrued liability and an increase to income tax expense. No interest or penalties were recorded through December 31, 2020.

The Company files income tax returns in the U.S. federal jurisdiction, the state of California and other various states. The Company is still subject to U.S. federal, state and local examinations by tax authorities since inception.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law in March 2020. The CARES Act includes modifications for net operating loss carryovers and carrybacks, limitations of business interest expense for tax, immediate refund of alternative minimum tax (AMT) credit carryovers as well as a technical correction to the Tax Cuts and Jobs Act of 2017, for qualified improvement property. As of December 31, 2020, the Company expects that these provisions will not have a material impact.

7. Capital Stock

Convertible Preferred Stock:

As of December 31, 2020, the Company is authorized to issue 4,920,496 shares of convertible preferred stock with a par value of $0.0001 per share. As of December 31, 2020, the Company had the following shares of convertible preferred stock authorized, issued and outstanding:

	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Preference
Series C	881,835	865,037	$ 31,786,909
Series B	1,726,250	1,726,250	23,838,995
Series A	1,159,341	1,159,341	11,370,005
Series Seed-2	841,128	841,128	2,524,982
Series Seed-1	311,942	311,942	559,998
	4,920,496	4,903,698	70,080,889

The rights, preferences, privileges and restrictions for the holders of Series Seed-1 convertible preferred stock (Seed-1), Series Seed-2 convertible preferred stock (Seed-2), Series A convertible preferred stock (Series A), Series B convertible preferred stock (Series B) and Series C convertible preferred stock (Series C) (collectively, Preferred Stock) are as follows:

Dividends:

The holders of Preferred Stock are entitled to receive non-cumulative dividends at an annual rate of 8% of the original issuance price per share, as adjusted for any stock dividends, combinations, splits or the like, prior to and in preference to any declaration or payment of dividends on common stock. As of December 31, 2020, the original issuance price of each class of shares was as such:

Seed-1	$1.7952 per share
Seed-2	$3.0019 per share
Series A	$9.8073 per share
Series B	$13.8097 per share
Series C	$36.7463 per share

Dividends are payable when and if declared by the Board of Directors. After payment of such dividends, any additional dividends or distributions will be distributed among holders of common stock and Preferred Stock on a pari passu basis. No dividends have been declared or paid through December 31, 2020.

7. Capital Stock (continued)

Convertible Preferred Stock: (continued)

Conversion:

Shares of Preferred Stock are convertible, one-for-one, into shares of common stock at any time at the option of the holder. The conversion ratio is subject to adjustment, for any stock dividends, combinations, splits or the like and for dilutive issuances of new securities. The conversion price for each class of shares:

Seed-1	$1.7952 per share
Seed-2	$3.0019 per share
Series A	$9.8073 per share
Series B	$13.8097 per share
Series C	$36.7463 per share

Each share of Preferred Stock will automatically convert into the number of shares of common stock into which such shares are convertible at the then applicable conversion ratio upon (i) the closing of the sale of the Company's common stock in a public offering with aggregate gross proceeds of at least $50,000,000 or (ii) the affirmative vote or consent of the holders of a majority of the outstanding shares of Preferred Stock, voting together as a single class, on an as-converted common stock basis.

Voting:

The holders of Preferred Stock are entitled to voting rights equal to the number of shares of common stock into which each share of Preferred Stock could be converted.

For so long as at least 300,000 shares of Series A remain outstanding, the holders of Series A, voting as a separate class, are entitled to elect one member of the Board of Directors. For so long as at least 425,000 shares of Series B remain outstanding, the holders of Series B, voting as a separate class, are entitled to elect one member of the Board of Directors. The holders of common stock, voting as a separate class, are entitled to elect two members of the Board of Directors. The holders of Preferred Stock and common stock, voting together as a single class on an as-converted basis, are entitled to elect the remaining members of the Board of Directors.

7. Capital Stock (continued)

Convertible Preferred Stock: (continued)

Liquidation:

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of each class of Preferred Stock are entitled to receive, prior to and in preference to holders of common stock, amounts per share equal to:

Seed-1	$1.7952 per share
Seed-2	$3.0019 per share
Series A	$9.8073 per share
Series B	$13.8097 per share
Series C	$36.7463 per share

The above are subject to adjustments for stock splits, stock dividends, combinations, reclassifications, or the like, plus all declared and unpaid dividends on each share of Preferred Stock, as applicable. If, upon occurrence of such an event, the assets, and funds to be distributed among the holders of Preferred Stock are insufficient to permit the above payment to such holders, then the entire assets and funds of the Company legally available for distribution will be distributed ratably among the holders of Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive. Upon the completion of the distribution to the holders of Preferred Stock, all remaining proceeds, if any, will be distributed ratably among the holders of common stock.

Redemption:

Shares of Preferred Stock are not redeemable at the option of the holder.

Protective Provisions:

So long as at least 750,000 shares of Preferred Stock remaining outstanding, the vote of the holders of a majority of the outstanding shares of Preferred Stock, on an as-converted to common stock basis, is necessary for consummation of certain transactions, including but not limited to: increasing or decreasing the authorized capital stock; creating any senior or pari passu security, privileges, preferences or voting rights senior to or on parity with those granted to the Preferred Stock; altering or changing the preferred stockholder rights; redeeming or repurchasing the Company’s equity securities; changing the authorized number of members of the Board of Directors; changing the number of shares authorized under the Company’s Equity Incentive Plan; incurring indebtedness in excess of $100,000 entering into related party transactions; creating or holding stock in a subsidiary; or entering into any transaction deemed to be a liquidation or dissolution of the Company.

7. Capital Stock (continued)

Common Stock:

The Company is authorized to issue 8,232,131 shares of common stock with a par value of $0.0001 per share, of which 1,149,290 shares were issued and outstanding as of December 31, 2020.

The Company has allowed certain stock option holders to exercise unvested options to purchase shares of common stock. Shares received from such early exercises are subject to a right of repurchase at the issuance price. The Company’s repurchase right with respect to these shares lapses over the same period the options vest. No shares of common stock were subject to repurchase as of December 31, 2020.

Stockholder Note Receivable:

In December 2018, an employee early exercised stock options issued out of the Company's stock option plan (Note 7) and received 159,670 shares of common stock in exchange for a note receivable totaling $849,444. The note receivable accrues interest at 3.07% per annum, is collateralized by the underlying common stock and matures in December 2024. The common stock issued is subject to repurchase at the issuance price. The Company’s repurchase right with respect to these shares lapses over the same period the underlying option vests, which is through July 2022. As of December 31, 2020, the note receivable balance was $902,628 and 103,120 shares of common stock were subject to repurchase ($875,743 balance and 103,121 shares as of December 31, 2019).

The note is collateralized by the underlying common stock. The note agreement was determined to be non-recourse which the Company determined an in-substance stock option for accounting purposes (the Option). The Company determined the fair value of the Option to be $256,114 on the date of issuance using a closed-form, continuous time model for forward-start options, assuming a risk-free interest rate of 2.58%, an expected life of 6 years, expected volatility of 75% and no dividends. In 2020 and 2019, the Company recognized $42,686 of stock-based compensation relating to the Option.

Share Repurchases:

In May 2019, in connection with the Series C financing, a member of management directly transferred 81,640 shares of common stock to a Series C investor. Upon transfer, the 81,640 shares were converted to Series C. Given the Company’s financing event facilitated this direct transfer, the share sale was recognized as stock-based compensation of $1,994,163. The Company also repurchased 35,446 shares of common stock from certain tenured employees, recognizing compensation expense of $1,271,926, which is included in operating expenses in the consolidated statements of operations during 2019.

8. Equity Incentive Plan

In 2013, the Company adopted the 2013 Equity Incentive Plan (the Plan). Options granted under the Plan may be incentive stock options (ISOs) or nonqualified stock options (NSOs). ISOs may be granted only to Company employees and directors. NSOs may be granted to employees, directors, advisors and consultants. The Board of Directors has the authority to determine to whom options will be granted, the number of options, the term and the exercise price. The Company has authorized 2,530,225 shares of common stock for issuance under the Plan as of December 31, 2020.

Options are to be granted at an exercise price not less than fair value. For individuals holding more than 10% of the voting rights of all classes of stock, the exercise price of an option will not be less than 110% of fair value. Fair value is determined by the Company's Board of Directors. The vesting period is normally monthly over a period of four years from the vesting date. The term of an option is no longer than five years for ISOs for which the grantee owns greater than 10% of the voting power of all classes of stock and no longer than ten years for all other options.

In 2020, the Company recognized $1,501,966 of stock-based compensation related to options granted to employees ($508,329 in 2019). The compensation expense is allocated on a departmental basis, based on the classification of the option holder. No income tax benefits have been recognized in the statements of operations for stock-based compensation arrangements and no stock-based compensation costs have been capitalized as property and equipment as of December 31, 2020.

The fair value of each award granted to employees in 2020 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected life of 6.20 years, risk-free interest rate of 0.73%, expected volatility of 75% and no dividends during the expected life (5.93 years; 1.69%; 54.16% and no dividends, respectively, in 2019). Expected volatility is based on volatilities of public companies operating in the Company's industry. The expected life of the options represents the period of time options are expected to be outstanding and is estimated considering vesting terms and employees' historical exercise and post-vesting employment termination behavior. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

8. Equity Incentive Plan (continued)

As of 2020, future stock-based compensation for options granted and outstanding to employees of $5,373,434 will be recognized over a remaining weighted-average requisite service period of 1.66 years.

