11 June 2021

ASX ANNOUNCEMENT
Company Announcements Platform

Files Amendment to General Form for Registration in the US

Sezzle Inc. (ASX: SZL) (Sezzle or Company) attaches herewith 'Amendment No. 1 to Form 10 – General Form for Registration of Securities' filed with the U.S. Securities Exchange (SEC) pursuant to Section 12(g) of the U.S. Securities Exchange Act of 1934 (U.S. Securities Act). As previously announced, in accordance with the provisions of the U.S. Securities Act, the Company has become a reporting company for U.S. SEC purposes and, going forward, is subject to filing annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K. These SEC periodic reports will be in addition to Sezzle's periodic filings required by the ASX Listing Rules, copies of which will also be lodged on the ASX platform where required.

This announcement has been approved by the Company's CEO and Executive Chairman, Charlie Youakim, on behalf of the Sezzle Inc. Board.

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About Sezzle Inc.

Sezzle is a rapidly growing fintech company on a mission to financially empower the next generation. Sezzle's payment platform increases the purchasing power for almost 2.6 million Active Consumers by offering interest-free installment plans at online stores and select in-store locations. Sezzle's transparent, inclusive, and seamless payment option allows consumers to take control over their spending, be more responsible, and gain access to financial freedom. When consumers apply, approval is instant, and their credit scores are not affected. The increase in purchasing power for consumers leads to

increased sales and basket sizes for the more than 34,000 Active Merchants that offer Sezzle.

For more information visit sezzle.com.

Sezzle's CDIs are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (Securities Act) for offers of securities which are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person who is not a QIB for the foreseeable future except in very limited circumstances until after the end of the restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons excluding QIBs. However, you are still able to freely transfer your CDIs on ASX to any person other than a US person who is not a QIB. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

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

AMENDMENT NO. 1 TO FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

Sezzle Inc.

(Exact name of registrant as specified in its charter)

Delaware	81-0971660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Minneapolis, MN 55401, USA
(Address of principal executive offices) (Zip Code)

+1 651 504 5402
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:
None

Securities to be registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.00001 per share
(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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EXPLANATORY NOTE

Pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are filing this General Form for Registration of Securities on Form 10, as amended, or this registration statement, to register our common stock, par value $0.00001 per share, or common stock. The common stock is publicly traded on the Australian Securities Exchange, or the ASX, under the ticker "SZL" in the form of CHESS Depositary Interests, or CDIs. CDIs are units of beneficial ownership in shares of our common stock that are held in trust for CDI holders by CHESS Depositary Nominees Pty Limited, or CDN, a subsidiary of ASX Limited, the company that operates the ASX. The CDIs entitle holders to dividends, if any, and other rights economically equivalent to shares of our common stock on a 1-for-1 basis, including the right to attend stockholders' meetings. The CDIs are also convertible at the option of the holders into shares of our common stock on a 1-for-1 basis, such that for every CDI converted, a holder will receive one share of common stock. CDN, as the stockholder of record, will vote the underlying shares in accordance with the directions of the CDI holders from time to time.

This registration statement will become effective automatically by lapse of time 60 days from the date of the original filing pursuant to Section 12(g)(1) of the Exchange Act or within such shorter period as the Securities and Exchange Commission, or the SEC, may direct. As of the effective date of the registration statement, we will be subject to the requirements of Regulation 13(a) under the Exchange Act and will be required to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and we will be required to comply with all other obligations of the Exchange Act applicable to issuers filing registration statements pursuant to Section 12(g) of the Exchange Act.

Unless otherwise noted, references in this registration statement to "we," "us," "our," "Company," or "Sezzle" refer to Sezzle Inc.

All dollar amounts contained herein are expressed in United States dollars, or $, except where otherwise stated. References to "A$" are references to Australian dollars, the lawful currency of the Commonwealth of Australia. Some numerical figures included in this registration statement have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not equal the sum of the figures that precede them.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY AND A SMALLER REPORTING COMPANY

We qualify as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). For so long as we remain an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to other public companies. These provisions include, but are not limited to:

- being permitted to have only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations disclosure;
- being exempt from compliance with the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (the "PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation arrangements in our periodic reports, registration statements and proxy statements; and
- being exempt from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved by stockholders.

We have elected to take advantage of certain reduced disclosure obligations in this registration statement and may elect to take advantage of other reduced reporting requirements in future filings. In addition, the JOBS Act permits us, as an emerging growth company, to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. As a result, during such times that we qualify as an emerging growth company, the information that we provide to our stockholders may be different from what you might receive from other public reporting companies in which you hold equity interests.

We will remain an emerging growth company until the earliest of (i) the last day of our fiscal year following the fifth anniversary of the date of our first sale of our common stock pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), (ii) the first fiscal year after our annual gross revenues exceed $1.07 billion, (iii) the date on which we have, during the immediately preceding three-year period, issued more than $1.00 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeds $700 million as of the end of the second quarter of that fiscal year.

Additionally, we are a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (i) the market value of our common stock held by non-affiliates exceeds $250 million as of the end of the second quarter of that fiscal year, or (ii) our annual revenues exceeded $100 million during such completed fiscal year and the market value of our common stock held by non-affiliates exceeds $700 million as of the end of the second quarter of that fiscal year. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements and certain other disclosures with other public companies difficult or impossible.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this registration statement includes "forward-looking statements". All statements, other than statements of historical fact included in this registration statement, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this registration statement, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "project", "plan" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading "Risk Factors" included in this registration statement. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. Nevertheless, and despite the fact that management's expectations and estimates are based on assumptions management believes to be reasonable and data management believes to be reliable, our actual results, performance or achievements are subject to future risks and uncertainties, any of which could materially affect our actual performance. Risks and uncertainties that could affect such performance include, but are not limited to:

- future expenses, revenue, and profitability;
- trends affecting our financial condition and results of operation;
- general economic conditions and outlook, including those as a result of the recent COVID-19 pandemic;
- the ability of consumers to pay for products and services rendered;
- the impact of changing consumer preferences and discretionary spending;
- the availability of additional capital on favorable terms or at all;
- industry trends and the competitive environment:
- the impact of our consumer and prospective merchant and strategic partnership relationships upon our financial condition;
- potential litigation and regulatory actions directed toward our industry in general and our business specifically;
- our reliance on certain key personnel in the management of our business; and
- employee and management turnover.

We caution you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, the risks described under "Risk Factors" in this registration statement. Should one or more of the risks or uncertainties described in this registration statement occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this registration statement are expressly qualified in their entirety by these cautionary statements. These cautionary statements should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this registration statement.

ITEM 1. BUSINESS.

Overview

We are a purpose-driven payments company that is on a mission to financially empower the next generation. Launched in 2017, Sezzle has built a Buy Now, Pay Later ("BNPL") product that allows merchants to offer their consumers a flexible payments alternative to traditional credit. As of March 31, 2021, our platform has supported the business growth of 34,000 Active Merchants while serving over 2.6 million Active Consumers. We operate primarily in the United States and Canada and have also commenced operations in India and Europe and are currently beginning our expansion into Brazil. Through our payments products, we enable consumers to take control over their spending, be more responsible, and gain access to financial freedom.

Gen Z and Millennial consumers, which we define as individuals currently between ages 18-25 and 26-44, respectively, use credit cards less frequently relative to other generations. These consumers are tech-savvy, gravitating towards modern, streamlined commerce solutions whether online or in person. We believe that our platform addresses the shortcomings in legacy payment offerings faced by merchants and consumers by providing a flexible, secure, omnichannel alternative, with the structural benefit of "creditizing" traditional debit products. The technology solutions we have designed specifically align with our ethos of helping the next generation of consumers pave their way forward financially. It is therefore no surprise that nearly 75% of our consumer base is comprised of Gen Z and Millennials, as these groups seek alternatives to incumbent offerings.

The Sezzle Platform connects consumers with merchants via a proprietary payments solution that instantly extends credit at the point-of-sale. Our core product is differentiated from traditional lenders through our credit-and-capital-light approach, and we believe that it is mutually beneficial for our merchants and consumers given the network effects inherent in our two-sided platform. We enable consumers to acquire merchandise upfront and spread payments over four equal, interest-free installments over six weeks.

Our products are free for consumers who pay on time. Instead, we generate the majority of our revenues by charging our merchants fees in the form of a merchant discount rate. We enhanced the benefits to the consumer by creating Sezzle Up, which provides a credit-building solution for new-to-credit consumers, helping them adopt credit responsibly and build their credit history. We have also expanded our product suite to provide consumers with long-term installment lending options while also limiting our credit risk and capital needs by partnering with financial institutions to support such lending options.

A critical component of our business model is the ability to effectively manage the repayment risk inherent in allowing consumers to pay over time. To that end, a team of Sezzle engineers oversees our proprietary systems that work in tandem to address this risk by managing interfaces for consumers and merchants, identifying transactions with elevated risk of fraud, assessing the credit risk of the consumer and assigning spending limits, and managing the ultimate receipt of funds. Because consumers settle 25% of the purchase value upfront at the point of sale, repayment risk is more limited relative to other traditional forms of credit. Further, ongoing user interactions allow us to continuously refine and enhance the effectiveness of these tools through machine learning to better serve both our merchants and consumers.

We have ambitious plans to continue to deliver growth. We commenced operations in the United States in 2017 and launched in Canada in 2019. We thereafter commenced operations in India and Europe in 2020, and we are currently in the early stages of expansion into Brazil. Over the long term, our vision is to serve as a centralized hub, enabling digital shopping on a global scale.

We reclassified as a public benefit corporation in June 2020, and in March 2021, we also became certified as a B Corporation by B Lab, a global non-profit that creates standards, policies, and tools for businesses to transform the global economy to benefit all people, communities, and the planet. As a B Corporation, we are focused on supporting consumers' financial health, promoting fair wages and diversity, equity and inclusion initiatives among our employees, providing scholarships in technology to underrepresented students, and supporting environmental initiatives through planting one tree per new Sezzle user and working on carbon offsets.

Our Technology Solutions

Sezzle Platform

At its core, the Sezzle Platform is a payments solution that extends credit at point-of-sale, allowing consumers to purchase and receive the items at the time of purchase and effectively split the payment for the purchase over four equal, interest-free payments over six weeks. The Sezzle Platform is integrated into merchants' websites via our direct application programming interface ("API") and we provide technical support and onboarding services as part of the integration process. We are able to onboard most merchants within 24 hours of signup through an increasingly automated "merchant underwriting process," and, once integrated, merchants can immediately promote Sezzle to their shoppers on product and cart pages to start improving sales conversion. The Sezzle Platform is presented alongside other payment options on the merchant's "Checkout" page.

The Sezzle Platform reviews the transaction and consumer profile in real-time and, if approved, quickly confirms the transaction for the merchant and consumer. Once approved, consumers are granted an initial spending limit. Further, our approval engine has a "counteroffer" function, which analyzes above-limit purchase attempts and provides alternative terms so that the consumer is not denied outright. Upon approval, the merchant ships the item(s) and receives payment, just as if the consumer had used a traditional credit or debit card. In return for the benefits of a seamless consumer experience and higher conversion, the merchants pay us in the form of a Merchant Discount Rate, which is the amount subtracted from the sales price when we pay the merchant.

In order to complete their installment payments, consumers will receive a notification via email, SMS, or the Sezzle iOS or Android app two days prior to the date the installment payment is automatically debited by the Sezzle Platform. The consumer is also able to review and manage their Sezzle account via the Sezzle Platform's online dashboard. From the dashboard, consumers are able to reschedule a payment for free the first time, and can reschedule a payment up to three times for a small fee. Consumers who fail to pay for their purchases on time may incur an account reactivation fee. We do not report delinquent core Sezzle accounts to any credit bureaus or collection agencies, as consumer behavior on the core Sezzle Platform has no impact to a consumer's credit score.

Sezzle Up

In partnership with TransUnion, we engineered Sezzle Up, an upgraded version of the core Sezzle experience that supports consumers in building their credit scores by permitting us to report their payment histories to credit bureaus. As these consumers pay on time, their credit scores and spending limits on the Sezzle Platform can increase.

Qualifying for Sezzle Up is simple: existing Sezzle users who elect to participate just need to connect a bank account and pay off one order on time. As a condition to joining Sezzle Up, users commit to complete payments over the Automated Clearing House (ACH) network instead of over a card network. Using ACH benefits us by reducing credit card processing fees and, in turn, lowering our transaction costs.

We are currently the only BNPL company to offer a credit-building solution to consumers, and we supplement Sezzle Up's credit development capabilities with Sezzle U, a curated series of engaging lessons on personal finance to further help our consumers enhance their financial literacy.