The Company also uses the mark to market method to value options granted to non-employees. In connection with its grant of options to non-employees, the Company has recognized $970 of
stock-based compensation in 2020 ($37,874 in 2019), over the vesting period of the individual options. As of December 31, 2020, all outstanding non-employee grants have been full recognized.

Stock option activity under the Plan is as follows:

		Options Outstanding	
	Options Available	Number of Shares	Weighted-Average Exercise Price
Balances, December 31, 2018	152,930	1,164,161	$ 1.784
Authorized	218,237	—	—
Granted	(230,816)	230,816	12.320
Exercised	—	(89,560)	1.248
Cancelled	63,932	(63,932)	9.253
Balances, December 31, 2019	204,283	1,241,485	3.397
Authorized	746,642	—	—
Granted	(855,476)	855,476	11.870
Exercised	—	(15,423)	6.440
Cancelled	101,081	(101,081)	11.250
Balances, December 31, 2020	196,530	1,980,457	$ 6.632
Weighted-Average Remaining Contractual Life			6.20 years

8. Equity Incentive Plan (continued)

As of December 31, 2020, there were 1,110,824 shares vested with a weighted-average exercise price of $2.206 and a weighted-average remaining contractual life of 4.63 years (946,194 shares, $1.402 and 5.25 years as of December 31, 2019). The intrinsic value of stock options exercised in 2020 was $175,935 ($951,676 in 2019).

9. Benefit Plan

The Company established a 401(k) plan under which employees may contribute a portion of their compensation to the plan, subject to the limitations under the Internal Revenue Code. The Company's contributions to the plan are at the discretion of the Board of Directors. The Company has not made any contributions to the plan as of December 31, 2020.

10. Subsequent Events

In January 2021, the Company drew down $3,000,000 of the delayed draw term loan provided by JPMorgan Chase Bank, N.A.

In February 2021, the Company provided a new loan to an employee in the amount of $604,819 so that the employee can concurrently repay the outstanding principal and accrued interest of $849,444 as of the date issued in relation to the employee's outstanding promissory note from 2018.

In March 2021, the Company expanded the number of shares of common stock reserved under the Equity Incentive Plan from 2,530,225 as of December 31, 2020, to 2,780,225 shares.

In July 2021, the Company amended its loan agreement with TriplePoint Capital, providing an extension of the availability period to June 30, 2022, with the agreement to issue 4,082 new Series C warrants if at least $1,000,000 and another $1,000,000 were not to be drawn down by September 30, 2021, and December 31, 2021, respectively.

In August 2021, the Company provided a loan to an employee in the amount of $476,279 to facilitate the early exercise of 5,737 vested and 35,679 unvested options. The note receivable accrues interest at 1.00% per annum, is collateralized by the underlying common stock and matures in August 2027. On December 22, 2021, the Company forgave the remaining balance of the promissory note. The associated compensation expense will be reflected in the post-combination consolidated financial statements of Oportun Financial Corporation.

In September 2021, the Company drew down $1,000,000 of debt provided by TriplePoint Capital. The promissory note has a six-month maturity of March 31, 2022, and an interest rate of 7.0%.

10. Subsequent Events (continued)

On November 16, 2021, the Company signed an agreement to be acquired by Oportun, Inc. (Nasdaq: OPRT) in exchange for consideration of approximately $98,500,000 in equity and $114,400,000 million in cash. The acquisition closed on December 22, 2021.

On December 22, 2021, the Company forgave the remaining balance of the promissory note issued in August 2021 with an officer discussed in Note 8. The associated compensation expense will be reflected in the post-combination consolidated financial statements of Oportun Financial Corporation.

Subsequent events have been evaluated through February 22, 2022, which is the date the consolidated financial statements were approved by the Company and available to be issued. No additional items requiring disclosure in the consolidated financial statements have been identified.

11. Restatement for Correction of Errors

Subsequent to issuance of the 2020 consolidated financial statements and independent auditors' report the Company's management determined there were certain errors related to sales taxes owed on subscription revenue, software development capitalization, the balance sheet treatment of customer accounts and deposits, and the income statement treatment of interest earned on customer funds. As a result, certain balances were restated for 2020 as below.

Reclasses for the balance sheet treatment of customer accounts and deposits and the income statement treatment of interest income were also made to the 2019 consolidated financial statements for comparison purposes.

11. Restatement for Correction of Errors

Consolidated Balance Sheets

	2020, as previously reported	Effect of Restatement	2020, as restated
ASSETS			
Current Assets			
Customer accounts	$ 562,683,122	$ (562,683,122)	$ -
Total current assets	579,321,081	(562,683,122)	16,637,959
Capitalized Software, net	-	1,717,617	1,717,617
Total assets	$ 582,079,403	$ (560,965,505)	$ 21,113,898
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	$ 839,267	$ 503,173	$ 1,342,440
Customer deposits	562,683,122	(562,683,122)	-
Total current liabilities	565,580,783	(562,179,949)	3,400,834
Accumulated deficit	(56,183,563)	1,214,444	(54,969,119)
Total stockholders' equity	16,062,724	1,214,444	17,277,168
Total liabilities and stockholders' equity	$ 582,079,403	$ (560,965,505)	$ 21,113,898

Consolidated Balance Sheets (continued)

	2019, as previously reported	Effect of Restatement	2019, as restated
ASSETS			
Current Assets			
Customer accounts	$ 318,762,178	$ (318,762,178)	$ -
Total current assets	342,620,717	(318,762,178)	23,858,539
Total assets	$ 345,067,773	$ (318,762,178)	$ 26,305,595
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Customer deposits	$ 318,762,178	$ (318,762,178)	$ -
Total current liabilities	323,413,884	(318,762,178)	4,651,706
Total liabilities and stockholders' equity	$ 345,067,773	$ (318,762,178)	$ 26,305,595

11. Restatement for Correction of Errors (continued)

Consolidated Statements of Operations

	2020, as previously reported	Effect of Restatement	2020, as restated
Revenue, net	$ 39,771,550	$ (3,940,021)	$ 35,831,529
Cost of Revenue	12,349,976	236,774	12,586,750
Gross margin	27,421,574	(4,176,795)	23,244,779
Operating Expenses			
Research and development	14,635,966	(1,954,391)	12,681,575
General and administrative	6,560,682	503,173	7,063,855
Total operating expenses	34,663,041	(1,451,218)	33,211,823
Loss from Operations	(7,241,467)	(2,725,577)	(9,967,044)
Interest Income	37,881	3,940,021	3,977,902
Net Loss	$ (6,845,676)	$ 1,214,444	$ (5,631,232)

	2019, as previously reported	Effect of Restatement	2019, as restated
Revenue, net	$ 27,781,053	$ (5,220,653)	$ 22,560,400
Gross margin	18,454,035	(5,220,653)	13,233,382
Loss from Operations	(20,934,648)	(5,220,653)	(26,155,301)
Interest Income	97,694	5,220,653	5,318,347
Net Loss	$ (20,673,360)	$ -	$ (20,673,360)

11. Restatement for Correction of Errors (continued)

Consolidated Statement of Cash Flows

	2020, as previously reported	Effect of Restatement	2020, as restated
Cash Flows from Operating Activities			
Net loss	$ (6,845,676)	$ 1,214,444	$ (5,631,232)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	182,473	236,774	419,247
Changes in operating assets and liabilities:			
Accrued expenses and other current liabilities	(1,064,256)	503,173	(561,083)
Net cash used in operating activities	(7,083,776)	1,954,391	(5,129,385)
Cash Flows from Investing Activities			
Capitalized software costs	-	(1,954,391)	(1,954,391)
Net cash used in investing activities	$ (224,079)	$ (1,954,391)	$ (2,178,470)

There is no impact to the 2019 consolidated statement of cash flows.

Customer Accounts and Customer Deposits:

Subsequent to issuance of the 2020 consolidated financial statements management determined that customer accounts consisting of funds held with major financial institutions for the benefit of customers with deposits are not assets of the Company because customers retain legal title to the amounts deposited and enjoy the full benefits of Federal Deposit Insurance Corporation deposit insurance as if they had directly established accounts with the financial institutions. Accordingly, the Company's consolidated balance sheets have been restated to exclude customer accounts and the associated customer deposits.

Sales Tax Liability:

Subsequent to issuance of the 2020 consolidated financial statements management determined certain revenue transactions triggered nexus rules under certain state and local sales tax guidelines. As a result, $503,173 was accrued at December 31, 2020, on the accompanying consolidated balance sheet. Cumulative amounts related to periods prior to 2020 are determined by management to be immaterial and recorded as an out of period correction included in the 2020 accrual.

11. Restatement for Correction of Errors (continued)

Software Capitalization:

Subsequent to issuance of the 2020 consolidated financial statements management determined certain costs met the Company's policy for capitalization. As a result, $1,954,391 was capitalized during 2020, $236,774 was amortized during 2020, resulting in a balance of $1,717,617 at December 31, 2020 on the accompanying consolidated balance sheet. Cumulative amounts related to periods prior to 2020 are determined by management to be immaterial and recorded as an out of period correction included in the 2020 accrual.

Revenue and Interest Income:

Subsequent to issuance of the 2020 consolidated financial statements management determined that since the customer accounts and the associated customer deposits are not considered assets and liabilities of the Company, the related net interest income does not represent income from core business activities of the Company and therefore should be reclassified from revenue, net to interest income.

Income Taxes:

Resulting from the impact of the correction of the above errors Note 6 has been restated. The Company previously reported December 31, 2020 net deferred income tax assets were approximately $12,556,000 and federal and state net operating loss carryforwards of $48,635,000 and $27,082,000, respectively.

Hello Digit, Inc. (dba Digit)

Consolidated Financial Statements

September 30, 2021

Board of Directors
Hello Digit, Inc. (dba Digit)
San Francisco, California

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Report on the Financial Statements

We have reviewed the accompanying consolidated financial statements of Hello Digit, Inc. (dba Digit) (the Company), which comprise the balance sheet as of September 30, 2021, and the related statements of operations, stockholder's equity, and cash flows for the period from January 1, 2021, through September 30, 2021, and the related notes to the consolidated financial statements. A review consists primarily of applying analytical procedures to management's financial data and making inquiries of the Company's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Acquisition

As described in Note 10 to the consolidated financial statements, the Company was acquired by Oportun, Inc. in December 2021.

/s/ Frank, Rimerman + Co. LLP

San Francisco, California
February 22, 2022

Hello Digit, Inc. (dba Digit)
Consolidated Balance Sheet
As of September 30, 2021

ASSETS	
Current Assets	
Cash	$ 18,963,556
Prepaid expenses and other current assets	1,166,274
Total current assets	20,129,830
Certificates of Deposit	1,700,981
Property and Equipment, net	479,683
Capitalized Software, net	1,618,630
Deposits	50,000
Other Assets	165,455
Restricted Cash	20,000
Total assets	$ 24,164,579
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Accounts payable	$ 664,829
Accrued expenses and other current liabilities	1,580,578
Deferred revenue	1,321,456
Short-term debt	2,200,000
Total current liabilities	5,766,863
Deferred Rent	355,189
Long-term debt	1,200,000
Warrant Liability	44,117
Stockholders' Equity (Note 7)	
Series C convertible preferred stock, $0.0001 par value	87
Series B convertible preferred stock, $0.0001 par value	173
Series A convertible preferred stock, $0.0001 par value	116
Series Seed-2 convertible preferred stock, $0.0001 par value	84
Series Seed-1 convertible preferred stock, $0.0001 par value	31
Common stock, $0.0001 par value	118
Additional paid-in capital	74,254,772
Accumulated deficit	(57,456,971)
Total stockholders' equity	16,798,410
Total liabilities and stockholders' equity	$ 24,164,579

See Notes to Consolidated Financial Statements

Hello Digit, Inc. (dba Digit)
Consolidated Statement of Operations
For the period ended September 30, 2021

Revenue, net	$ 29,598,074
Cost of Revenue	8,651,337
Gross margin	20,946,737
Operating Expenses	
Sales and marketing	3,310,176
Research and development	13,692,900
General and administrative	6,968,999
Total operating expenses	23,972,075
Loss from Operations	(3,025,338)
Interest Income	672,942
Interest Expense	(190,018)
Other Income, net	54,562
Net Loss	$ (2,487,852)

See Notes to Consolidated Financial Statements

Hello Digit, Inc. (dba Digit)
Consolidated Statement of Stockholders' Equity
Perod Ended September 30, 2021

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balances at December 31, 2020	4,903,698	$ 491	1,149,290	$ 115	$ 72,245,681	$ (54,969,119)	$ 17,277,168
Issuance of common stock upon exercise of stock options for cash			41,779	$ 4	$ 349,506	-	$ 349,510
Issuance of common stock upon exercise of stock options for note receivable			41,416	$ 4	$ (4)		
Returned shares for non-vested exercised stock options			(56,550)	$ (5)	$ 5		-
Stock-based compensation					1,659,584	-	1,659,584
Net loss						(2,487,852)	(2,487,852)
Balances at September 30, 2021	4,903,698	$ 491	1,175,935	$ 118	$ 74,254,772	$ (57,456,971)	$ 16,798,410

See Notes to Consolidated Financial Statements

Hello Digit, Inc. (dba Digit)
Consolidated Statement of Cash Flows
Period Ended September 30, 2021

Cash Flows from Operating Activities	
Net loss	$ (2,487,852)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	659,757
Impairment of intangible assets	132,411
Non-cash interest expense	102,199
Stock-based compensation	1,659,584
Revaluation of preferred stock warrant liability	10,281
Changes in operating assets and liabilities:	
Prepaid expenses and other current assets	(464,677)
Accounts payable	(172,313)
Accrued expenses and other current liabilities	149,617
Deferred revenue	100,204
Deferred rent	41,649
Net cash used in operating activities	(269,140)
Cash Flows from Investing Activities	
Movement in certificates of deposit and restricted cash	208,879
Purchase of property and equipment	(114,906)
Capitalized software costs	(529,157)
Net cash used in investing activities	(435,184)
Cash Flows from Financing Activities	
Capitalization of debt issuance costs	(17,992)
Proceeds from debt drawdown	4,000,000
Debt repayment	(600,000)
Proceeds from exercise of stock options	349,510
Net cash provided by financing activities	3,731,518
Increase in Cash	3,027,194
Cash and Restricted Cash, beginning of year	15,956,362
Cash and Restricted Cash, end of year	18,983,556

Supplemental Disclosure of Cash Flow Information	
Cash paid for income taxes	$ 80,496
Supplemental Schedule of Non-Cash Financing Activities	
Issuance of common stock warrant upon exercise of stock options for note receivable	$ 4

See Notes to Consolidated Financial Statements

1. Nature of Business and Management's Plans Regarding Financing of Future Operations

Nature of Business

Hello Digit, Inc. (dba Digit) (the Company) was incorporated in the State of Delaware on November 27, 2012. The Company started as a savings platform that connects to customers' checking accounts and analyzes their income and spending patterns to find amounts that can safely be set aside towards savings goals. The Company calculates these amounts by identifying upcoming bills and regular spending habits to ensure optimal amounts are flagged for savings. The platform allows customers to save without thinking about it and savings are immediately accessible.

In August 2019, the Company established a wholly-owned subsidiary, Digit Advisors, LLC (Digit Advisors). Digit Advisors is a registered investment advisor with the United States Securities and Exchange Committee (SEC) with plans to offer retirement products to its customer base, addressing longer term savings as part of its product offering.

The Company's headquarters is in San Francisco, California.

Management's Plans Regarding Financing of Future Operations

The Company has experienced losses since its inception and has an accumulated deficit of $57,456,971 as of September 30, 2021. We estimate that cash on hand, available financing arrangements, and projected cash flows from operations will generate sufficient cash flow to cover monthly net cash outflows that are expected through March 2023. As a result of the above, we believe the Company has sufficient working capital to conduct operations and to meet its obligations in the future. In the event these sources of liquidity are not sufficient to meet obligations as they come due, management may seek additional debt or equity financing. On November 16, 2021, the Company signed an agreement to be acquired by Oportun Financial Corporation (Note 10). The acquisition closed on December 22, 2021.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation:

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") regarding interim financial reporting. All intercompany accounts and transactions have been eliminated in consolidation. The unaudited consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present fairly the Company's financial position, results of operations, changes in stockholders' equity, and cash flows for the period presented. The results of operations for the nine-month period ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or for any other future annual or interim period.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2020.

Principles of Consolidation:

The consolidated financial statements include accounts of the Company and Digit Advisors. All intercompany accounts have been eliminated in consolidation.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition:

The Company recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 *Revenue from Contracts with Customers* (Topic 606). The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

2. Basis of Presentation and Significant Accounting Policies (continued)

Revenue Recognition: (continued)

The Company currently has two different streams of revenue: (1) subscription revenue and (2) transaction revenue.

The Company earns revenue on a subscription basis from users of its platform. Revenue is recognized ratably over each monthly subscription. Revenue is recorded net of promotions and other discounts, which are recognized as a deduction from revenue at the time the associated revenue is earned. Deferred revenue is recognized when the service period spans into the following month. This resulted in a deferred revenue balance of $1,321,456 as of September 30, 2021.

The Company earns transaction revenue when customers choose to withdraw their saved funds instantly through the Real-time Payments network. Revenue is recognized at the time of the transaction, upon the completion of the instant withdrawal.

Cost of Revenue:

Cost of revenue consists primarily of the costs associated with operating and maintaining the Company's platform. These costs include information technology costs, banking fees, consulting services, salaries and related expenses, amortization of capitalized software costs and customer service support.

Sales and Marketing:

Sales and marketing expenses consist primarily of salaries and related costs, advertising, customer acquisition costs, public relations, branding, consulting fees and the costs associated with providing free-trials, which are determined based on an allocation from operations and cost of revenue as described above.

Referral bonuses to customers are included in sales and marketing expenses and was $460,400 for the nine-month period ended September 30, 2021.

Cash and Restricted Cash:

Cash includes all cash balances and highly liquid investments purchased with a remaining maturity of three months or less that belong to Digit. Restricted cash includes security/collateral in the event of outstanding obligations in relation to vendor contracts.

2. Basis of Presentation and Significant Accounting Policies (continued)

Certificates of Deposit:

Certificates of deposit are held with major financial institutions, as collateral against risks related to the volume of electronic banking activity.

Fair Value Measurement:

The Company uses a three-level hierarchy, which prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information for fair value measurement based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. Fair value focuses on an exit price and is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with those financial instruments.

The three-level hierarchy for fair value measurement is defined as follows:

Level I: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level II: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III: Inputs to the valuation methodology, which are significant to the fair value measurement, are unobservable.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

2. Basis of Presentation and Significant Accounting Policies (continued)

Fair Value Measurement: (continued)

The Company's certificates of deposit are recorded at fair value and classified as Level II investments under the fair value hierarchy as of September 30, 2021.

The Company issued warrants as part of debt financing in 2020 and are classified as Level III liabilities under the fair value hierarchy as of September 30, 2021. As of September 30, 2021, the fair value of the warrant liability is $44,117. See additional discussion over the warrants in note 5.