Sezzle Virtual Card

Our Sezzle Virtual Card bolsters our omnichannel offering and provides a rapid-installation, point-of-sale option for brick-and-mortar retailers through its compatibility with Apple Pay and Google Pay. With the Virtual Card, consumers can enjoy in-store shopping with the convenience of immediately tapping into the Sezzle Platform with the "swipe" of their card at the point-of-sale. Merchants such as GameStop and Target are offering the use of Sezzle Virtual Card in-store.

Long-Term Installments via Partnerships

We look to provide long-term installment financing options to our consumers while limiting our own capital needs and credit risk. In order to do so, we engage third-parties financial institutions, as exemplified by our partnership with Ally Financial announced in the third quarter of 2020 and Discover in first quarter of 2021. Through such partnerships, we offer our consumers monthly fixed-rate installment-loan products that extend up to 60 months while we earn a fee from the financing partner. Providing access to long-term options has the potential to extend our relationship with consumers over a lifetime while generating an attractive fee stream and complementing our existing short-term, interest-free offering.

Our Merchants

Our merchant partners benefit from our platform's two-sided network. By equipping our consumers with a flexible payment product, we help our merchants expand their reach and access a deep and growing pool of consumers who would not otherwise be able to finance a transaction with our merchants. Our merchant partnerships span numerous merchant categories, with clothing, accessories and shoes; health and beauty; and arts, crafts, and collectibles representing the top three categories by underlying merchant sales ("UMS") as of March 31, 2021.

We also provide our merchants with a toolkit to grow their businesses. Sezzle's merchants gain access to our marketing efforts that begin with a launch campaign to introduce new brands to Sezzle consumers and then follow these efforts with bi-weekly promotional support, quarterly "mega campaigns" that promote participating merchants with added incentives, and initiatives that enable consumers to "shop their values." In addition, we provide select merchants with incentives to grow their UMS and introduce Sezzle into new merchant categories, as well as guaranteed marketing incentives, in order to aid them in recognizing the value proposition.

Our growth story began with serving merchants in the small-to-medium sized business category ("SMBs"), has continued with our mid-size direct-to-consumer ("DTC") retailers, and has accelerated through the establishment of an increasing number of partnerships with large retailers.

Small-to-Medium-Sized Businesses

Small-to-medium sized businesses, which we define as merchants with UMS of less than $10 million per year, have historically comprised the largest segment of our merchant base. Our fast, easy application process makes onboarding simple, and our user-friendly merchant interface is designed to streamline the integration process. Through Sezzle, these merchants are able to offer their consumers an optimized, effortless checkout process that enables them to complete sales.

Mid-Size Retailers

We are increasing our focus on "mid-size" retailers, which we define as merchants with UMS of between $10 million and $50 million per year. A diverse array of growing DTC brands that are online-first and seek to connect with consumers without the use of secondary retailers naturally fit with our core offering. As we build out a larger consumer base, we also enhance our value proposition to these brands by driving increased visits to their sites. For example, we drive traffic toward DTC brands that may not otherwise gain exposure through traditional retail channels by creating marketing campaigns as well as promotional features such as our scrolling list of "featured stores" and "brands we love" on the home page of our website.

Large Retailers

An ongoing major initiative is greater engagement with larger retailers, which we define as merchants with over $50 million in UMS per year. Our core product helps these merchants to facilitate a sale by providing access to credit for a consumer who has limited-to-no credit history. Without Sezzle, the consumer without credit history may be rejected after applying for the store's private label or co-brand credit card, which could tarnish the retailer's brand with that consumer. Importantly, Sezzle is not competing with a large retailer's card offering. Instead, we work collaboratively with our partners to drive sales and over time, serve as a lead generator to consumers who are ready to graduate to the retailer's card program.

Our Consumers

As of March 31, 2021, nearly 75% of Sezzle's consumer base is comprised of members of the Gen Z and Millennial generations. For many of these consumers, Sezzle has helped improve financial responsibility, not only through enhanced budgeting and payments capabilities, but also through an opportunity to build credit and develop a sense of financial empowerment through the Sezzle Up platform.

Gen Z and Millennial consumers use credit cards less frequently relative to other generations and in many cases lack access to traditional credit. They tend to have fewer viable options for budgeting, achieving financial flexibility, and building credit history. As a result, consumers in these generations also tend to transact frequently across e-commerce and brick-and-mortar retail, but spend less on average per transaction than older generations. In doing so, they prefer to avoid loans that are not transparent or require payments that are more than they can afford. Sezzle's core product provides these younger generations, who are newer to credit and are likely to move up the FICO score spectrum as they grow older and build credit history, with a more suitable solution to these payment challenges.

Opportunity Beyond E-commerce

While e-commerce adoption accelerated in the face of the global COVID-19 pandemic, we believe there are other opportunities in broader commerce for BNPL. Merchants are looking to integrate online and offline sales channels into a cohesive experience in order to adapt to changing consumer preferences and habits.

History and Organizational Structure

Our founders created the Sezzle Platform in 2016 after observing an increasing trend in the United States of a lack of availability of credit for consumers (particularly younger consumers). Since we launched the Sezzle Platform in August 2017, our activities have principally involved raising money to develop our software, products and services (including the Sezzle Platform), as well as signing merchants to the Sezzle Platform and expanding our service offerings to an increasing base of consumers.

Sezzle is incorporated in Delaware as a public benefit corporation ("PBC"). PBCs are for-profit corporations intended to produce a public benefit and to operate in a responsible and sustainable manner. Under Delaware law, PBCs must identify in their certificate of incorporation the public benefit or benefits they will promote, and their directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by the corporation's conduct and the specific public benefit or public benefits identified in the PBC's certificate of incorporation.

As a certified Delaware PBC, we commit to pursuing opportunities for positive change in the community and the planet. Our management team and fiduciary board strongly believe that our long-standing commitment to financial education and helping young adults with their approach to personal finances, as well as creating alternative means for consumers to purchase items they need without incurring high-interest finance charges, benefit the community and serve as a public good.

Being a PBC offers advantages, including:

- PBC status is a clear differentiator in an increasingly growing, and sometimes crowded, industry;
- we are more likely to become an employer of choice as the younger workforce increasingly seek employment from companies which align with their ethical values;

- further opportunities to conduct business with brands that also care about sustainability;
- the potential to expand our consumer base due to conscious consumers;
- added credibility to our mission statement and potential to grow capital through impact investing; and
- further opportunities for positive public relations and marketing.

On March 22, 2021, Sezzle became certified as a B Corporation by B Lab, a global nonprofit organization, and thereby joined a movement of innovative socially-conscious brands. Meeting rigorous environmental and social standards for transparency, accountability and commitment to improved performance, Sezzle became the first, and currently the only, Buy-Now-Pay-Later company to be certified as a B Corporation.

Competition

We operate in a highly competitive and dynamic industry. Our product offerings face competition from a variety of players, including those who enable transactions and commerce via digital payments. The point-of-sale financing market in which we operate includes several types of products. For example, consumers may make purchases with credit cards that have revolving balances and some of these products offer promotional terms, such as an introductory rate or deferred interest. In addition to traditional credit card products, some revolving balance products do not issue plastic credit cards to consumers (e.g. PayPal Credit). "Buy-now, pay-later" products, such as the Sezzle Platform, facilitate consumer purchases from retail merchants on installment plans. Credit card providers also offer products that allow customers to pay for purchases made with their credit cards in installments rather than as a revolving balance (e.g. American Express and J.P. Morgan Chase). Visa and Mastercard, the major payments networks, have also introduced technology that facilitate this functionality.

We consider our main competitors to be other BNPL service providers. In the U.S. market, this includes Affirm, Afterpay, Klarna, PayPal's Pay in 4, and QuadPay. In addition, PayBright and Afterpay operate in the Canadian market. We aim to differentiate our business to consumers by providing a product that is more simple to understand and customer friendly. This includes allowing the customer to shift their repayment schedule once per order for free, and waiving Account Reactivation Fees where the consumer corrects a failed payment within 48 hours. See "Item 1A. Risk Factors – Risks Related to Our Industry - We operate in a highly competitive industry, and our inability to compete successfully would materially and adversely affect our business, results of operations, financial condition, and prospects."

Intellectual Property

Our business depends on our ability to commercially exploit our technology and intellectual property rights, including our technological systems and data processing algorithms. We rely on laws in the United States and Canada relating to trade secrets, copyright, and trademarks to assist in protecting our proprietary rights. Our core intellectual property asset is the Sezzle Platform and the accumulation of transaction data, rules and consumer insights generated from consumers using the Sezzle Platform, including the proprietary fraud and risk detection systems.

We developed our proprietary fraud and risk detection systems creating valuable intellectual property that enables us to improve our products. The Sezzle Fraud Detection System was developed by our data sciences team, which utilizes numerous data points from a transaction to identify the likelihood of a fraudulent attempt. Consumer interactions with the Sezzle Platform are recorded and analyzed along with data points on the consumer and order itself. This data passes through the Sezzle Fraud Detection System, which scores the likelihood of the transaction being fraudulent. The Sezzle Underwriting Engine then assigns a score to each new consumer that passes through the Sezzle Fraud Detection System. Based on data obtained from traditional and non-traditional sources, along with the order data and retailer data, we may decline to extend credit, provide some shoppers with our default minimum initial limit, or give some shoppers a higher initial limit than others. As consumers use the Sezzle Platform, Sezzle's system learns from the behavior of the individual consumers and adapts the consumer's limit to the appropriate level based on the consumer's success level within the Sezzle Platform.

We do not currently hold any patents, but continue to consider the most effective methods of protecting our intellectual property. We hold a registered domain name and registered trademarks, which are used for our business in the United States and Canada. However, expansion into certain markets outside the United States and Canada risks conflicts with registered trademarks or another unrelated company with a similar name, and in that case we may have to consider rebranding our offering in those new markets. See "Item 1A. Risk Factors —Our efforts to protect our intellectual property rights may not be sufficient."

Government Regulation

Overview

Various aspects of our business and services are subject to U.S. federal, state, and local regulation, as well as regulation outside the United States including Canada. Certain of our services also are subject to rules promulgated by various card networks and other authorities, as more fully described below. These descriptions are not exhaustive, and these laws, regulations and rules frequently change and are increasing in number.

BNPL and Consumer Protection Regulation

The "buy-now, pay-later" segment of the point-of-sale financing market in which we operate is a developing field. There has recently been an increased focus and scrutiny by regulators in various jurisdictions, including the United States and Canada, with respect to "buy-now, pay-later" arrangements. We may become subject to additional legal or regulatory requirements if laws or regulations or the interpretation of such laws and regulations change in the future or industry standards for "buy-now, pay-later" arrangements change in the future.

United States

In the United States, we are required to comply with the applicable provisions of the Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to consumers regarding the terms and conditions of their loans and credit transactions, Section 5 of the Federal Trade Commission Act (the "FTCA"), which prohibits unfair and deceptive acts or practices ("UDAP") in or affecting commerce; the Consumer Financial Protections Act, which prohibits unfair, deceptive or abusive acts or practices ("UDAAP")in connection with consumer financial products and services; the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit creditors from discriminating against credit applicants on the basis of race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the Federal Consumer Credit Protection Act or applicable state law; the Fair Credit Reporting Act (the "FCRA"), which promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies; the Fair Debt Collection Practices Act (the "FDCPA"), which provides guidelines and limitations concerning the conduct of third-party debt collectors in connection with the collection of consumer debts; and the and the Telephone Consumer Protection Act (the "TCPA"), which regulates the use of telephone and texting technology to contact customers.

We are also subject to the Holder in Due Course Rule of the Federal Trade Commission (the "FTC"), and equivalent state laws, which make any holder of a consumer credit contract include the required notice and become subject to all claims and defenses that a borrower could assert against the seller of goods or services; the Electronic Fund Transfer Act, which provides disclosure requirements, guidelines, and restrictions on the electronic transfer of funds from consumers' bank accounts; the Electronic Signatures in Global and National Commerce Act and similar state laws, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures; the Military Lending Act and similar state laws, which provide obligations and prohibitions relating to loans made to servicemembers and their dependents; and the Servicemembers Civil Relief Act, which allows active duty military members to suspend or postpone certain civil obligations. In addition, we are subject to the requirements under the Coronavirus Aid, Relief, and Economic Security (CARES) Act relating to collection and credit reporting, though many of the implementing regulations under the CARES Act have not yet been issued.