Concentration of Credit Risk:

Financial instruments, which potentially subject the Company to concentration of credit risk consist primarily of cash and certificates of deposit, which are held with major financial institutions. The aggregate balance of these deposits, at times, are in excess of the Federal Deposit Insurance Corporation's insurable limit. The Company has not experienced any losses on its deposits of cash or certificates of deposit for the nine-month period ended September 30, 2021.

Property and Equipment:

Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, typically three years. Leasehold improvements are amortized over the lesser of the asset's estimated useful life or the remaining lease term.

Software Development Costs:

Capitalization of software development costs begins during the application development stage. Costs incurred in the application development phase, including upgrades and enhancements, if it is probable that such expenditures will result in additional functionality, are subject to capitalization and amortization over their estimated useful life. The determination of the probability the technology will result in additional functionality and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors, including anticipated future gross revenue, estimated economic life and changes in hardware and software technology.

2. Basis of Presentation and Significant Accounting Policies (continued)

Accounting for Impairment of Long-Lived Assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying cost or fair value less cost to sell. The Company recognized $132,411 of losses related to impairment for the nine-month period ended September 30, 2021 for capitalized software written-off due to the associated product features being sunset.

Income Taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the amounts at which assets and liabilities are recorded for financial reporting purposes and the amounts recorded for income tax purposes. A valuation allowance is provided against the Company's deferred income tax assets when their realization is not reasonably assured.

Advertising Costs:

All advertising costs are expensed as incurred and included in sales and marketing expenses in the accompanying statement of operations. Advertising expense was $1,328,377 for the nine-month period ended September 30, 2021.

Research and Development:

The Company expenses research and development expenditures as incurred.

Stock-Based Compensation:

The Company generally grants stock options to its employees and non-employees for a fixed number of shares with an exercise price equal to the fair value of the shares at the date of grant. Fair value is determined by the Company's Board of Directors. The Company accounts for stock option grants under FASB ASC Topic 718-10, *Compensation – Stock Compensation*. Under Topic 718-10, all stock option grants are accounted for using the fair value method and compensation is recognized as the underlying options vest. The Company assumes a 10% forfeiture rate estimated at grant.

2. Basis of Presentation and Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Effective:

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a right-of-use (ROU) asset and a lease liability on the consolidated balance sheet for all leases with the exception of short-term leases. The FASB also issued ASU 2020-05 which delayed the effective date of adoption for private companies to January 1, 2022. The standard requires the use of a modified retrospective transition approach for its adoption. The Company is currently evaluating the effect that the adoption of this ASU will have on its consolidated financial statements and related disclosures and expect the most significant impact will be the recognition on the consolidated balance sheet of ROU assets and lease liabilities.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (*Topic 326*). This ASU requires an entity to record an allowance for credit losses to reflect its current estimate of all expected credit losses for assets held at an amortized cost basis. In November 2019, the FASB issued ASU 2019-10 which delays the effective date of adoption for private companies to January 1, 2023. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements.

3. Property and Equipment

Property and equipment, net consists of the following as of September 30, 2021:

	2021
Computer hardware	$ 543,919
Leasehold improvements	271,757
Furnitures and fixtures	191,567
	1,007,243
Less accumulated depreciation and amortization	(527,560)
	$ 479,683

Depreciation and amortization expense for computer hardware, leasehold improvements, and furniture and fixtures was $164,024 for the nine-month period ended September 30, 2021.

4. Commitments and Contingencies

Operating Leases:

The Company leases one office facility in San Francisco, California under non-cancelable operating lease agreement. The lease expires in April 2027. Under the terms of the lease agreement, the Company is responsible for certain insurance and maintenance expenses. The lease agreement contains scheduled rent increases over the lease term. The related rent expense for the lease is calculated on a straight-line basis with the difference recorded as deferred rent. Rent expense was $1,045,918 for the nine-month period ended September 30, 2021.

Future minimum rental payments under the lease is as follows:

Years ending December 31:		
2021	$	315,000
2022		1,223,000
2023		1,260,000
2024		1,297,000
2025		1,336,000
2026		1,376,000
Thereafter		351,000
Total	$	7,158,000

Indemnification Agreements:

From time to time, in the normal course of business, the Company may indemnify other parties, with which it enters into contractual relationships, including directors, employees, customers, lessors and parties to other transactions with the Company. The Company may agree to hold other parties harmless against specific losses, such as those that could arise from a breach of representation, covenant or third-party infringement claims. It may not be possible to determine the maximum potential amount of liability under such indemnification agreements due to the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Management believes that potential liabilities related to indemnification claims, if any, would be immaterial to the consolidated financial statements.

5. Long Term Debt

On July 31, 2020, the Company entered into a credit agreement with JPMorgan Chase Bank, N.A. for a $3,000,000 term loan at a floating interest rate of prime (3.25% at September 30, 2021) plus 1.75% with a maturity of July 31, 2023, and a $5 million revolving line of credit at a floating interest rate of prime plus 1.00% with a maturity of July 31, 2022. The Company also issued JPMorgan Chase Bank, N.A. a warrant to purchase 7,965 shares of common stock at an exercise price of $11.30 per share. The warrant expires on July 31, 2030. The Company recorded the fair value of the warrant in the amount of $69,013 using the Black-Scholes-Merton option pricing model using the following assumptions; expected life of 10 years, risk-free interest rate of 0.93%, expected volatility of 75% and no dividends. Expected volatility is based on volatilities of public companies operating in the Company's industry. The expected life of the warrant represents the term of the exercise period. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. $6,469 was amortized for the nine-month period ended September 30, 2021. The warrant was classified as equity and recorded as a deferred charge in the accompanying consolidated balance sheet. In January 2021, the Company drew down $3.0 million of the term loan provided by JPMorgan Chase Bank, N.A, and as of September 30, 2021, the Company had not drawn down on the JPMorgan Chase Bank, N.A warrant facility. The lender has first priority lien on the Company's tangible and intangible assets.

On September 8, 2020, the Company entered into a credit agreement with Triple Point Venture Growth BDC Corp and Triple Point Private Venture Credit Inc (collectively "Triple Point Capital") for a $10,000,000 debt facility. The interest rate is dependent on the debt facility structure chosen, which is to be agreed upon at the time of draw. The facility has an availability period which originally expired on June 30, 2021. The Company also issued Triple Point Capital warrants to purchase a guaranteed minimum of 1,446 shares of Preferred Series C Stock, with an additional 5,782 shares contingent on the drawn down amount. The warrants have an exercise price of $36.75 per share. The Company recorded the fair value of the warrant in the amount of $34,357 using the Black-Scholes-Merton option pricing model using the following assumptions; expected life of 7 years, risk-free interest rate of 0.47%, expected volatility of 75% and no dividends. Expected volatility is based on volatilities of public companies operating in the Company's industry. The expected life of the warrant represents the term of the exercise period. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The warrant was classified as a liability due to the non-permanent warrant count and recorded as a deferred charge in the accompanying consolidated balance sheet.

5. Long Term Debt (continued)

On July 1, 2021, the Company amended its loan agreement with Triple Point Capital, providing an extension of the availability period to June 30, 2022 contingent upon the Company making cumulative draws of at least $1.0 million by September 30, 2021 and $2.0 million by December 31, 2021. The Company also agreed to issue a warrant for 4,082 shares of Series C if it failed to make the minimum draws by those dates. In September 2021, the Company drew down $1.0 million of debt provided by Triple Point Capital. The promissory note has a six-month maturity date of March 31, 2022 and an interest rate of 7.0%. The Company did not record a liability for the warrant because the minimum draws were probable of occurrence, and therefore the fair value of the warrants was not significant.

The Company recorded total debt issuance costs consisting of legal fees associated with the debt financings of $218,926, excluding warrants, to be amortized over the term of the agreements. Amortization of debt issuance costs for the nine-month period ended September 30, 2021 was $102,199.

6. Income Taxes

The Company applies the provisions set forth in FASB ASC Topic 740, *Income Taxes*, to account for income taxes.

For the period ended September 30, 2021, the Company calculates its year-to-date income tax expense (benefit) by applying the estimated annual effective tax rate to the year-to-date income from operations before income taxes and adjusts the income tax expense (benefit) for discrete tax items recorded in the period. Deferred income taxes result from the tax effect of transactions that are recognized in different periods for consolidated financial statement and income tax reporting purposes.

As of September 30, 2021, the Company's net deferred income tax assets were approximately $14,881,000, and have been fully offset by a valuation allowance, as their realization is not reasonably assured. These deferred income tax assets consist primarily of net operating losses and income tax credits, which may be carried forward to offset future income tax liabilities. As of September 30, 2021, the Company has federal and state net operating loss carryforwards of $51,798,000 and $28,978,000 respectively. The federal and state net operating losses will begin to expire in 2033 if not used.

6. Income Taxes (continued)

The Company uses the "more likely than not" criterion for recognizing the tax benefit of uncertain tax positions and establishing measurement criteria for income tax benefits. The Company has evaluated the impact of its tax positions and believes that all income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of September 31, 2021. In the event the Company should need to recognize interest and penalties related to unrecognized tax liabilities, this amount will be recorded as an accrued liability and an increase to income tax expense. No interest or penalties were recorded for the nine-month period ended September 30, 2021.

The Company files income tax returns in the U.S. federal jurisdiction, the state of California and other various states. The Company is still subject to U.S. federal, state and local examinations by tax authorities since inception.

7. Capital Stock

Convertible Preferred Stock:

As of September 30, 2021, the Company is authorized to issue 4,920,496 shares of convertible preferred stock with a par value of $0.0001 per share. As of September 30, 2021, the Company had the following shares of convertible preferred stock authorized, issued and outstanding:

	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Preference
Series C	881,835	865,037	$ 31,786,909
Series B	1,726,250	1,726,250	23,838,995
Series A	1,159,341	1,159,341	11,370,005
Series Seed-2	841,128	841,128	2,524,982
Series Seed-1	311,942	311,942	559,998
	4,920,496	4,903,698	70,080,889

The rights, preferences, privileges and restrictions for the holders of Series Seed-1 convertible preferred stock (Seed-1), Series Seed-2 convertible preferred stock (Seed-2), Series A convertible preferred stock (Series A), Series B convertible preferred stock (Series B) and Series C convertible preferred stock (Series C), (collectively, Preferred Stock) are as follows:

7. Capital Stock (continued)

Convertible Preferred Stock: (continued)

Dividends:

The holders of Preferred Stock are entitled to receive non-cumulative dividends at an annual rate of 8% of the original issuance price per share, as adjusted for any stock dividends, combinations, splits or the like, prior to and in preference to any declaration or payment of dividends on common stock. The original issuance price of each class of shares is presented below:

Seed-1	$1.7952 per share
Seed-2	$3.0019 per share
Series A	$9.8073 per share
Series B	$13.8097 per share
Series C	$36.7463 per share

Dividends are payable when and if declared by the Board of Directors. After payment of such dividends, any additional dividends or distributions will be distributed among holders of common stock and Preferred Stock on a pari passu basis. No dividends have been declared or paid for the nine-month period ended September 30, 2021.

Conversion:

Shares of Preferred Stock are convertible, one-for-one, into shares of common stock at any time at the option of the holder. The conversion ratio is subject to adjustment, for any stock dividends, combinations, splits or the like and for dilutive issuances of new securities. The conversion price for each class of shares as of September 30, 2021 is presented below:

Seed-1	$1.7952 per share
Seed-2	$3.0019 per share
Series A	$9.8073 per share
Series B	$13.8097 per share
Series C	$36.7463 per share

Each share of Preferred Stock will automatically convert into the number of shares of common stock into which such shares are convertible at the then applicable conversion ratio upon (i) the closing of the sale of the Company’s common stock in a public offering with aggregate gross proceeds of at least $50,000,000 or (ii) the affirmative vote or consent of the holders of a majority of the outstanding shares of Preferred Stock, voting together as a single class, on an as-converted common stock basis.

7. Capital Stock (continued)

Convertible Preferred Stock: (continued)

Voting:

The holders of Preferred Stock are entitled to voting rights equal to the number of shares of common stock into which each share of Preferred Stock could be converted.

For so long as at least 300,000 shares of Series A remain outstanding, the holders of Series A, voting as a separate class, are entitled to elect one member of the Board of Directors. For so long as at least 425,000 shares of Series B remain outstanding, the holders of Series B, voting as a separate class, are entitled to elect one member of the Board of Directors. The holders of common stock, voting as a separate class, are entitled to elect two members of the Board of Directors. The holders of Preferred Stock and common stock, voting together as a single class on an as-converted basis, are entitled to elect the remaining members of the Board of Directors.

Liquidation:

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of each class of Preferred Stock are entitled to receive, prior to and in preference to holders of common stock, amounts per share equal to:

Seed-1	\$1.7952 per share
Seed-2	\$3.0019 per share
Series A	\$9.8073 per share
Series B	\$13.8097 per share
Series C	\$36.7463 per share

The above are subject to adjustments for stock splits, stock dividends, combinations, reclassifications or the like, plus all declared and unpaid dividends on each share of Preferred Stock, as applicable. If, upon occurrence of such an event, the assets and funds to be distributed among the holders of Preferred Stock are insufficient to permit the above payment to such holders, then the entire assets and funds of the Company legally available for distribution will be distributed ratably among the holders of Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive. Upon the completion of the distribution to the holders of Preferred Stock, all remaining proceeds, if any, will be distributed ratably among the holders of common stock.

7. Capital Stock (continued)

Convertible Preferred Stock: (continued)

Protective Provisions:

So long as at least 750,000 shares of Preferred Stock remaining outstanding, the vote of the holders of a majority of the outstanding shares of Preferred Stock, on an as-converted to common stock basis, is necessary for consummation of certain transactions, including but not limited to: increasing or decreasing the authorized capital stock; creating any senior or pari passu security, privileges, preferences or voting rights senior to or on parity with those granted to the Preferred Stock; altering or changing the preferred stockholder rights; redeeming or repurchasing the Company's equity securities; changing the authorized number of members of the Board of Directors; changing the number of shares authorized under the Company's Equity Incentive Plan; incurring indebtedness in excess of $100,000 entering into related party transactions; creating or holding stock in a subsidiary; or entering into any transaction deemed to be a liquidation or dissolution of the Company.

Common Stock:

The Company is authorized to issue 8,232,131 shares of common stock with a par value of $0.0001 per share, of which 1,175,935 shares were issued and outstanding as of September 30, 2021.

The Company has allowed certain stock option holders to exercise unvested options to purchase shares of common stock. Shares received from such early exercises are subject to a right of repurchase at the issuance price. The Company's repurchase right with respect to these shares lapses over the same period the options vest. No shares of common stock were subject to repurchase as of September 30, 2021.

7. Capital Stock (continued)

Stockholder Notes Receivable:

In December 2018, an employee early exercised stock options issued out of the Company's stock option plan (Note 7) and received 159,670 shares of common stock in exchange for a note receivable totaling $849,444. The note agreement was determined to be non-recourse which the Company determined to be an in-substance stock option for accounting purposes. The note receivable accrues interest at 3.07% per annum, is collateralized by the underlying common stock and matures in December 2024. The common stock issued is subject to repurchase at the issuance price. The Company’s repurchase right with respect to these shares lapses over the same period the underlying option vests, which is through July 2022.

In February 2021, the Company provided a new loan to the employee in the amount of $604,819 concurrently with the employee’s termination of employment. As a result, 56,550 common shares were returned to the Company representing the unvested awards. The new loan balance represents the value of the vested awards including considerations for accrued interest. The new loan has interest at the fixed rate of 0.56% per annum and matures in July 2028. The issuance of the new loan was deemed to be a modification of the in-substance stock-option, incremental compensation expense related to this modification was not material to the consolidated financial statements. As of September 30, 2021, the note receivable balance was $477,023 and 103,120 shares of common stock were subject to repurchase.

In August 2021, the Company entered into a promissory note with an officer in the amount of $476,279 to facilitate the exercise of 5,737 vested and 35,679 unvested options. The note receivable accrues interest at 1.00% per annum, is prepayable, and matures in August 2027. The promissory note was treated as nonrecourse as the loan is secured solely by the common stock issued from the exercise of the options. As such, (i) the underlying option grant is still considered to be outstanding and the shares of common stock are not considered issued and outstanding for accounting purposes until the loan is repaid in full or otherwise forgiven and (ii) no receivable was recorded for the promissory note on the Company’s consolidated balance sheet. For the nine-month period ended September 30, 2021, the Company recognized $207,792 of stock-based compensation relating to the exercise. As of September 30, 2021, the note receivable balance was $477,023 and 41,416 shares of common stock were subject to repurchase.

8. Equity Incentive Plan

In 2013, the Company adopted the 2013 Equity Incentive Plan (the Plan). Options granted under the Plan may be incentive stock options (ISOs) or nonqualified stock options (NSOs). ISOs may be granted only to Company employees and directors. NSOs may be granted to employees, directors, advisors and consultants. The Board of Directors has the authority to determine to whom options will be granted, the number of options, the term and the exercise price. The Company has authorized 2,780,225 shares of common stock for issuance with 124,106 outstanding able to be issued under the Plan as of September 30, 2021.

Options are to be granted at an exercise price not less than fair value. For individuals holding more than 10% of the voting rights of all classes of stock, the exercise price of an option will not be less than 110% of fair value. Fair value is determined by the Company's Board of Directors. The vesting period is normally monthly over a period of four years from the vesting date. The term of an option is no longer than five years for ISOs for which the grantee owns greater than 10% of the voting power of all classes of stock and no longer than ten years for all other options.

For the nine-month period ended September 30, 2021, the Company has recognized $1,451,792 of stock-based compensation related to options granted to employees. The compensation expense is allocated on a departmental basis, based on the classification of the option holder. No income tax benefits have been recognized in the statement of operations for stock-based compensation arrangements and no stock-based compensation costs have been capitalized as property and equipment as of September 30, 2021.

The fair value of each award granted to employees through September 30, 2021 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected life of 5.93 years, risk-free interest rate of 0.91%, expected volatility of 56% and no dividends during the expected life. Expected volatility is based on volatilities of public companies operating in the Company's industry. The expected life of the options represents the period of time options are expected to be outstanding and is estimated considering vesting terms and employees' historical exercise and post-vesting employment termination behavior. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

As of September 30, 2021, future stock-based compensation for options granted and outstanding to employees of $5,340,325 will be recognized over a remaining weighted-average requisite service period of 1.56 years.

8. Equity Incentive Plan (continued)

Stock option activity under the Plan is as follows:

		Options Outstanding	
	Options Available	Number of Shares	Weighted-Average Exercise Price
Balances, December 31, 2020	196,530	1,980,457	$ 6.632
Authorized	250,000	—	—
Granted	(570,604)	570,604	12.625
Exercised	—	(83,195)	10.155
Repurchased	56,550	—	5.320
Cancelled	191,630	(191,630)	10.682
Balances, September 30, 2021	124,106	2,276,236	7.665
Weighted-Average Remaining Contractual Life			5.93 years

In January 2021, the company removed the one-year vesting cliff for two employee stock option grants totaling 834 options in connection with the employees' terminations. The incremental compensation expense related to this modification was not material to the consolidated financial statements.