We possess certain state lending licenses and we are currently in the process of applying for others, which subject us to supervisory oversight from these state license authorities and periodic examinations. We currently hold licenses in six U.S. states (California, North Dakota, South Dakota, Idaho, Montana and Missouri) to operate our business in those states, in particular to originate loans to consumers residing in those jurisdictions. In addition, we have applied for lending licenses in Rhode Island and Louisiana and await a response from those states on the success of our application. The loans we may originate on our platform pursuant to these state licenses are subject to state licensing and interest rate fee restrictions, as well as numerous state requirements regarding consumer protection, interest rate, disclosure, prohibitions on certain activities, and loan term lengths. Our business may become subject to licensing requirements in states in which we currently do not hold licenses. For instance, in New Mexico and Nevada, we are currently not required to obtain a lending license because the extension of credit in in those states is structured as retail installment transactions. We continue to monitor state licensing regulations and how they may apply to our business, and may be required in the future to apply for additional state licenses, including states in which our loans are structured as retail installment transactions.

Canada

In Canada, we are required to comply with the Canada Anti-Spam Law, which regulates the transmittal of commercial email messages, the Canadian Personal Information Protection and Electronic Documents Act and equivalent provincial privacy laws in the provinces of Alberta, British Columbia and Quebec, each of which includes requirements surrounding the use, disclosure, and other processing of certain personal information about Canadian residents. In addition, we are required to comply with the Canada federal and provincial human rights legislation which prohibits discriminatory practices to deny, deny access to, or to differentiate adversely in relation to any individual in respect of the provision of services customarily available to the general public on the basis of a certain prohibited grounds of discrimination. The Canadian provincial consumer protection and cost of credit disclosure laws prohibit late fees, limits on default charges, prohibition of unfair practices, as well as consumer contract disclosure and related process requirements, among other compliance requirements. We are also subject to Canadian provincial and territorial e-commerce laws.

We believe that we are appropriately licensed as a lender and/or have structured our business activities to avoid a licensing requirement in each of the Canadian provinces that require such licenses. In connection with our business activities, we are also generally subject to consumer protection legislation and other laws and, on that basis, our business is also generally subject to regulatory oversight and supervision from federal and/or provincial regulators in respect of those activities, regardless of whether we have a license. These regulators and enforcement agencies generally act on a complaints-basis and may receive consumer complaints about us. Investigations or enforcement actions may be costly and time consuming. Enforcement actions by such regulators and enforcement agencies could lead to fines, penalties, consumer restitution, the cessation of our business activities in whole or in part, or the assertion of private claims and lawsuits against us.

Payment Regulations

We are subject to the rules, codes of conduct and standards of Visa, Mastercard and other payment networks and their participants. In order to provide our payment processing services, we must be registered either indirectly or directly as service providers with the payment networks that we use. As such, we are subject to applicable card association and payment network rules, standards and regulations, which impose various requirements and could subject us to a variety of fines or penalties that may be levied by such associations or networks for certain acts or omissions. Card associations and payment networks and their member financial institutions regularly update and generally expand security expectations and requirements related to the security of consumer data and environments. Failure to comply with the networks' requirements, or to pay the fees or fines they may impose, could result in the suspension or termination of our registration with the relevant payment networks and therefore require us to limit, suspend or cease providing the relevant payment processing services. We are also subject to the Payment Card Industry Data Security Standard (the "PCI DSS") with respect to the acceptance of payment cards, which provides for security standards relating to the processing of cardholder data and the systems that process such data. The failure of our products to comply with PCI DSS requirements may result in the loss of our status as a PCI DSS certified Service Provider and thereby impact our relationship with our merchant customers and their own ability to comply with PCI DSS.

In Canada, we are required to comply with the Payments Canada Rule H1- Pre-Authorized Debit Rules in respect of the acceptance of payments from Canadian bank accounts and the Quebec Charter of French Language laws which regulates the language of communication in commerce and business and applies to entities carrying on business in Quebec.

Data Privacy and Data Security Laws

We are subject to a variety of laws, rules, directives, and regulations, as well as contractual obligations, relating to the processing of personal information, including personally identifiable information. The regulatory framework for privacy and data protection worldwide is rapidly evolving and, as a result, implementation standards and enforcement practices are likely to continue to evolve for the foreseeable future. We publicly post policies and documentation regarding our practices concerning the processing of personal data. This publication of our privacy policy and other documentation that provide promises and assurances about privacy and security is required by applicable law and can subject us to proceedings and actions brought by data protection authorities, government entities, or others if our policies are alleged to be deceptive, unfair, or misrepresentative of our actual practices.

We are subject to the Gramm-Leach-Bliley Act (the "GLBA") and implementing regulations and guidance thereunder, in addition to applicable privacy and data protection laws in the other jurisdictions in which we carry on business activities. Among other requirements, the GLBA imposes certain limitations on the ability to share consumers' nonpublic personal information with nonaffiliated third parties and requires certain disclosures to consumers about information collection, sharing, and security practices and their right to "opt out" of the institution's disclosure of their personal financial information to nonaffiliated third parties. Privacy requirements, including notice and opt out requirements, under the GLBA and the FCRA are enforced by the FTC and by the Consumer Financial Protection Bureau (the "CFPB") through unfair, deceptive, or abusive acts or practices, and are a standard component of CFPB examinations. State entities also may initiate actions for alleged violations of privacy or security compliance under similar state laws.

Furthermore, an increasing number of state, federal, and international jurisdictions have enacted, or are considering enacting, privacy and data security laws, such as the California Consumer Privacy Act (the "CCPA"), and the General Data Protection Regulation (the "GDPR"), which regulates the collection, processing and use of personal information of data subjects in the European Union and the European Economic Area. The CCPA gives residents of California expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used, and also provides for civil penalties for violations and private rights of action for data breaches. Meanwhile, the GDPR provides data subjects with greater control over the collection and use of their personal information (such as the "right to be forgotten") and has specific requirements relating to cross-border transfers of personal information to certain jurisdictions, including to the United States, with fines for noncompliance of up to the greater of 20 million euros or up to 4% of the annual global revenue of the noncompliant company. In addition, on November 3, 2020, California voters approved a new privacy law, the California Privacy Rights Act (the "CPRA"), which significantly modifies the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. Many of the CPRA's provisions will become effective on January 1, 2023. Additionally, on March 2, 2021, the Virginia Consumer Data Protection Act (the "CDPA") was signed into law and multiple other states are considering enacting similar legislation. The Virginia CDPA becomes effective beginning January 1, 2023, and contains similar provisions to the California CCPA and CPRA. Most states also have in place data security laws requiring companies to maintain certain safeguards with respect to the handling of personal data, and all states require companies to notify individuals or government regulators in the event of a data breach impacting such information. In addition, most industrialized countries have or are in the process of adopting similar privacy or data security laws enforced through data protection authorities.

Other Applicable Regulations

We are subject to regulations relating to our corporate conduct and the conduct of our business, including securities laws, trade regulations and anti-money laundering ("AML") laws and anti-corruption legislation. The United States and certain foreign jurisdictions have taken aggressive stances with respect to such matters and have implemented new initiatives and reforms.

We are required to comply with the U.S. Foreign Corrupt Practices Act, the Foreign Public Officials Act (Canada), the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions, which prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity with more frequent and aggressive investigations and enforcement proceedings by both the Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators and increases in criminal and civil proceedings brought against companies and individuals.

AML laws and related Know-Your-Customer ("KYC") requirements generally require certain companies to conduct necessary due diligence to prevent and protect against money laundering. These regulators and enforcement agencies may receive consumer complaints about us. In the United States, these regulators and agencies include the Financial Crimes Enforcement Network ("FinCEN"), which could subject us to burdensome rules and regulations that could increase costs and use of our resources in order to satisfy our compliance obligations. We are also subject to certain economic and trade sanctions programs that are administered by the Department of Treasury's Office of Foreign Assets Control ("OFAC"), which prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations. We also required to comply with the Canadian sanctions laws and related regulations which impose economic or financial sanctions that are administered or enforced from time to time by the Canadian government and prohibit the provision of financial services to certain designated persons with whom dealings are generally prohibited.

Employees

As of March 31, 2021, we had approximately 333 employees, spanning five countries (United States, Canada, Germany, India and Lithuania) across the operations, sales and marketing and platform development teams. No employees are subject to any collective bargaining agreements at this time. We consider our relationships with our employees to be good and have not experienced any interruptions of operations due to labor disagreements.

Human Capital

Our success to date would not be possible without our dedicated people, who are our greatest asset. Bringing together a team of highly-skilled engineering, product, marketing and business development professionals is imperative to executing on our strategy. We do this by creating an inclusive, team-centric culture in which doing the right thing is celebrated. We averaged a 95% overall happiness rating in internal employee surveys conducted in 2020 and our employee reviews garnered us a Glassdoor rating of 4.9 out of 5.0 as of year-end 2020.

In light of our commitment to our employees, we are currently in the process of upgrading our Human Resources Information Systems ("HRIS") to ensure state-of-the-art management, operation and oversight of our workforce. Our goals in this upgrade are to:

- ensure that People Operations is equipped with the tools, training and motivation to operate in the most efficient and effective manner;
- continue to promote and recruit the best-qualified people while embracing the value of diversity in the workplace;
- allow for more accurate measurement and accountability on the diversity front;
- provide a competitive salary and benefits package and develop the full potential of our workforce by providing training and development for career enhancement; and
- secure accurate and timely information relating to employee turnover, mobility, retention and the percentage of positions filled internally.

We have recently updated our Diversity Policy and Ethics Policy to renew and refine our commitment to derive strength from a diverse workforce. We have an active Diversity, Equity and Inclusion group to further ensure communication throughout the organization on issues impacting minorities. Employees are encouraged to participate in company and community activities to secure an improved quality of life for ourselves, our co-workers and the community.

We embrace change and the opportunity it brings. We are focused on acting openly, equitably and consistently in our pursuit of uncompromising quality. To meet this goal, we are committed to recruiting, developing, rewarding and retaining our global workforce.

ITEM 1A. RISK FACTORS.

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this registration statement, including the sections titled "Special Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this registration statement before deciding whether to invest in our common stock. We believe the risks described below are the material risks that we currently face. However, the risks described below are not the only risks that we face. Additional unknown risks or risks that we currently consider immaterial may also impair our business operations. If any such events or circumstances occur, our business, financial condition or results of operations could suffer, and the trading price of our securities could decline significantly and, as a result, you could lose all or part of your investment.

Risk Factor Summary

Risks Related to Our Industry

- The "buy-now, pay-later" industry may become subject to increased regulatory scrutiny.
- We operate in a highly competitive industry.
- Our success is subject to macro-economic conditions that have an impact on consumer spending.
- Our industry may be subject to negative publicity.

Risks Related to Our Strategy and Growth

- We are an early-stage financial technology company with a limited operating history and a history of operating losses.
- Our business depends on our ability to increase our merchant network, our base of consumers and UMS.
- Our ability to effectively manage growth.
- Our ability to maintain market share.
- We may not be able to sustain our growth rate.
- Our ability to comply with business and regulatory risks associated with international expansion of our operations.
- We may require additional capital to grow.

Risks Related to Our Financing Program

- Consumers may not treat their BNPL product loans with the same significance as other financial obligations.
- Internet-based loan origination processes may give rise to greater risks than paper-based processes.
- Exposure to consumer bad debts and insolvency of merchants may adversely impact our financial success.
- Our ability to comply with the applicable requirements of payment processors.

Risks Related to Our Technology and the Sezzle Platform

- The integration, support and prominent presentation of our platform by our merchants.
- Unanticipated surges or increases in transaction volumes.

- The occurrence of data security breaches, cyberattacks, employee or other internal misconduct, malware, phishing or ransomware, physical security breaches, natural disasters, or similar disruptions.
- Real or perceived software failures or outages.
- Disruption in service on our platform that prevents us from processing transactions.
- Fraudulent activities occurring on our platform.

Risks Related to Our Regulatory Environment

- The costs of complying with various laws and regulations applicable to the BNPL industry in the United States and Canada.
- We are subject to various laws in the United States and Canada concerning lending programs, consumer finance and consumer protection and in other jurisdictions into which we are expanding.
- Litigation, regulatory actions, and compliance issues could subject us to increased costs.
- Stringent and changing laws and regulations relating to privacy and data protection could result in claims, harm our results of operations, financial condition, and prospects, or otherwise harm our business.
- Failure to operate without obtaining necessary licenses.
- Violating applicable state lending or other laws.

Other Risks Related to Our Business

- The failure of key vendors or merchants to comply with legal or regulatory requirements or to provide various services that are important to our operations.
- The loss of key partners and merchant relationships.
- Seasonal fluctuations in consumer spending affect Sezzle Income.
- Changes in market interest rate and the replacement of LIBOR.
- Exchange rate fluctuations in the international markets in which we operate.
- Our ability to protect our intellectual property rights.
- The loss of licenses or any quality issues with third-party technology that support our business operations or are integrated with our products or services.
- Our inability to retain employees or recruit additional employees.