During 2021 the Company also modified the post-termination exercise period 5 employees throughout the year from the standard 90 days to the shorter of 7 years or 10 years since option grant date per the Company's policy for long tenured employees. The total modified option count was 43,448. The incremental compensation expense for the option modifications was not material to the financial statements.

In July 2021, the Company modified the terms of 689,674 options granted to 5 officers to add double-trigger acceleration protection in the event the officers are subject to an involuntary termination within 12 months of a change in control. The incremental compensation expense for the option modifications was not material to the financial statements.

As of September 30, 2021, there were 1,256,455 shares vested with a weighted-average exercise price of $4.06 and a weighted-average remaining contractual life of 4.71 years. The intrinsic value of stock options exercised for the period ended September 30, 2021, was $577,009.

9. Benefit Plan

The Company established a 401(k) plan under which employees may contribute a portion of their compensation to the plan, subject to the limitations under the Internal Revenue Code. The Company's contributions to the plan are at the discretion of the Board of Directors. The Company has not made any contributions to the plan for the nine-month period ended September 30, 2021.

10. Subsequent Events

On November 16, 2021, the Company signed an agreement to be acquired by Oportun Financial Corporation (Nasdaq: OPRT) in exchange for consideration of approximately $98,500,000 in equity and $114,400,000 million in cash. The acquisition closed on December 22, 2021.

On December 22, 2021, the Company forgave the remaining balance of the promissory note issued in August 2021 with an officer discussed in Note 8. The associated compensation expense will be reflected in the post-combination consolidated financial statements of Oportun Financial Corporation.

Subsequent events have been evaluated through February 22, 2022, which is the date the consolidated financial statements were approved by the Company and available to be issued. No additional items requiring disclosure in the consolidated financial statements have been identified.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 16, 2021, Oportun Financial Corporation ("Oportun" or the "Company") andHello Digit, Inc. ("Digit") entered into an Agreement and Plan of Reorganization (the "Merger Agreement"), under which Oportun would combine with Digit through a business combination and as a result Digit would be a wholly-owned subsidiary of Oportun. The acquisition was completed on December 22, 2021 (the "Acquisition Date"), pursuant to the Merger Agreement, with the Company acquiring all of the outstanding equity interests of Digit in exchange for cash and stock consideration (the "Acquisition").

The following unaudited pro forma condensed combined statements of operations of Oportun and Digit for the year ended December 31, 2020 and for the nine months ended September 30, 2021, combine the historical consolidated statements of operations of Oportun and Digit, giving effect to the Acquisition as if it had been completed on January 1, 2020, the first day of fiscal year 2020. The unaudited pro forma condensed combined balance sheet as of September 30, 2021, combines the historical consolidated balance sheets of Oportun and Digit, giving effect to the Acquisition as if it had been completed on September 30, 2021.

The unaudited pro forma adjustments are based upon currently available information, estimates and assumptions that Oportun's management believes are reasonable as of the date hereof. The unaudited pro forma condensed combined financial information is for informational purposes only, is not intended to represent or to be indicative of actual results of operations or financial position of Oportun or Digit had the Acquisition been completed on the dates assumed and should not be taken as indicative of future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the pro forma statements of operations for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma statements of operations and actual amounts.
In addition, the unaudited pro forma condensed combined financial information should be read in conjunction with:

- The accompanying notes to the unaudited pro forma condensed combined financial information;
- Oportun's audited consolidated financial statements and related notes as of and for the year ended December 31, 2020, included in the Annual Report on Form 10-K filed by Oportun with the Securities and Exchange Commission (the "SEC") on February 23, 2021;
- Oportun's unaudited condensed consolidated financial statements and related notes as of and for the nine months ended September 30, 2021, included in the Quarterly Report on Form 10-Q filed by Oportun with the SEC on November 4, 2021; and
- Digit's audited consolidated financial statements and related notes as of and for the year ended December 31, 2020, and unaudited condensed consolidated financial statements and related notes as of and for the nine months ended September 30, 2021, which are included in this Form 8-K.

The historical financial statements of Oportun and Digit have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

The historical financial information has been adjusted to give pro forma effect to final events that are related and/or directly attributable to the Acquisition and are factually supportable. The adjustments presented on the unaudited pro forma condensed combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the combined company upon consummation of the Acquisition.

The transaction accounting adjustments presented in the unaudited pro forma condensed combined financial information have been prepared using the acquisition method of accounting in accordance with GAAP under Accounting Standards Codification Topic 805, *Business Combinations* ("ASC 805"). Management determined that Oportun is the accounting acquirer and Digit is the accounting acquiree. Accordingly, consideration paid or exchanged by Oportun to complete the Acquisition with Digit is generally allocated to assets and liabilities of Digit based on their estimated fair values as of the date of completion of the Acquisition. The acquisition method of accounting is dependent upon certain valuation assumptions, including those related to the preliminary purchase price allocation of the assets acquired and liabilities assumed of Digit based on Management's best estimates of fair value. The actual purchase price allocation may vary based on final analyses of the fair value of the acquired assets and assumed liabilities.

The historical consolidated financial statements of Digit have been adjusted to reflect certain reclassifications in order to align financial statement presentation with that of Oportun (refer to Note 4). Additionally, some amounts may not match the Digit historical financial statements due to rounding. Oportun has not had any historical relationship with Digit prior to the Acquisition and thus no pro forma adjustments were required to eliminate activities between the parties.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
September 30, 2021
(in thousands)

	Oportun Financial Corporation (Historical)	Hello Digit, Inc. (Historical)	Reclassification Adjustments Note 4		Transaction Accounting Adjustments Note 5		Pro Forma Combined
ASSETS							
Cash and cash equivalents	$ 168,407	$ 18,964	$ 19	(1)	$ (132,151)	(a)	$ 169,331
					114,092	(b)	
Restricted cash	55,348	20	1,701	(2)			57,069
Loans receivable at fair value	1,971,375	-					1,971,375
Interest and fees receivable, net	16,292	-					16,292
Right of use assets - operating	34,952	-			4,927	(e)	39,879
Prepaid expenses and other current assets	-	1,166	(19)	(1)			-
			(1,147)	(3)			
Certificates of deposits	-	1,701	(1,701)	(2)			-
Property and Equipment, net	-	480	(480)	(3)			-
Capitalized Software, net	-	1,619			(1,619)	(d)	-
Intangible assets, net	-	-			83,800	(c)	83,800
Deposits	-	50	(50)	(3)			-
Goodwill	-	-			104,039		104,039
Other assets	101,507	165	1,677	(3)	(165)	(i)	103,184
TOTAL ASSETS	$ 2,347,881	24,165	$ -		$ 172,922		$ 2,544,969
LIABILITIES AND STOCKHOLDERS' EQUITY							
Liabilities:							
Secured financing	$ 525,471	$ -	$ -		$ -		$ 525,471
Acquisition financing	-	-			114,092	(b)	114,092
Asset-backed notes at fair value	1,162,948	-					1,162,948
Lease liabilities	43,498	-			6,248	(e)	49,746
Accounts Payable	-	665	(665)	(4)			-
Accrued Expenses and other current liabilities	-	1,581	(1,581)	(4)			-
Deferred revenue	-	1,321	(1,321)	(4)			-
Short-term debt	-	2,200			(2,200)	(i)	-
Long-term debt	-	1,200			(1,200)	(i)	-
Deferred Rent	-	355			(355)	(e)	-
Warrant Liability	-	44			(44)	(f)	-
Other liabilities	104,373	-	3,567	(4)	10,591	(h)	118,531
Total liabilities	1,836,290	7,366	-		127,132		1,970,788
Stockholders' Equity:							
Common stock	6	* -			* -	(g)	6
Common stock, additional paid-in capital	448,214	74,255			(74,255)	(g)	521,395
					73,181	(a)	
Retained Earnings	69,680	(57,456)			57,456	(g)	59,089
					(10,591)	(h)	
Preferred stock	-	* -			-	(g)	
Treasury stock at cost	(6,309)						(6,309)
Total stockholders' equity	511,591	16,799	-		45,791		574,181
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,347,881	24,165	$ -		$ 172,923		$ 2,544,969

* - These numbers have a value of more than zero but less than thousand.

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Nine Months Ended September 30, 2021
(in thousands, except per share data)

	Oportun Financial Corporation (Historical)	Hello Digit, Inc. (Historical)	Reclassification Adjustments Note 4		Transaction Accounting Adjustments Note 5		Pro Forma Combined
Revenue							
Interest income	$ 401,224	$ -	$ -		$ -		$ 401,224
Non-interest income	31,427	29,598	673	(1)			61,762
			64	(7)			
Total revenue	432,651	29,598	737		-		462,986
Less:							
Interest expense	36,241	-			4,351	(gg)	40,592
Cost of revenue	-	8,651	(8,651)	(2)			-
Net decrease in fair value	(26,457)	-					(26,457)
Net revenue	369,953	20,947	9,388		(4,351)		395,937
Operating expenses							
Technology and facilities	100,274	-	21,843	(7)	5,196	(aa)	125,243
					(1,109)	(bb)	
					647	(cc)	
					(980)	(cc)	
					(628)	(dd)	
Research and development	-	13,693	(13,693)	(4)			-
Sales and marketing	79,743	3,310	(202)	(5)	3,896	(aa)	86,788
			94	(7)	(53)	(bb)	
Personnel	84,412	-	5,518	(7)	2,318	(bb)	97,678
					(497)	(bb)	
					5,927	(ee)	
Outsourcing and professional fees	40,762	-	1,086	(7)			41,848
General, administrative and other	22,862	6,969	(6,021)	(3)			23,846
			36	(7)			
Total operating expenses	328,053	23,972	8,661		14,717		375,403
Income/ (loss) from operations	41,900	(3,025)	727		(19,068)		20,534
Interest expense	-	(190)			190	(ff)	-
Interest income	-	673	(673)	(1)			-
Other Income, net	-	54	(54)	(6)			-
Income/ (loss) before income taxes	$ 41,900	$ (2,488)	$ -		$ (18,878)		$ 20,534
Income tax expense (benefit)	8,652	-			(4,732)	(hh)	3,296
					(624)	(hh)	
Net income (loss)	$ 33,248	$ (2,488)	$ -		$ (13,522)		$ 17,238
Net income (loss) attributable to common stockholders	$ 33,248	$ (2,488)	$ -		$ (13,522)		$ 17,238
Share data:							
Earnings (loss) per share:							
Basic	1.19						0.54
Diluted	1.11						0.51
Weighted average common shares outstanding:							
Basic	27,982,273				3,943,085		31,925,358
Diluted	30,059,675				3,953,997		34,013,672

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Year Ended December 31, 2020
(in thousands, except per share data)

	Oportun Financial Corporation (Historical)	Hello Digit, Inc. (Historical)	Reclassification Adjustments Note 4		Transaction Accounting Adjustments Note 5		Pro Forma- Combined
Revenue							
Interest income	$ 545,466	$ -	$ -		$ -		$ 545,466
Non-interest income	38,268	35,832	3,978	(1)			78,508
			430	(7)			
Total revenue	583,734	35,832	4,408		-		623,973
Less:							
Interest expense	58,368	-			8,979	(ii)	67,347
Cost of revenue	-	12,587	(12,587)	(2)			-
Net decrease in fair value	(190,306)						(190,306)
Net revenue	335,060	23,245	16,995		(8,979)		366,321
Operating expenses							
Technology and facilities	129,795	-	24,994	(7)	6,929	(aa)	159,633
					(1,441)	(bb)	
					904	(cc)	
					(1,311)	(cc)	
					(237)	(dd)	
Research and development	-	12,682	(12,682)	(4)	-		-
Sales and marketing	89,375	13,466	(504)	(5)	5,195	(aa)	107,471
					(61)	(bb)	
Personnel	106,446	-	4,664	(7)	3,453	(bb)	126,537
					11,974	(ff)	
Outsourcing and professional fees	47,067	-	1,871	(7)	-		48,938
General, administrative and other	20,471	7,064	(5,757)	(3)	19,086	(ee)	51,455
					10,591	(ee)	
Total operating expenses	393,154	33,212	12,586		55,082		494,034
Income/ (loss) from operations	(58,094)	(9,967)	4,410		(64,061)		(127,713)
Interest expense	-	(73)			73	(hh)	-
Interest income	-	3,978	(3,978)	(1)			-
Other Income, net	-	431	(431)	(6)			-
Income/ (loss) before income taxes	$ (58,094)	$ (5,631)	$ -		$ (63,988)		$ (127,713)
Income tax expense (benefit)	(13.012)	-			(14,332)	(jj)	(28,605)
					(1,261)	(jj)	
Net income (loss)	$ (45,082)	$ (5,631)	$ -		$ (48,395)		$ (99,108)
Net income (loss) attributable to common stockholders	$ (45,082)	$ (5,631)	$ -		$ (48,395)		$ (99,107)
Share data:							
Earnings (loss) per share:							
Basic	(1.65)						(3.21)
Diluted	(1.65)						(3.22)
Weighted average common shares outstanding:							
Basic	27,333,271				3,522,182		30,855,453
Diluted	27,333,271				3,522,182		30,855,453

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of the Merger and Basis of Pro Forma Presentation

On November 16, 2021, Oportun and Digit entered into an Agreement and Plan of Reorganization (the “Merger Agreement”), under which Oportun would combine with Digit through a business combination and as a result Digit would be a wholly-owned subsidiary of Oportun. The acquisition was completed on December 22, 2021 (the “Acquisition Date”), pursuant to the Merger Agreement, with the Company acquiring all of the outstanding equity interests of Digit in exchange for cash and stock consideration (the “Acquisition”).

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting with Oportun as the accounting acquirer. The acquisition method of accounting, based on ASC 805, uses the fair value concepts defined in ASC 820, *Fair Value Measurement* (“ASC 820”). Fair value measurements can be highly subjective, and it is possible the application of reasonable judgment could result in alternative estimates using the same facts and circumstances. ASC 805 requires that assets acquired and liabilities assumed in a business combination be recognized at fair value as of the merger date, with any excess purchase price allocated to goodwill. Refer to Note 3 for the preliminary purchase price allocation.

The estimated fair values of the acquired assets and assumed liabilities as of the date of the Acquisition are based on estimates and assumptions of Oportun. Oportun will continue to finalize the valuations of the assets acquired and liabilities assumed after the closing of the Acquisition, within the one year measurement period in accordance with ASC 805. The fair value allocation consists of preliminary estimates and analyses and is subject to change upon the finalization of the valuation analyses, and that change may be material.

For the purposes of preparing the unaudited condensed combined pro forma financial information, Oportun has conducted a review of Digit’s accounting policies to determine if differences in accounting policies or financial statement classifications exist that may require adjustments to or reclassification of Digit’s results of operations, assets or liabilities to conform to Oportun’s accounting policies and classifications. As a result of that review, Management identified certain reclassifications which are presented in the Reclassification Adjustments column on the pro forma financial statements and further described in Note 4 below. Further, Management identified certain adjustments required to conform Digit’s accounting policies with those of Oportun. The necessary conforming policy adjustments are presented within the Transaction Accounting Adjustments on the pro forma financial statements and further described in Note 5 below.

2. Consideration Transferred

The following table presents the fair value of the consideration transferred in the Acquisition (in thousands).

Cash Consideration	$	132,151
Stock Consideration [1]		73,181
Total Consideration Transferred	**$**	**205,332**

(1) The fair value is based on 3,522,182 shares of Company common stock at $20.72 per share, which represents the mid-point of the trading price of Oportun shares on December 22, 2021. The mid-point was used because the transaction closed during the trading day. $0.2 million relates to replacement restricted stock units awarded to Digit unvested option holders.

3. Preliminary Fair Value Estimate of Purchase Price Allocation to Assets Acquired and Liabilities Assumed

The following table presents the preliminary estimates of fair values of the assets acquired and the liabilities assumed (in thousands) as if the Acquisition had closed on September 30, 2021[(1)]. The fair values of the below listed assets and liabilities was calculated as of December 22, 2021, the Acquisition Date. These fair values were then adjusted for significant movements in the balance sheet to reflect the balances as of September 30, 2021. Our preliminary estimates are based on the information that was available as of the date of this filing. As discussed in Note 1 herein, the preliminary estimated allocation will be subject to further refinement and may result in material changes. These changes will primarily relate to the allocation of consideration transferred and the fair value assigned to all tangible and intangible assets and liabilities acquired and identified. The final purchase price and goodwill could differ significantly from the current estimate, which could materially impact the pro forma financial statements.

		(In thousands)
Assets acquired		
Cash and cash equivalents		18,964
Intangible assets		83,800
Right of use assets – operating		4,927
Prepaid expenses and other current assets		3,772
Total assets acquired		111,463
Liabilities assumed		
Lease liabilities		6,247
Accrued expenses and other current liabilities		3,923
Total liabilities assumed		10,170
Net assets acquired		101,293
Total consideration transferred	$	205,332
Goodwill	$	104,039

(1) The allocation of assets and liabilities was performed in accordance with ASC 805, utilizing the definition of fair value as defined in ASC 820.

Intangible Assets: The following table shows a breakdown of the preliminary fair value of identifiable intangible assets assumed and the estimated useful lives as of September 30, 2021:

	Estimated Useful Life (In years)	Fair Value (In thousands)
Developed technology	7	48,500
Member relationships	7	34,500
Trade name	3	800
		83,800

Intangible assets were identified that met either the separability criterion or the contractual-legal criterion described in ASC 805. The developed technology asset represents the software developed by Digit employees and contractors for the purpose of generating income for Digit, valued using the multi-period excess earnings method. The member relationships asset represents the value of the existing relationships with Digit's members, which was valued using the with-and-without method. The trade name intangible asset represents the Digit trade name, which has been valued using the relief from royalty method taking into account the net revenue attributable to trade name and royalty payments.

Goodwill: Approximately $104.0 million has been allocated to goodwill. Goodwill represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets. Goodwill represents future economic benefits arising from the Acquisition primarily due to Digit’s strong market position and its assembled workforce that are not individually identified and separately recognized as an intangible asset.

4. Reclassification Adjustments

Reclassification adjustments were made to Digit’s balance sheet as of September 30, 2021, the statements of operations for the twelve months ended December 31, 2020 and the nine months ended September 30, 2021. The classifications of certain balance sheet and income statement items presented by Digit under GAAP have been adjusted to align with the presentation used by Oportun under GAAP. Some amounts do not match the Digit historical financial statements due to rounding. These adjustments are shown in the “Reclassification Adjustments” column on the pro forma financial statements and are as follows:

Pro Forma Balance Sheet Adjustments:

(1) Reflects the reclassification of $19 thousand from Prepaid expenses and other current assets to Cash and cash equivalents; as this represents a line item on Digit’s historical financial statements that is not present on Oportun’s Consolidated Balance Sheet.