Risks Related to Our Corporate Structure

- Our existing major stockholders own a large percentage of our stock and can exert significant influence over us.
- As a PBC, we cannot provide any assurance that we will achieve our public benefit purpose or that producing a positive effect for society will benefit us.
- As a PBC, our focus on a public benefit purpose may negatively impact our financial condition.
- Our directors have a fiduciary duty to consider our specific public purpose and the interests of other stakeholders affected by our actions.
- Increased derivative litigation concerning our duty to balance stockholder and public benefit interest.
- Our ability to maintain our certification as a B Corporation or our publicly reported B Corporation score declines, our reputation could be harmed and our business could be adversely affected.

Risks Related to Our Industry

The "buy-now, pay-later" industry may become subject to increased regulatory scrutiny, and our failure to manage our business to comply with new regulations would materially and adversely affect our business, results of operations and financial condition.

There has recently been an increased focus and scrutiny by regulators in various jurisdictions with respect to "buy-now, pay-later" arrangements, including in those jurisdictions in which we operate. There is potential that we may become subject to additional legal or regulatory requirements if laws or regulations change in the future, the interpretation of laws and regulations changes in the future, industry standards for "buy-now, pay-later" arrangements change in the future, or regulators more heavily scrutinize "buy-now, pay-later" arrangements. This increased risk may relate to state lending licensing or other state licensing or registration requirements, regulatory requirements concerning "buy-now, pay-later" arrangements, consumer protection or consumer finance matters, or similar limitations on the conduct of our business. There is a risk that additional or changed legal, regulatory and industry compliance standards may make it economically unfeasible for us to continue to operate, or to expand in accordance with our strategy. This would likely have a material adverse effect on our business, results of operations and financial condition, including by preventing our business from reaching sufficient scale.

We operate in a highly competitive industry, and our inability to compete successfully would materially and adversely affect our business, results of operations, financial condition, and prospects.

We operate in a highly competitive and dynamic industry with a low barrier to entry, which makes increased competition more likely. Our technology platform faces competition from a variety of businesses and new market entrants, including competitors with "buy now, pay later" products and those who enable transactions and commerce via digital payments.

Despite any competitive advantage we may have, there is always a risk of new entrants in the market, which may disrupt our business and decrease our market share. We expect competition to intensify in the future, both as emerging technologies continue to enter the marketplace and as large financial incumbents increasingly seek to innovate the services that they offer to compete with our products. Technological advances and the continued growth of e-commerce activities have increased consumers' accessibility to products and services and led to the expansion of competition in digital payment options such as pay-over-time solutions. We face competition in areas such as: flexibility on payment options; duration, simplicity, and transparency of payment terms; reliability and speed in processing applications; underwriting effectiveness; compliance and security; promotional offerings; fees; approval rates; ease-of-use; marketing expertise; service levels; products and services; technological capabilities and integration; customer service; brand and reputation; and consumer and merchant satisfaction. In addition, it may be become more difficult to distinguish our platform, and products and services, from those of our competitors.

Some of our competitors are substantially larger than we are, which gives those competitors advantages we do not have, such as a more diversified product, a broader consumer and merchant base, the ability to reach more consumers, the ability to cross sell their products, operational efficiencies, the ability to cross-subsidize their offerings through their other business lines, more versatile technology platforms, the ability to acquire competitors, broad-based local distribution capabilities, and lower-cost funding. Our competitors may also have longer operating histories, more extensive and broader consumer and merchant relationships, and greater brand recognition and brand loyalty than we have. For example, more established companies that possess large, existing consumer and merchant bases, substantial financial resources, and established distribution channels could enter the market.

Increased competition could result in the need for us to alter the pricing we offer to merchants or consumers. If we are unable to successfully compete, the demand for our platform and products could stagnate or substantially decline, and we could fail to retain or grow the number of consumers or merchants using our platform, which would reduce the attractiveness of our platform to other consumers and merchants, and which would materially and adversely affect our business, results of operations, financial condition, and prospects. See "Item 1. Business – Competition."

Economic conditions may adversely impact consumer demand for the merchandise and products on our platform, which could adversely impact our business, results of operations and financial condition.

Our business depends on consumers transacting with merchants, which in turn can be affected by changes in general economic conditions. For example, the retail sector is affected by economic conditions such as unemployment, consumer confidence, economic recessions, consumer debt, the availability of customer credit, inflation and deflation, currency exchange rates, taxation, fuel and energy prices and interest rates, downturns or extended periods of uncertainty or volatility, all of which may influence consumer spending. In weaker economic environments, consumers may have less disposable income to spend and so may be less likely to purchase merchandise by utilizing our services. Alternatively, consumers may purchase merchandise but become unable to repay loans, which would result in an increase of loans that will not be paid on time or at all. Furthermore, the COVID-19 pandemic has had, and continues to have, a significant impact on the U.S. and global economy and the communities in which we operate. While the pandemic's effect on the macroeconomic environment has yet to be fully determined and could continue for months or years, any prolonged economic downturn with sustained high unemployment rates would lead to decreased retail consumption and may materially decrease our transaction volume or increase defaults and delinquencies.

Some of our merchants have experienced a decrease in sales, supply chain disruptions, inventory shortages, and other adverse effects as a result of the COVID-19 pandemic, and the future impact of the COVID-19 pandemic remains uncertain. Such effects, if they continue for a prolonged period, may continue to have an adverse effect on our merchants, and would have a material adverse effect on our business, results of operations, financial condition, and prospects. In the short term, however, we have seen increased Sezzle Income since the outbreak of the COVID-19 pandemic. These results may not be indicative of results for future periods. Some of the increased demand could be due to customers being required or encouraged to stay at home, school closures and employers requiring employees to work remotely, which increase their propensity to purchase goods over the internet. Our increased Sezzle Income during the COVID-19 pandemic could also be attributable to the timing of tax refunds in the United States and COVID-related stimulus payments. Much is unknown, including the duration and severity of the COVID-19 outbreak, the amount of time it will take for normal economic activity to resume if at all, and future government actions that may be taken, and accordingly the situation remains dynamic and subject to rapid and possibly material change, including but not limited to changes that may materially affect the operations of our merchants and partners, which ultimately could result in material adverse effects on our business, results of operations and financial condition.

Negative publicity about us or our industry could adversely affect our business, results of operations, financial condition, and prospects.

Negative publicity about us or our industry, including the transparency, fairness, user experience, quality, and reliability of our platform or point-of-sale lending platforms in general, effectiveness of our risk model, our ability to effectively manage and resolve complaints, our privacy and security practices, litigation, regulatory activity, misconduct by our employees, funding sources, originating bank partners, service providers, or others in our industry, the experience of consumers and investors with our platform or services or point-of-sale lending platforms in general, or use of loan proceeds by consumers that have obtained loans facilitated through our platform or other point-of-sale lending platforms for illegal purposes, even if inaccurate, could adversely affect our reputation and the confidence in, and the use of, our platform, which could harm our reputation and cause disruptions to our platform. Any such reputational harm could further affect the behavior of consumers, including their willingness to obtain loans facilitated through our platform or to make payments on their loans. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

Risks Related to Our Strategy and Growth

We are an early-stage financial technology company with a limited operating history and a history of operating losses, and we may not achieve profitability in the future.

We are an early stage financial technology company with a limited operating history. Since launching the Sezzle Platform in August 2017, our activities have principally involved raising money to develop our software, products and services (including the Sezzle Platform), as well as adding merchants to the Sezzle Platform and expanding our service offerings to an increasing base of consumers. Similar to many early stage companies, we have incurred losses since our inception. Our reported cumulative losses up to December 31, 2020 were approximately $51.8 million. We anticipate that our operating expenses will increase in the foreseeable future as we seek to continue to grow our business, attract new consumers, merchants, funding sources, and additional originating bank partners, and further enhance and develop our products and platform. As we expand our offerings to additional markets, our offerings in these markets may be less profitable than the markets in which we currently operate. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing Sezzle Income sufficiently to offset these higher expenses. We expect to incur additional net losses in the future and may not achieve profitability on a quarterly or annual basis.

Our business depends on our ability to retain and increase our merchant network, our base of consumers and UMS, and any failure to do so may have a material adverse effect on our business and results of operations.

We generate Sezzle Income when consumers pay with Sezzle at checkout in e-commerce transactions. If we are not able to continue to retain and grow our merchant network, our base of consumers or volume of transactions, which we measure as UMS, we will not be able to sustain our business. If we are not able to continue to retain and grow our consumer base, we will not be able to increase transaction volumes. Our ability to retain and grow our consumer relationships depends on the willingness of consumers to use our platform and products. The attractiveness of our platform to consumers depends upon, among other things, the number and variety of merchants and the mix of products available through our platform, our brand and reputation, consumer experience and satisfaction, consumer trust and perception of our solutions, technological innovation, and the type and quality of services and products offered by us and by our competitors. If we fail to retain our relationship with existing consumers and merchants, if we do not attract new consumers and new merchants to our platform and products, or if we do not continually expand usage and volume from consumers and merchants on our platform, our business, results of operations, financial condition, and prospects will be materially and adversely affected.

Failure to effectively manage growth will adversely affect our financial results.

We have experienced a period of strong growth in Sezzle Income, UMS, employee numbers and customers. A continuation of this growth in the future could place additional pressure on current management, as well as corporate, operational and finance other resources within our business, and on the infrastructure supporting the Sezzle Platform. Failure to appropriately manage this growth could result in failure to retain existing consumers and attract new consumers, as well as contract with new merchants, which could adversely affect our operating results and financial condition.

Our business depends on our ability to increase our merchant bases, and any failure to do so may have a material adverse effect on our business and results of operations.

We generate Sezzle Income when consumers pay with Sezzle at checkout. If we are not able to continue to grow our base of consumers, we will not be able to continue to grow our merchant network or our business. Our continued success is dependent on our ability to expand our merchant base and to grow our merchants' revenue on our platform. We derive Sezzle Income primarily from merchant fees earned from our merchant partners. The merchant fees are generally charged as a percentage of the transaction volume on our platform. In addition, as more merchants are integrated into our network, there are more reasons for consumers to shop with us.

If we are not able to attract additional merchants and to expand revenue and volume of transactions from existing merchants, we will not be able to continue to attract consumers or grow our business. Our ability to retain and grow our relationships with our merchant partners depends on the willingness of merchants to partner with us. The attractiveness of our platform to merchants depends upon, among other things: the size of our consumer base; our brand and reputation; the amount of merchant fees that we charge; our ability to sustain our value proposition to merchants for consumer acquisition by demonstrating higher conversion at checkout and increased average order value; the attractiveness to merchants of our technology and data-driven platform; services and products offered by competitors; and our ability to perform under, and maintain, our merchant agreements. If we fail to retain any of our larger merchant partners or a substantial number of our smaller merchant partners, if we do not acquire new merchant partners, if we do not continually expand revenue and volume from the merchants on our platform, or if we do not attract and retain a diverse mix of merchant partners, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

If we fail to promote, protect, and maintain our brand in a cost-effective manner, we may lose market share and our results of operations and financial condition may be negatively impacted.

We believe that developing, protecting, and maintaining awareness of our brand in a cost-effective manner is critical to attracting new and retaining existing merchants and consumers to our platform. As competition intensifies, we believe that positive consumer recognition is an important factor in our financial performance. We cannot guarantee that our brand development strategies will accelerate the recognition of our brand or increase Sezzle Income. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and incentives and the experience of merchants and consumers. Our brand promotion activities may not result in increased Sezzle Income and, even if they do, any increases may not offset the expenses incurred. Additionally, the successful protection and maintenance of our brand will depend on our ability to obtain, maintain, protect, and enforce trademark and other intellectual property protection for our brand. If we fail to successfully promote, protect, and maintain our brand or if we incur substantial expenses in an unsuccessful attempt to promote, protect, and maintain our brand, we may lose our existing merchants and consumers to our competitors or be unable to attract new merchants and consumers. Any such loss of existing merchants or consumers, or inability to attract new merchants or consumers, would have a material adverse effect on our business and results of operations.

In recent years, there has been a marked increase in the use of social media platforms, including blogs, chat platforms, social media websites, and other forms of internet-based communications that allow individuals access to a broad audience of consumers and other persons. The rising popularity of social media and other consumer-oriented technologies has increased the speed and accessibility of information dissemination and given users the ability to more effectively organize collective actions such as boycotts and other brand-damaging behaviors. The dissemination of information via social media could harm our brand or our business, regardless of the information's accuracy. This could include negative publicity related to our products or services or negative publicity related to actions taken (or not taken) by us or our executives, team members, employees, partner merchants, or other individuals or entities that may be perceived as being associated with us. Such negative publicity may relate to actions taken (or not taken) with respect to social, environmental, and community outreach issues and initiatives. Our inability or failure to recognize, respond to, and effectively manage the accelerated impact of social media could adversely impact our business. In addition, we use social media and other internet-based communications methods to communicate with our end-users, customers, partners and the public in general. Failure to use social media or other internet-based communication methods effectively could lead to a decline in our reputation. Further, laws and regulations, including associated enforcement priorities, rapidly evolve to govern social media platforms and other internet-based communications. Any failure by us or third parties acting at our direction to abide by applicable laws and regulations in the use of social media or internet-based communications could adversely impact our reputation or financial performance or subject us to fines or other penalties. Other risks associated with the use of social media and internet based-communication include improper disclosure of proprietary information, negative comments about our brand, products, or services, exposure of personally identifiable information, fraud, hoaxes, or malicious dissemination of false information.

Moreover, because our brand is directly associated with the brands of so many other companies by virtue of our business model and the integration of our platform with those of our partner merchants, there is a risk that we could be adversely affected by negative publicity that our partner merchants experience and that is beyond our control. The negative publicity could involve any manner of conduct and relate to any number of subjects, and even the mere perception of our involvement could dilute or tarnish or otherwise adversely affect our reputation, and could contribute to diminished financial performance.

We may not be able to sustain Sezzle Income growth rate, or our growth rate of related key operating metrics, in the future.

Although Sezzle Income has increased in recent periods, there can be no assurances that it will continue to grow at our current rate or at all. Many factors may contribute to a decline in Sezzle Income growth rate, including increased competition, slowing demand for our products from existing and new consumers, transaction volume and mix (particularly with our significant merchant partners), lower sales by our merchants (particularly those with whom we have significant relationships), general economic conditions, a failure by us to continue capitalizing on growth opportunities, changes in the regulatory environment and the maturation of our business, among others. You should not rely on the Sezzle Income or key operating metrics for any prior quarterly or annual period as an indication of our future performance. If Sezzle Income growth rate declines, our results of operations and financial condition could be materially and adversely affected.

There are a number of risks associated with international expansion of our operations that could materially and adversely affect our business.

We operate primarily in the United States and Canada and have also commenced operations in India and Europe and are currently beginning our expansion into Brazil as part of our growth strategy. Our ability to grow in new international markets and our business and results of operation could be adversely affected by a number of factors in the future, including:

- the ongoing impact of corporate and government response to the COVID-19 pandemic;
- currency controls, new currency adoptions and repatriation issues;
- changes in political and economic conditions and potential instability in certain regions, including in particular the recent civil unrest, terrorism, political turmoil and economic uncertainty in Africa, the Middle East and other regions;
- possible fraud or theft losses, and lack of compliance by international representatives in foreign legal jurisdictions where collection and legal enforcement may be difficult or costly;
- reduced or no protection of our intellectual property rights;
- unfavorable tax rules or trade barriers;
- inability to secure, train or monitor international agents;
- conformity of our platform with applicable business customs, including translation into foreign languages and associated expenses;
- potential changes to our established business model;
- the need to support and integrate with local vendors and service providers;
- protection of our platform from cybersecurity threats and data privacy breaches;
- competition with vendors and service providers that have greater experience in the local markets than we do or that have pre-existing relationships with potential consumers, merchants and investors in those markets; and
- difficulties in staffing and managing foreign operations in an environment of diverse culture, laws, and consumers and merchants, and the increased travel, infrastructure, and legal and compliance costs associated with international operations.

As a result of the foregoing risks, any existing or potential future international expansion efforts that we may undertake may not be successful, which could materially and adversely impact our business and results of operations.

In addition, international expansion has and will continue to expose us to numerous regulatory risks. In particular, as we expand, changes in the regulatory environment may negatively impact our business. We are subject to regulations relating to our corporate conduct and the conduct of our business, including securities laws, consumer protection laws, trade regulations, advertising regulations, privacy and cybersecurity laws, wage and hour regulations, AML laws and anti-corruption legislation. Certain jurisdictions have taken aggressive stances with respect to such matters and have implemented new initiatives and reforms, including more stringent regulations, disclosure and compliance requirements. The increased costs and resources associated with compliance, as well as any violations of, these regulations and requirements, would likely have a material and adverse impact on our business and results of operations.

The U.S. Foreign Corrupt Practices Act, the Foreign Public Officials Act (Canada), the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity with more frequent and aggressive investigations and enforcement proceedings by both the Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators and increases in criminal and civil proceedings brought against companies and individuals. We operate in certain countries that may be perceived as presenting elevated risk for corruption, such as India, and we will need to adhere to strict policies and procedures to attempt to mitigate those risks. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our employees or third-party intermediaries. Violations of these anti-bribery laws may result in criminal or civil sanctions, which could have a material adverse effect on our business and results of operations.

AML laws and related KYC requirements generally require certain companies to conduct necessary due diligence to prevent and protect against money laundering. Enforcement of applicable AML laws could result in criminal and civil proceedings brought against companies and individuals. We operate in certain jurisdictions such as India, and may expand into other jurisdictions, that may present elevated risk of money laundering activities. Our internal control policies and procedures and other company policies may not always protect us from reckless or criminal acts committed by our employees, consumers, merchants or other third parties with whom we conduct business. Violations of AML laws may result in criminal or civil sanctions, which could have a material adverse effect on our business and results of operations.

Various regulatory agencies demand licensing or other controls in order to operate in each market; such requirements vary country by country, may not be consistent within a single country and are fact dependent. Our innovative approach to the market makes interpretations in regulatory requirements speculative. Local authorities may determine that the nature of our offerings may require different licenses or requirements than the licenses that we have obtained or secured or that we had anticipated needing to obtain or secure. Any delays in securing the necessary licenses or obtaining the necessary approvals could delay our expansion into foreign markets, which would adversely affect our anticipated growth. Further, any licensing violations may result in criminal or civil sanctions, which could have material adverse effects on our business and results of operations.

We intend to grow our business and may require additional capital to do so.

As our current business grows and new lines of business are developed, we may require additional funding to support the provision of installments plans to consumers and working capital. There can be no assurance that such goals can be met without further financing and whether such financing, if necessary, can be obtained on favorable terms or at all.

If we require additional capital to grow our business, we may rely on a combination of fund options including equity and our existing and new revolving credit facilities. An inability to raise capital through the issuance of equity securities or secure funding through new credit facilities, or any increase in the cost of such funding, may adversely impact our ability to grow our business. Failure by us to meet financial covenants under the credit agreement governing our existing revolving credit facility, or the occurrence of other specified events, may lead to an event of default. If an event of default were to occur, we may be required to make repayments under the credit facility in advance of the relevant maturity dates and/or termination of the credit facility, which would likely have an adverse impact on our business, results of operations and financial condition.

Our existing revolving credit facility is secured by our consumer notes receivable we choose to pledge and is subject to covenants. Fifty percent of the total available funding facility ($125,000,000) is committed while the remaining fifty percent is available to us for expanding our funding capacity. Thus, a significant portion of our funding capacity is in part dependent on our accounts receivable, which can be volatile and, at times, at levels low enough to result in our inability to draw down on this part of the credit facility. Any material decrease in our accounts receivable could negatively impact our liquidity, which would have an adverse effect on our business, results of operations, and financial condition. In addition, it is possible that our transaction volume will outpace our ability to finance transactions if we do not have sufficient borrowing capacity under our credit facility, which in turn could result in a material adverse effect on our results of operations and financial condition.

Risks Related to Our Financing Program

Consumers may not view or treat their BNPL product loans as having the same significance as other obligations, and the loans facilitated through our platform are not secured, guaranteed, or insured and involve a high degree of financial risk.

Consumers may not view the BNPL product loans facilitated through our platform as having the same significance as a loan or other credit obligation arising under more traditional circumstances. If a consumer neglects his or her payment obligations on a BNPL product loan facilitated through our platform or chooses not to repay his or her loan entirely, it will have an adverse effect on our business, results of operations, financial condition, prospects, and cash flows.

Personal loans facilitated through our platform are not secured by any collateral, not guaranteed or insured by any third-party, and not backed by any governmental authority in any way. Therefore, we are limited in our ability to collect on these loans if a consumer is unwilling or unable to repay them. A consumer's ability to repay their loans can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card, and other debt obligations resulting from increases in base lending rates or structured increases in payment obligations. If a consumer defaults on a loan, we may be unsuccessful in our efforts to collect the amount of the loan. We may also be required to pay credit card processing costs for transactions that we fail to collect loans on from our consumers. Our originating bank partners could decide to originate fewer BNPL product loans through our platform. An increase in defaults precipitated by these risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition, and prospects.

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

We use the Internet to obtain application information and distribute certain legally required notices to applicants for loans, and to obtain electronically signed loan documents in lieu of paper documents with tangible consumer signatures. These processes entail additional risks relative to paper-based loan underwriting processes and procedures, including risks regarding the sufficiency of notice for compliance with consumer protection laws, risks that consumers may challenge the authenticity of loan documents or the validity of electronic signatures and records, and risks that, despite internal controls, unauthorized changes are made to the electronic loan documents.

Exposure to consumer bad debts and insolvency of merchants may adversely impact our financial success.

Our ability to generate profits depends on our ability to put in place and optimize our systems and processes to make predominantly accurate, real-time decisions in connection with the consumer transaction approval process. We do not ordinarily perform credit checks on consumers in connection with the application process, unless consumers join our "Sezzle Up" platform to build their credit and boost their spending power. Consumer non-payment is a major component of our expenses at present, and we are exposed to consumer bad debts as a normal part of our operations because we absorb the costs of all uncollectible notes receivables from our consumers. We calculate our provision for uncollectible accounts on notes receivable on an expected loss basis. Any amounts delinquent after 90 days are charged-off with an offsetting reversal of the allowance for doubtful accounts through the provision for uncollectible accounts. Our ability to collect on loans is dependent on the consumer's continuing financial stability, and consequently, collections can be adversely affected by a number of factors, including job loss, divorce, death, illness, or personal bankruptcy. It is possible that a higher percentage of consumers will seek protection under bankruptcy or debtor relief laws as a result of financial and economic disruptions related to the COVID-19 pandemic than is reflected in our historical experience. Excessive exposure to bad debts as a result of consumers failing to repay outstanding amounts owed to us may materially and adversely impact our results of operations and financial position.

We also have exposure to the potential insolvency of merchants to which we have advanced funds. Exposure occurs in the period of time between the advance of funds to a merchant for a consumer's purchase of goods, and the retail merchant shipping the goods to the consumer (at which point we are entitled to payment from the consumer). While this period of risk is typically only a short period of time, it is still a period that we are exposed to the risk that merchants will be unable to repay the funds we have advanced to them. As the merchants on our platform continue to grow, so does the amount of funds that may be advanced by us. The failure by merchants to repay these funds may result in a material adverse effect to our results of operations and financial position.

If we fail to comply with the applicable requirements of Visa or other payment processors, those payment processors could seek to fine us, suspend us or terminate our registrations, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

We partially rely on card issuers or payment processors, and must pay a fee for this service. From time to time, payment processors such as Visa may increase the interchange fees that they charge for each transaction using one of their cards. The payment processors routinely update and modify their requirements. Changes in the requirements, including changes to risk management and collateral requirements, may impact our ongoing cost of doing business and we may not, in every circumstance, be able to pass through such costs to our merchants or associated participants. Furthermore, if we do not comply with the payment processors' requirements (e.g., their rules, bylaws, and charter documentation), the payment processors could seek to fine us, suspend us or terminate our registrations that allow us to process transactions on their networks. The termination of our registration due to failure to comply with the applicable requirements of Visa or other payment processors, or any changes in the payment processors' rules that would impair our registration, could require us to stop providing payment services to Visa or other payment processors, which could have a material adverse effect on our business, results of operations, financial condition, and prospects. We are also subject to the Payment Card Industry Data Security Standard ("PCI DSS") with respect to the acceptance of payment cards. PCI DSS sets forth security standards relating to the processing of cardholder data and the systems that process such data, and a failure to adhere to these standards can result in fines or limitations on our ability to process payment cards.

Risks Related to Our Technology and the Sezzle Platform

Our results depend on integration, support, and prominent presentation of our platform by our merchants.

We use and rely on integration with third-party systems and platforms, particularly websites and other systems of our merchants. The success of our services, and our ability to attract additional consumers and merchants, depends on the ability of our technology and systems to integrate into, and operate with, these various third-party systems and platforms. In addition, as these systems and platform are regularly updated, it is possible that when such updates occur it could cause our services to operate inefficiently. This will likely require us to change the way we operate our systems and platform, which may take time and expense to remedy.