(2) Reflects the reclassification of $1.7 million from Certificates of deposits to Restricted cash as these represent line items on Digit’s historical financial statements that are not present on Oportun’s Consolidated Balance Sheet.

(3) Reflects the reclassification of $1.1 million from Prepaid expenses and other current assets, $0.5 million from Property and Equipment, net and $50 thousand from Deposits to Other assets as these represent line items on Digit’s historical financial statements that are not present on Oportun’s Consolidated Balance Sheet ($1.6 million total).

(4) Reflects the reclassification of $0.7 million from Accounts Payable, $1.6 million from Accrued expenses and other current liabilities and $1.3 million from Deferred Revenue to Other liabilities as these represent line items on Digit's historical financial statements that are not present on Oportun's Consolidated Balance Sheet ($3.6 million total).

Pro Forma Statement of Operations Adjustments for the Nine Months Ended September 30, 2021:

(1) Reflects the reclassification of $0.7 million from Interest Income under Other income to $0.7 million in Non-interest Income under Revenue to align with the line items presented on Oportun's Consolidated Statement of Operations

(2) Reflects the reclassification of $8.6 million from Cost of Revenue to $26 thousand in General, Administrative & Other, $1.5 million in Personnel and $7.1 million in Technology & Facilities to align with the line items presented on Oportun's Consolidated Statement of Operations

(3) Reflects the reclassification of $6 million from General, administrative and other to $1 million in Outsourcing and professional fees, $4 million in Personnel, $24 thousand in Sales & Marketing and $0.8 million in Technology & Facilities to align with the line items presented on Oportun's Consolidated Statement of Operations.

(4) Reflects the reclassification of $13.7 million from Research and development to $69 thousand in Sales & Marketing and $13.6 million in Technology & Facilities to align with the line items presented on Oportun's Consolidated Statement of Operations.

(5) Reflects the reclassification of $0.2 million from Sales and marketing to Technology & Facilities to align with the line items presented on Oportun's Consolidated Statement of Operations.

(6) Reflects the reclassification of Other Income, net to General, administrative and other to align with the line items presented on Oportun's Consolidated Statement of Operations. The reclassification for the nine months ended September 30, 2021 is $54 thousand.

(7) Reflects the reclassification of $64 thousand to Non-Interest Income, $21.8 million to Technology and facilities, $0.1 million to Sales & Marketing, $5.5 million to Personnel, $1 million to Outsourcing and professional fees, and $36 thousand to General, Administrative & Other to align with the line items present on Oportun's Consolidated Statement of Operations. The reclassifications for the nine months ended September 30, 2021 is $28.6 million.

Pro Forma Statement of Operations Adjustments for the Twelve Months Ended December 31, 2020:

(1) Reflects the reclassification of $4 million from Interest Income under Other income to Non-interest Income under Revenue to align with the line items presented on Oportun's Consolidated Statement of Operations.

(2) Reflects the reclassification of $12.6 million from Cost of Revenue to $83 thousand in General, Administrative & Other, $10.7 million in Technology & Facilities and $1.8 million to Personnel to align with the line items presented on Oportun's Consolidated Statement of Operations.

(3) Reflects the reclassification of $5.8 million from General, administrative and other to $1.1 million in Technology & Facilities, $1.8 million in Outsourcing and professional fees, $1 thousand in Sales & Marketing and $2.9 million in Personnel to align with the line items presented on Oportun's Consolidated Statement of Operations.

(4) Reflects the reclassification of $12.7 million from Research and development to Technology & Facilities to align with the line items presented on Oportun's Consolidated Statement of Operations.

(5) Reflects the reclassification of $0.5 million from Sales & Marketing to Technology & Facilities to align with the line items presented on Oportun's Consolidated Statement of Operations.

(6) Reflects the reclassification of Other Income, net to General, administrative, and other and Non-Interest Income to align with the line items presented on Oportun's Consolidated Statement of Operations. The reclassification for the year ended December 31, 2020 is $0.4 million.

(7) Reflects the reclassification of $25 million to Technology and facilities, $0.4 million to Non-Interest Income, $4.7 million to Personnel and $1.9 million to Outsourcing and professional fees to align with the line items present on Oportun's Consolidated Statement of Operations. The reclassifications for the year ended December 31, 2020 is $32 million.

5. Transaction Accounting Adjustments

Pro Forma Balance Sheet Adjustments:

The Transaction Accounting Adjustments to the unaudited pro forma condensed combined balance sheet as of September 30, 2021 are as follows:

(a) Reflects the consideration transferred to acquire Digit as further described under "*Note 2 – Consideration Transferred*."

(b) Reflects the adjustment to record the financing obtained by Oportun for the acquisition of Digit, net of debt issuance costs.

(c) Reflects the adjustment to record the fair value adjustment of certain identifiable intangible assets that were acquired through the Digit Acquisition net of amortization for the period.

(d) Reflects the adjustment to eliminate of capitalized software, net that was eliminated on acquisition as this formed part of developed technology.

(e) Digit, as a private company, had not adopted ASC 842 prior to the acquisition. Upon acquisition, Digit adopted ASC 842 to align it's accounting policies with Oportun. This adjustment recognizes a lease liability of $6.2 million and right-of-use asset of $4.9 million for operating leases that were acquired from Digit.

(f) Reflects the adjustment to eliminate of deferred rent that was historically recorded by Digit and was replaced with lease liability due to adoption of ASC 842.

(g) Represents the elimination of the historical Digit equity balance, inclusive of Digit's accumulated deficit and the equity balance held by Digit's previous stockholders that is adjusted through goodwill.

(h) Represents accrued transaction costs. The total transaction costs are comprised $10.6 million incurred by Oportun. The transaction costs incurred by Digit were paid by Oportun on it's behalf and considered as part of the purchase consideration. These costs will not affect Oportun's income statement beyond 12 months after the acquisition date

(i) Represents the extinguishment of debt and the related debt issuance costs from acquisition proceeds and is adjusted through goodwill. The total debt extinguished is comprised of $2.2 million of short-term debt, and $1.2 million of long-term debt. Related debt issuance costs were $165 thousand.

Pro Forma Statement of Operations Adjustments for the Nine Months Ended September 30, 2021:

The Transaction Accounting Adjustments to the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2021 are as follows:

(aa) Reflects incremental amortization of acquired intangible assets related to the fair value adjustment and is based on the useful life. Given the preliminary valuations of intangible assets, the sensitivity of the annual amortization expense and impact to goodwill was considered. A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in the balance of goodwill and annual amortization expense of $1.2 million, assuming an overall weighted average useful life of 6.91 years.

(bb) Reflects an adjustment for the estimated share-based compensation expense related to the replacement awards granted in the Acquisition amounting to $2.3 million, and a reversal of stock-based compensation already included in the books of Digit amounting to $1.7 million for the nine months ended September 30, 2021.

(cc) As previously noted above, Digit, as a private company, had not yet adopted ASC 842, which was adopted by Oportun. This adjustment of $0.7 million reflects the amortization of the right of use asset and lease liability for the nine months ended September 30, 2021. This adjustment also represents reversal of rent expense of $1 million that was recorded historically in Digit's books.

(dd) Represents adjustment of $0.6 million for reversal of amortization of capitalized software as it has been included as part of developed technology.

(ee) Represents adjustment for recording post combination stock compensation expense related to Digit employees.

(ff) Represents adjustments of $0.2 million for the reversal of interest expense as the debt was extinguished on acquisition (see above).

(gg) Represents adjustment to record interest expense in relation to the financing obtained by Oportun for the acquisition of Digit.

(hh) Represents the application of the estimated annual effective tax rate to year-to-date income before taxes, excluding the impact of discrete tax items.

Pro Forma Statement of Operations Adjustments for the Year Ended December 31, 2020:

The Transaction Accounting Adjustments to the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 are as follows:

(aa) Reflects incremental amortization of acquired intangible assets related to the fair value adjustment and is based on the useful life. Given the preliminary valuations of intangible assets, the sensitivity of the annual amortization expense and impact to goodwill was considered. A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in the balance of goodwill and annual amortization expense of $1.2 million, assuming an overall weighted average useful life of 6.91 years.

(bb) Reflects an adjustment for the estimated share-based compensation expense related to the replacement awards granted in the Acquisition, and a reversal of stock-based compensation already included in the books of Digit. The adjustment for the estimated share-based compensation related to the replacement awards granted in the acquisition is $3.5 million for the year ended December 31, 2020. The reversal of stock-based compensation already included in the books of Digit is $1.5 million for the year ended December 31, 2020.

(cc) As previously noted above, Digit, as a private company, had not yet adopted ASC 842, which was adopted by Oportun. This adjustment of $0.9 million reflects the amortization of the right of use asset and lease liability for the year ended December 31, 2020. This adjustment also represents reversal of rent expense of $1.3 million that was recorded historically in the books of Digit.

(dd) Represents adjustments for reversal of amortization of capitalized software as it has been included as part of Developed Technology.

(ee) Reflects the transaction costs incurred in the acquisition. Transaction costs incurred by Digit for the year ended December 31, 2021 were $19.1 million, and transaction costs incurred by Oportun for the year ended December 31, 2021 were $10.6 million. These costs will not affect Oportun’s income statement beyond 12 months after the acquisition date

(ff) Represents adjustment for recording post combination stock compensation expense related to Digit employees.

(gg) Represents adjustment of $73 thousand for reversal of interest expense as the debt was extinguished on acquisition.

(hh) Represents adjustment to record interest expense in relation to the financing obtained by Oportun for the acquisition of Digit.

(ii) Represents the application of the estimated annual effective tax rate to year-to-date income before taxes.