We also depend on our merchants, which generally accept most major credit cards and other forms of payment, to present our platform as a payment option, such as by prominently featuring our platform on their websites or in their stores and not just as an option at website checkout. We do not have any recourse against merchants when they do not prominently present our platform as a payment option. The failure by our merchants to effectively integrate, support, and present our platform would likely have a material adverse effect on our business, results of operations and financial condition.

Unanticipated surges or increases in transaction volumes may adversely impact our financial performance.

Continued increases in transaction volumes may require us to expand and adapt our network infrastructure to avoid interruptions to our systems and technology. Any unanticipated surges or increases in transaction volumes may cause interruptions to our systems and technology, reduce the number of completed transactions, increase expenses, and reduce the level of customer service, and these factors could adversely impact our reputation and, thus, diminish consumer confidence in our systems, which may result in a material adverse effect on our business, results of operations and financial condition

Data security breaches, cyberattacks, employee or other internal misconduct, malware, phishing or ransomware, physical security breaches, natural disasters, or similar disruptions could occur and materially adversely impact our business or ability to protect the confidential information in our possession or control.

Through the ordinary course of business, we collect, store, process, transfer, and use (collectively, "process") a wide range of confidential information, including personally identifiable information, for various purposes, including to follow government regulations and to provide services to our users and merchants. The information we collect may be sensitive in nature. The manner in which we process information is subject to a variety of privacy, data protection, cybersecurity, and other laws and regulations. Due to the sensitivity and nature of the information we process, we are the target of, defend against and must regularly respond to cyberattacks, including from malware, phishing or ransomware, physical security breaches, or similar attacks or disruptions. Cyberattacks and similar disruptions may compromise or breach the Sezzle Platform and the protections we use to try to protect confidential information in our possession or control. Breaches of the Sezzle Platform or other Sezzle systems could result in the criminal or unauthorized use of confidential information and could negatively affect our users and merchants and, because the techniques for conducting cyberattacks are constantly evolving and may be supported by significant financial and technological resources (e.g., state-sponsored actors), we may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventative or remedial measures. These risks also reside with third party service providers with whom we conduct business. Our business could be materially and adversely impacted by security breaches of the data and information of merchants' and consumers' data and information, either by unauthorized access, theft, destruction, loss of information or misappropriation or release of confidential data.

These events may cause significant disruption to our business and operations or expose us to reputational damage, loss of consumer confidence, legal claims, civil and criminal liability, constraints on our ability to continue operation, reduced demand for our products and services, termination of our contracts with merchants or third party service providers, and regulatory scrutiny and fines, any of which could materially adversely impact our financial performance and prospects. Any security or data issues experienced by other software companies or third party service providers with whom we conduct business could diminish our customers' trust in providing us access to their personal data generally. Merchants and consumers that lose confidence in our security measures may be less willing to make payments on their loans or participate in the Sezzle Platform.

In addition, our partners include credit bureaus, collection agencies and banking parties, each of whom operate in a highly regulated environment, and many laws and regulations that apply directly to them may apply directly or indirectly to us through our contractual arrangements with these partners. Federal state and international laws or regulators, as well as our contractual partners, may require notice in event of a security breach that involves personally identifiable information, and these disclosures may result in negative publicity, loss of confidence in our security measures, regulatory or other investigations, the triggering of indemnification and other contractual obligations, and other adverse effects to our partner ecosystem and operations. We may also incur significant costs and loss of operational resources in connection with remediating, investigating, mitigating, or eliminating the causes of security breaches, cyberattacks, or similar disruptions after they have occurred. The retention and coverage limits in our insurance policies may not be sufficient to reimburse the full cost of responding to and remediating the effects of a security breach, cyberattack, or similar disruption, and we may not be able to collect fully, if at all, under these insurance policies or to ensure that the insurer will not deny coverage as to any future claim.

Real or perceived software errors, failures, bugs, defects, or outages could adversely affect our business, results of operations, financial condition, and prospects.

Our platform and our internal systems rely on software that is highly technical and complex. In addition, our platform and our internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. As a result, undetected vulnerabilities, errors, failures, bugs, or defects may be present in such software or occur in the future in such software, including open source software and other software we license in from third parties, especially when updates or new products or services are released.

Any real or perceived vulnerabilities, errors, failures, bugs, or defects in the software may not be found until our consumers use our platform and could result in outages or degraded quality of service on our platform that could adversely impact our business (including through causing us not to meet contractually required service levels), as well as negative publicity, loss of or delay in market acceptance of our products and services, and harm to our brand or weakening of our competitive position. In such an event, we may be required, or may choose, to expend significant additional resources in order to correct the problem. Any real or perceived errors, failures, bugs, or defects in the software we rely on could also subject us to liability claims, impair our ability to attract new consumers, retain existing consumers, or expand their use of our products and services, which would adversely affect our business, results of operations, financial condition, and prospects.

We also rely on online payment gateways, banking and financial institutions for the validation of bank cards, settlement and collection of payments. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside our control, including damage, equipment faults, power failure, fire, natural disasters, computer viruses and external malicious interventions such as hacking, cyber-attacks or denial-of-service attacks.

Any significant disruption in, or errors in, service on our platform or relating to vendors could prevent us from processing transactions on our platform or posting payments.

We use vendors, such as our cloud computing web services provider, virtual card processing companies, and third-party software providers, in the operation of our platform. The satisfactory performance, reliability, and availability of our technology and our underlying network and infrastructure are critical to our operations and reputation and the ability of our platform to attract new and retain existing merchants and consumers. We rely on these vendors to protect their systems and facilities against damage or service interruptions from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or attempts to harm these systems, criminal acts, and similar events. If our arrangement with a vendor is terminated or if there is a lapse of service or damage to its systems or facilities, we could experience interruptions in our ability to operate our platform. We also may experience increased costs and difficulties in replacing that vendor and replacement services may not be available on commercially reasonable terms, on a timely basis, or at all. Any interruptions or delays in our platform availability, whether as a result of a failure to perform on the part of a vendor, any damage to one of our vendor's systems or facilities, the termination of any of our third-party vendor agreement, software failures, our or our vendor's error, natural disasters, terrorism, other man-made problems, security breaches, whether accidental or willful, or other factors, could harm our relationships with our merchants and consumers and also harm our reputation.

In addition, we source certain information from third parties. In the event that any third-party from which we source information experiences a service disruption, whether as a result of maintenance, natural disasters, terrorism, or security breaches, whether accidental or willful, or other factors, the ability to score and decision loan applications through our platform may be adversely impacted. Additionally, there may be errors contained in the information provided by third parties. This may result in the inability to approve otherwise qualified applicants through our platform, which may adversely impact our business by negatively impacting our reputation and reducing our transaction volume.

To the extent we use or are dependent on any particular third-party data, technology, or software, we may also be harmed if such data, technology, or software becomes non-compliant with existing regulations or industry standards, becomes subject to third-party claims of intellectual property infringement misappropriation, or other violation, or malfunctions or functions in a way we did not anticipate. Any loss of the right to use any of this data, technology, or software could result in delays in the provisioning of our products and services until equivalent or replacement data, technology, or software is either developed by us, or, if available, is identified, obtained, and integrated, and there is no guarantee that we would be successful in developing, identifying, obtaining, or integrating equivalent or similar data, technology, or software, which could result in the loss or limiting of our products, services, or features available in our products or services.

These factors could prevent us from processing transactions or posting payments on our platform, damage our brand and reputation, divert the attention of our employees, reduce Sezzle Income, subject us to liability, and cause consumers or merchants to abandon our platform, any of which could have a material and adverse effect on our business, results of operations, financial condition, and prospects.

Fraudulent activities may result in us suffering losses, causing a materially adverse impact to our reputation and results of operations.

We are exposed to risks imposed by fraudulent conduct, including the risks associated with consumers attempting to circumvent our system and repayment capability assessments. There is a risk that we may be unsuccessful in defeating fraud attempts, resulting in a higher than budgeted costs of fraud and consumer non-payment.

We guarantee payment to merchants and accept the responsibility associated with minimizing fraudulent activity and bear all costs associated with such fraudulent activity. Fraudulent activity is likely to result in us suffering losses, which may have a material adverse impact on our reputation and cause us to bear increased costs to rectify and safeguard business operations and our systems against such fraudulent activity. Significant amounts of fraudulent cancellations or chargebacks could adversely affect our business, results of operations or financial condition. High profile or significant increases in fraudulent activity could also lead to regulatory intervention, negative publicity, and the erosion of trust from our consumers and merchants, which could result in a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Regulatory Environment

The "buy-now, pay-later" industry is subject to various state and federal laws in the United States and federal, provincial and territorial laws in Canada concerning consumer finance, and the costs to maintain compliance with such laws and regulations may be significant.

We are subject to a range of state and federal laws and regulations concerning consumer finance that change periodically. These laws and regulations include state lending licensing or other state licensing or registration laws, consumer credit disclosure laws such as the Truth in Lending Act ("TILA"), the FCRA and other laws concerning credit reports and credit reporting, the Electronic Fund Transfer Act AML laws, the TCPA and other laws concerning initiating phone calls or text messages, the Electronic Signatures in Global and National Commerce Act, debt collection laws, laws governing short-term consumer loans and general consumer protection laws, such as laws that prohibit UDAP or UDAAP. There is also the potential that we may become subject to additional legal or regulatory requirements if our business operations, strategy or geographic reach expand in the future. While we have developed policies and procedures designed to assist in compliance with laws and regulations applicable to our business, no assurance is given that our compliance policies and procedures will be effective. We may not always have been, and may not always be, in compliance with these laws and regulations and such non-compliance could have a material adverse effect on our business, results of operations and financial condition.

In Canada, we are subject to a range of federal and provincial laws and regulations including, but not limited to, provincial and territorial consumer finance legislation (including prohibition on late fees, limits on default charges, debt collection laws and requirements), consumer lender licensing or registration laws, consumer contract and credit disclosure laws, credit advertising requirements, e-commerce laws and unfair practices regulation, Canadian sanctions laws, federal and provincial-level private sector privacy laws, federal Canadian anti-spam legislation, federal and provincial human rights legislation, Quebec Charter of French language laws and requirements, and regulation under Payments Canada Rule H1- Pre-Authorized Debit Rules in respect of the acceptance of payments from Canadian bank accounts. There is also the potential that we may become subject to additional legal or regulatory requirements if our business operations, strategy or geographic reach expand in the future.

New laws or regulations could also require us to incur significant expenses and devote significant management attention to ensure compliance. In addition, our failure to comply with these new laws or regulations may result in litigation or enforcement actions, the penalties for which could include: revocation of licenses, fines and other monetary penalties, civil and criminal liability, substantially reduced payments by borrowers, modification of the original terms of loans, permanent forgiveness of debt, or inability to, directly or indirectly and collect all or a part of the principal of or interest on loans. Further, we may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business.

In the United States, we have certain state lending licenses and other licenses, which subject us to supervisory oversight from these license authorities and periodic examinations. Our business is also generally subject to investigation by regulators and enforcement agencies, regardless of whether we have a license from such authorities. These regulators and enforcement agencies may receive consumer complaints about us. Investigations or enforcement actions may be costly and time consuming. Enforcement actions by such regulators and enforcement agencies could lead to fines, penalties, consumer restitution, the cessation of our business activities in whole or in part, or the assertion of private claims and lawsuits against us. In the United States, these regulators and agencies at the state level include state licensing agencies, financial regulatory agencies, and attorney general offices. At the federal level in the United States, these regulators and agencies include the FTC, the CFPB, and FinCEN, any or all of which could subject us to burdensome rules and regulations that could increase costs and use of our resources in order to satisfy our compliance obligations.

In Canada, we are appropriately licensed as a lender and/or have structured our business activities to avoid a licensing requirement in each of the Canadian provinces that require such licenses. In connection with our business activities, we are also generally subject to consumer protection legislation and other laws and, on that basis, our business is also generally subject to regulatory oversight and supervision from federal and/or provincial regulators in respect of those activities, regardless of whether we have a license. These regulators and enforcement agencies generally act on a complaints-basis and may receive consumer complaints about us. Investigations or enforcement actions may be costly and time consuming. Enforcement actions by such regulators and enforcement agencies could lead to fines, penalties, consumer restitution, the cessation of our business activities in whole or in part, or the assertion of private claims and lawsuits against us.

Compliance with these laws and regulations is costly, time-consuming, and limits our operational flexibility. There is also a risk that if we fail to comply with these laws, regulations, and any related industry compliance standards, such failure may result in significantly increased compliance costs, cessation of certain business activities or the ability to conduct business, litigation, regulatory inquiries or investigations, and significant reputational damage.

We are subject to various U.S. federal and state and, in Canada, provincial and territorial consumer protection laws.

We must comply with various regulatory regimes, including those applicable to the protection of consumers in connection with credit transactions. The laws to which we are or may be subject include U.S. federal and state, Canadian provincial and territorial laws and regulations that impose requirements related to financial services, such as loan and consumer contract disclosures and terms, data privacy, credit discrimination, credit reporting, money; and transmission, recordkeeping, debt servicing and collection, and unfair or deceptive business practices.

In addition, in the United States the laws and regulations to which we are subject include:

- TILA and Regulation Z promulgated thereunder, which require certain disclosures to consumers regarding the terms and conditions of their loans and credit transactions;

- Section 5 of the Federal Trade Commission Act, which prohibits UDAP in or affecting commerce, and Section 1031 of the Dodd-Frank Act, which prohibits UDAAP in connection with any consumer financial product or service;

- the ECOA and Regulation B promulgated thereunder, which prohibit creditors from discriminating against credit applicants on the basis of race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the Federal Consumer Credit Protection Act or any applicable state law;

- the FCRA, which promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies;

- the Fair Debt Collection Practices Act, which provides guidelines and limitations concerning the conduct of third-party debt collectors in connection with the collection of consumer debts;

- the Telephone Consumer Protection Act, which regulates the use of telephone and texting to communicate with customers;

- the Federal Trade Commission's Holder in Due Course Rule, and equivalent state laws, which make any holder of a consumer credit contract include the required notice and become subject to all claims and defenses that a borrower could assert against the seller of goods or services;

- the CFPB's Small Dollar Lending Rule, which requires disclosures related to payments and imposes other requirements for certain consumer loans;

- the Electronic Fund Transfer Act and Regulation E promulgated thereunder, which provide disclosure requirements, guidelines, and restrictions on the electronic transfer of funds from consumers' bank accounts;

- the Electronic Signatures in Global and National Commerce Act and similar state laws, particularly the Uniform Electronic Transactions Act, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures, including applicable Canadian provincial and territorial e-commerce laws;

- the Military Lending Act and similar state laws, which provide disclosure requirements, substantive conduct obligations, and prohibitions on certain behavior relating to loans made to covered borrowers, which include both servicemembers and their dependents;

- the Servicemembers Civil Relief Act, which allows active duty military members to suspend or postpone certain civil obligations so that the military member can devote his or her full attention to military duties; and

- new requirements pursuant to the CARES Act, including requirements relating to collection and credit reporting, though many of the implementing regulations under the CARES Act have not yet been issued.

- the GLBA, which includes limitations on use and disclosure of nonpublic personal information about a consumer by a financial institution; and

- state privacy and data security laws including, but not limited to, the CCPA, as amended by the CPRA, and the Virginia CDPA which include limitations and requirements surrounding the use, disclosure, and other processing of certain personal information.

In Canada, the laws and regulations to which we are subject include:

- the Canadian Personal Information Protection and Electronic Documents Act and equivalent provincial privacy laws in the provinces of Alberta, British Columbia and Quebec, each of which includes requirements surrounding the use, disclosure, and other processing of certain personal information about Canadian residents;

- the Canadian Anti-Spam Law, which regulates the transmittal of commercial electronic messages;

- Canada federal and provincial human rights legislation which prohibits discriminatory practices to deny, deny access to, or to differentiate adversely in relation to any individual in respect of the provision of services customarily available to the general public on the basis of a certain prohibited grounds of discrimination (including, but not limited to, race, national or ethnic origin, color, religion, age, sex, sexual orientation, gender identity or expression, marital status, family status, genetic characteristics, among others);

- Canadian provincial consumer protection and cost of credit disclosure laws which include prohibition of late fees, limits on default charges, prohibition of unfair practices, as well as consumer contract disclosure and related process requirements, among other requirements;

- Canadian sanctions laws and related regulations which impose economic or financial sanctions that are administered or enforced from time to time by the Canadian government and prohibit the provision of financial services to certain designated persons with whom dealings are generally prohibited;

- Payments Canada Rule H1- Pre-Authorized Debit Rules in respect of the acceptance of payments from Canadian bank accounts; and

- the Quebec Charter of French Language laws which regulates the language of communication in commerce and business and applies to entities carrying on business in Quebec.

While we have developed policies and procedures designed to assist in compliance with these consumer protection laws and regulations, no assurance is given that our compliance policies and procedures will be effective. Failure to comply with these laws and with regulatory requirements applicable to our business could render the loans we make to consumers void or unenforceable and subject us to damages, revocation of licenses, class action lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm our business.

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

Our business is subject to increased risks of litigation and regulatory actions as a result of a number of factors and from various sources, including as a result of the highly regulated nature of the financial services industry and the focus of state and federal enforcement agencies on the financial services industry in general and consumer financial services in particular.

In the ordinary course of business, we have been named as a defendant in various legal actions, including arbitrations and other litigation. From time to time, we may also be involved in, or the subject of, reviews, requests for information, investigations, and proceedings (both formal and informal) by state and federal governmental agencies, including banking regulators, the FTC, and the CFPB, regarding our business activities and our qualifications to conduct our business in certain jurisdictions, which could subject us to fines, penalties, obligations to change our business practices, and other requirements resulting in increased expenses and diminished earnings. Our involvement in any such matter also could cause harm to our reputation and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. Moreover, any settlement, or any consent order or adverse judgment, in connection with any formal or informal proceeding or investigation by a government agency, may prompt litigation or additional investigations or proceedings as other litigants or other government agencies begin independent reviews of the same or similar activities.

In addition, a number of participants in the consumer finance industry have been the subject of putative class action lawsuits; state attorney general actions and other state regulatory actions; federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive, or abusive acts or practices; violations of state licensing and lending laws, including state interest rate limits; actions alleging discrimination on the basis of race, ethnicity, gender, or other prohibited bases; and allegations of noncompliance with various state and federal laws and regulations relating to originating and servicing consumer finance loans. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in significant operational and compliance costs and may prevent us from providing certain products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have an adverse effect on our business. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes subject to the jurisdiction of the CFPB and FTC may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages in excess of the amounts we earned from the underlying activities.

Stringent and changing laws and regulations relating to privacy and data protection could result in claims, harm our results of operations, financial condition, and prospects, or otherwise harm our business.

We are subject to a variety of laws, rules, directives, and regulations, as well as contractual obligations, relating to the processing of personal information, including personally identifiable information. The regulatory framework for privacy and data protection worldwide is rapidly evolving and, as a result, implementation standards and enforcement practices are likely to continue to evolve for the foreseeable future. Legislators and regulators are increasingly adopting or revising privacy and data protection laws, rules, directives, and regulations that could have a significant impact on our current and planned privacy and data protection-related practices; our processing of consumer or employee information; our current or planned business activities; and our ability to transfer data internationally.

Compliance with current or future privacy and data protection laws (including those regarding security breach notification) affecting consumer and/or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services (such as products or services that involve us sharing information with third parties or storing sensitive information), which could materially and adversely affect our financial position and could reduce income from certain business initiatives.

We publicly post policies and documentation regarding our practices concerning the processing of data. This publication of our privacy policy and other documentation that provide promises and assurances about privacy and security is required by applicable law and can subject us to proceedings and actions brought by data protection authorities, government entities, or others (including, potentially, in class action proceedings brought by individuals) if our policies are alleged to be deceptive, unfair, or misrepresentative of our actual practices. Although we endeavor to comply with our published policies and documentation consistent with applicable with law, we may at times fail to do so or be alleged to have failed to do so.

We are subject to the GLBA and implementing regulations and guidance thereunder, in addition to applicable privacy and data protection laws in the other jurisdictions in which we carry on business activities. Among other things, the GLBA (i) imposes certain limitations on the ability to share consumers' nonpublic personal information with nonaffiliated third parties and (ii) requires certain disclosures to consumers about information collection, sharing, and security practices and their right to "opt out" of the institution's disclosure of their personal financial information to nonaffiliated third parties (with certain exceptions). Privacy requirements, including notice and opt out requirements, under the GLBA and the FCRA are enforced by the FTC and by the CFPB through UDAAP laws and regulations, and are a standard component of CFPB examinations. State entities also may initiate actions for alleged violations of privacy or security requirements under state UDAAP and other laws.

Furthermore, an increasing number of state, federal, and international jurisdictions have enacted, or are considering enacting, privacy laws, such as the CCPA, which became effective on January 1, 2020, and the GDPR, which regulates the collection and use of personal information of data subjects in the European Union and the European Economic Area. The CCPA gives residents of California expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used, and also provides for civil penalties for violations and private rights of action for data breaches. Meanwhile, the GDPR provides data subjects with greater control over the collection and use of their personal information (such as the "right to be forgotten") and has specific requirements relating to cross-border transfers of personal information to certain jurisdictions, including to the United States, with fines for noncompliance of up to the greater of 20 million euros or up to 4% of the annual global revenue of the noncompliant company. In addition, on November 3, 2020, California voters approved a new privacy law, the CPRA, which significantly modifies the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. Many of the CPRA's provisions will become effective on January 1, 2023. Additionally, on March 2, 2021, the Virginia CDPA was signed into law. The CDPA becomes effective beginning January 1, 2023, and contains similar provisions to the CCPA and CPRA. In addition, most industrialized countries have or are in the process of adopting similar data protection laws enforced through data protection authorities. The CCPA, CPRA, CDPA, GDPR, and any other applicable state, federal, and international privacy laws, may increase our compliance costs and potential liability and may inhibit our operations to the extent that such requirements do not allow international transfers of personal data or otherwise restrict the use of personal data.

Our failure, or the failure of any third party with whom we work, to comply with privacy and data protection laws could result in potentially significant regulatory investigations and government actions, litigations, fines, or sanctions, consumer, funding source, bank partner, or merchant actions, and damage to our reputation and brand, all of which could have a material adverse effect on our business. Complying with privacy and data protection laws and regulations may cause us to incur substantial operational costs or require us to change our business practices. We may not be successful in our efforts to achieve compliance either due to internal or external factors, such as resource allocation limitations or a lack of vendor cooperation. We have in the past, and may in the future, receive complaints or notifications from third parties alleging that we have violated applicable privacy and data protection laws and regulations.

Non-compliance could result in proceedings against us by governmental entities, consumers, data subjects, or others. We may also experience difficulty retaining or obtaining new consumers in these jurisdictions due to the legal requirements, compliance cost, potential risk exposure, and uncertainty for these entities, and we may experience significantly increased liability with respect to these consumers pursuant to the terms set forth in our engagements with them.

As we continue to expand our operations internationally, we may become subject to various foreign privacy and data protection laws and regulations, which may in some cases be more stringent than the requirements in the jurisdictions in which we currently operate or which may inhibit international transfers of data. Because the interpretation and application of many privacy and data protection laws are uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our products and services. If so, in addition to the possibility of fines, lawsuits, regulatory investigations, and other claims and penalties, we could be required to change our business activities and practices or modify our products or services, any of which could have an adverse effect on our business. Any claims regarding our inability to adequately address privacy and security concerns, even if unfounded, or to comply with applicable privacy and data security laws, regulations, contractual requirements, and policies, could result in additional cost and liability to us, damage our reputation, and adversely affect our business. Privacy and data security concerns, whether valid or not, may inhibit market adoption of our products and services, particularly in certain industries and jurisdictions. If we are not able to quickly adjust to changing laws, regulations, and standards related to the internet, our business may be harmed.

If we were found to be operating without having obtained necessary state or local licenses, it could adversely affect our business, results of operations, financial condition, and prospects.

Certain states have adopted laws regulating and requiring licensing, registration, notice filing, or other approval by parties that engage in certain activity regarding consumer finance transactions. Furthermore, certain states and localities have also adopted laws requiring licensing, registration, notice filing, or other approval for consumer debt collection or servicing, and/or purchasing or selling consumer loans. The application of some consumer financial licensing laws to our platform and the related activities it performs is unclear. In addition, state licensing requirements may evolve over time. If we were found to be in violation of applicable state licensing requirements by a court or a state, federal, or local enforcement agency, or agree to resolve such concerns by voluntary agreement, we could be subject to or agree to pay fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), criminal penalties, and other penalties or consequences, and the loans facilitated through our platform could be rendered void or unenforceable in whole or in part, any of which could have an adverse effect on the enforceability or collectability of the loans facilitated through our platform. In January 2020, we agreed to a consent order with the California Department of Business Oversight (now the California Department of Financial Protection and Innovation) for activities in the state that the Department viewed as requiring a lending license. Pursuant to the consent order, we agreed to pay $282,000 in customer restitution, pay a penalty of $28,200, and obtain a license in order to operate in the state (which we have since obtained). The fine and resources expanded to secure state licenses, including the California license, could negatively impact our primary focus of managing our business and operations.

If loans made by us under our state lending licenses are found to violate applicable state lending and other laws, it could adversely affect our business, results of operations, financial condition, and prospects.

We have obtained lending licenses in certain states such as California, North Dakota, South Dakota, Idaho, Montana and Missouri. The loans we may originate on our platform pursuant to these state licenses are subject to state licensing and interest rate restrictions, as well as numerous state requirements regarding consumer protection, interest rate, disclosure, prohibitions on certain activities, and loan term lengths. If the loans we originate pursuant to our state licenses were deemed subject to and in violation of certain state consumer finance or other laws, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), and other penalties or consequences, and the loans could be rendered void or unenforceable in whole or in part, any of which could have an adverse effect on our business, results of operations, financial condition, and prospects. In addition, we have applied for lending licenses in certain states such as Rhode Island and Louisiana and await a response on the securing of licenses in those states, and we cannot assure you that we will be successful in obtaining state licenses that are currently under review or in process, or that we have not yet been required to apply for.

Other Risks Related to Our Business

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

We have significant vendors that, among other things, provide us with financial, technology, and other services to support our products and other activities, including, for example, cloud-based data storage and other IT solutions, and payment processing, and we could be adversely impacted to the extent our vendors fail to comply with the legal requirements applicable to the particular products or services being offered. For example, the CFPB has issued guidance stating that institutions under its supervision may be held responsible for the actions of the companies with which they contract.

In some cases, we may be reliant on one or a limited number of vendors for critical services. Most of our vendor agreements are terminable by the vendor on little or no notice, and if our current vendors were to terminate their agreements with us or otherwise stop providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms or at all. If any vendor fails to provide the services we require, fails to meet contractual requirements (including compliance with applicable laws and regulations), fails to maintain adequate data privacy controls and electronic security systems, or suffers a cyber-attack or other security breach, we could be subject to regulatory enforcement actions, claims from third parties, including our consumers, suffer operational outages, and suffer economic and reputational harm that could have an adverse effect on our business. Further, we may incur significant costs to resolve any such disruptions in service, which could adversely affect our business.

The loss of key partners and merchant relationships would adversely affect our business.

We depend on continued relationships with our current significant merchants and partners that assist in obtaining and maintaining our relationships with merchants. There can be no guarantee that these relationships will continue or, if they do continue, that these relationships will continue to be successful. Our contracts with merchants can be terminated for convenience on relatively short notice by either party, and so we do not have long-term contracted income. There is a risk that we may lose merchants for a variety of reasons, including a failure to meet key contractual or commercial requirements, or merchants shifting to in-house solutions (including providing a service competitive to us) or competitor service providers. We also face the risk that our key partners could become competitors of our business after our key partners determine how we have implemented our model to provide our services.

Although no one merchant accounted for more than 2.0% of Sezzle Income for the year ended December 31, 2020, our business is still in a relatively early stage and merchant income is not as diversified as it might be for a more mature business. The loss of even a small number of our key merchants may have a material adverse effect on our results of operations and financial condition, and may be further exacerbated by an increase in marketing expenses to sign up new merchants to replace those lost, including incentive arrangements spent on lost merchants and new incentive commitments. There is also a risk that key terms with new merchants may be less favorable to us, including terms of pricing, due to unanticipated changes in our market. In addition, the loss of a key merchant may also have a negative impact on our reputation with other merchants and with consumers.

If we fail to retain existing merchants or acquire new merchants in a cost-effective manner, our business, financial condition, and results of operations could be adversely affected.

We believe that growth of our business is dependent on our ability to continue to cost-effectively grow our platform by retaining our existing merchants and attracting new merchants. In particular, our partnerships with larger merchants and merchants with a high degree of brand recognition are a key component of our strategy to provide a wide and attractive selection for consumers. If we fail to retain our existing merchants, especially our most popular and larger merchants, or acquire new merchants, the value of our platform would be diminished. We expect to continue to incur substantial expenses to acquire additional merchants, particularly larger merchants that we believe will make our platform more attractive to consumers. These merchant partnership cost structures may not be cost-effective for us and we cannot assure you that the revenue we generate from the merchants we acquire will ultimately exceed the cost of adding them to our platform. We have entered into merchant agreements that require us to make marketing, incentive or other payments to the merchant over the term of the agreement. In addition if we are unable to fulfill our obligations under these merchant agreements, including any payments we have agreed to make with merchants, the merchant may terminate such agreement or determine not to renew and remain on our platform, which could have a negative impact on our business, results of operations and financial condition.

We rely on the accuracy of third-party data, and inaccuracies in such data will lead to reduced Sezzle Income.

We purchase data from third parties that is critical to our assessment of the creditworthiness of consumers before they are either approved or denied funding for their purchase from a merchant. We are reliant on these third parties to ensure that the data they provide is accurate. Inaccurate data could cause us to not approve transactions that otherwise would have been approved, or instead, we may either lose Sezzle Income, or earn Sezzle Income that may lead to a higher incidence of bad debts. Our inability to collect on certain amounts from consumers due to poor creditworthiness or otherwise would likely have a material adverse effect on our results of operations and financial condition.

We have experienced in the past, and expect to continue to experience, seasonal fluctuations in Sezzle Income.

We experience seasonality as a result of consumer spending patterns. Historically, Sezzle Income has been strongest during the fourth quarter of our fiscal year as a result of higher commerce trends during the holiday retail season. Adverse events that occur during these months could have a disproportionate effect on our business, results of operations, financial condition, and prospects. For example, a prolonged economic downturn caused by the COVID-19 pandemic or other adverse economic conditions could decrease consumer spending during the holiday retail season and result in a disproportionate impact our operating performance and financial results.

Changes in market interest rates and the replacement of LIBOR could have an adverse effect on our business.

We offer our merchants an interest bearing program whereby merchants may defer payment from us in exchange for interest. Deferred payments retained in the program bear interest at the LIBOR daily (3 month) rate plus three percent (3.0%) on an annual basis, compounding daily. The weighted average annual percentage yield for the year ended December 31, 2020 was 5.43%. Interest expense associated with the program totaled approximately $1.5 million and $300,000 for the years ended December 31, 2020 and 2019, respectively. In addition, the interest paid on borrowings under our receivable facility are tied to the LIBOR rate. The facility carries an interest rate of LIBOR plus 3.375% and LIBOR plus 10.689% (depending on the lender making the borrowings under the facility). Increased interest rates may adversely impact the amounts we may be required to pay under the merchant interest bearing program and our receivables facility, which as a result could negatively impact our results of operations and financial condition.

In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that, after 2021, it will stop compelling banks to submit rates for the calculation of LIBOR. Our interest bearing program and receivables facility contemplate a mechanism for replacing LIBOR with a new benchmark rate for outstanding debt under these arrangements. This mechanism is triggered in the event that LIBOR is no longer published or otherwise available as a benchmark for establishing interest rates for loans. Since the conditions for the implementation of this mechanism have not yet been triggered, we cannot determine with certainty what such replacement rate would be. As a result, we cannot reasonably predict the potential effect of a discontinuation or replacement of LIBOR, other reforms or the establishment of alternative reference rates on our business. The discontinuation, reform, or replacement of LIBOR could result in interest rate increases on our funding arrangements, which could adversely affect our operating results and financial condition.

We are exposed to exchange rate fluctuations in the international markets in which we operate.

We operate in Canada and are currently expanding into India, Brazil and parts of Europe, and anticipate that there will be instances in which costs and revenues will not be exactly matched with respect to currency denomination. Currency fluctuations cause the U.S. dollar value of our international results of operations and net assets to vary with exchange rate fluctuations. A decrease in the value of any of these currencies relative to the U.S. dollar could have a negative impact on our business, results of operations and financial condition. As we expand geographically, we may experience economic loss and a negative impact on earnings or net assets solely as a result of foreign currency exchange rate fluctuations. In the future, we may utilize derivative instruments to manage the risk of fluctuations in foreign currency exchange rates that could potentially impact our future earnings and forecasted cash flows. However, the markets in which we operate could restrict the removal or conversion of the local or foreign currency, resulting in our inability to hedge against some or all of these risks and/or increase our cost of conversion of local currency to U.S. dollar.

Our efforts to protect our intellectual property rights may not be sufficient.

Our business depends on our ability to commercially exploit our technology and intellectual property rights, including our technological systems and data processing algorithms. We rely on laws relating to trade secrets, copyright, and trademarks to assist in protecting our proprietary rights. However, there is a risk that unauthorized use or copying of our software, data, specialized technology, or platforms will occur. In addition, there is a risk that the validity, ownership, or authorized use of intellectual property rights relevant to our business may be successfully challenged by third parties. This could involve significant expense and potentially the inability to use the intellectual property rights in question. If an alternative cost-effective solution were not available, there may be a material adverse impact on our financial position and performance. Such disputes may also temporarily adversely impact our performance or ability to integrate new systems, which may adversely impact our income and financial position.

There is a risk that we will be unable to register or otherwise protect new intellectual property rights we develop in the future, or which are developed on our behalf by contractors. In addition, competitors may be able to work around any of our intellectual property rights, or independently develop technologies, or competing payment products or services that are not protected by our intellectual property rights. Our competitors may then be able to offer identical or very similar services or services that are otherwise competitive against those we provide, which could adversely affect our business. We also face risks in connection with our international expansion in countries that may have less protection for our intellectual property rights than the United States. We currently hold a registered domain name and registered trademarks, which we use in connection with our business operations in the United States, Europe and India. There is a risk that our trademarks may conflict with the registered trademarks of other companies, which may require us to rebrand our product and service offerings, obtain costly licenses, defend against third-party claims, or substantially change our product or service offerings. Should such risks manifest, we may be required to expend considerable resources and divert the attention of our management, which could have an adverse effect on our business and results of operations.

Our ability to protect our trademarks and other intellectual property may be adversely affected by the COVID-19 pandemic. As a result of the COVID-19 pandemic, certain domestic and foreign intellectual property offices have amended their filing requirements and other procedures, including, but not limited to, extending deadlines and waiving fees. These accommodations have not been applied uniformly across all intellectual property offices globally, and the effectiveness and duration of existing action is unclear. Further, the ongoing COVID-19 pandemic has created uncertainty with respect to the uninterrupted operation of domestic and foreign intellectual property offices, which, amongst other things, may cause delayed processing of renewal and application filings. Our inability to establish and maintain current and future trademarks or other intellectual property rights may have an adverse effect on the growth and reputation of our business. Further, the constantly evolving nature of the COVID-19 pandemic may change its effect on our brand and our other intellectual property rights over time in ways that cannot be reasonably anticipated or mitigated. This could have an adverse effect on our business, results of operations, and financial condition.

We may be sued by third parties for alleged infringement, misappropriation, or other violation of their intellectual property or other proprietary rights.

Our success depends, in part, on our ability to develop and commercialize our products and services without infringing, misappropriating, or otherwise violating the intellectual property or other proprietary rights of third parties. There is a risk that third parties may allege that our solutions infringe, misappropriate, or otherwise violate third-party intellectual property or other proprietary rights, and we may become involved in disputes, including actual or threatened litigation, from time to time concerning these rights. Relatedly, competitors or other third parties may raise claims alleging that service providers or other third parties retained or indemnified by us, infringe on, misappropriate, or otherwise violate such competitors' or other third parties' intellectual property or other proprietary rights. These claims of infringement, misappropriation, or other violation may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid all such alleged violations of such intellectual property or other proprietary rights. We also may be unaware of third-party intellectual property or other proprietary rights that cover or otherwise relate to some or all of our products and services.

Given the complex, rapidly changing, and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, a claim of infringement, misappropriation, or other violation against us may require us to spend significant amounts of time and other resources to defend against the claim (even if we ultimately prevail), pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies, or other intellectual property (temporarily or permanently), cease offering certain products or services, obtain a license, which may not be available on commercially reasonable terms or at all, or redesign our products or services or functionality therein, which could be costly, time-consuming, or impossible. Moreover, the volume of intellectual-property-related claims, and the mere specter of threatened litigation, could distract our management from the day-to-day operations of our business. The direct and indirect costs of addressing these actual and threatened disputes may have an adverse impact on our operations, reputation, and financial performance. Some of the aforementioned risks of infringement, misappropriation, or other violation, in particular with respect to patents, are potentially increased due to the nature of our business, industry, and intellectual property portfolio. In addition, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant and result in a material adverse effect on our results of operations and financial condition.

Some aspects of our products and services incorporate open source software, and our use of open source software could negatively affect our business, results of operations, financial condition, and prospects.

Some of our systems incorporate and are dependent on the use and development of open source software. Open source software is software licensed under an open source license, which may include a requirement that we make available, or grant licenses to, any modifications or derivative works created using the open source software, make our proprietary source code publicly available, or make our products or services available for free or for nominal amounts. If an author or other third party that uses or distributes such open source software were to allege that we had not complied with the legal terms and conditions of one or more of these open source licenses, we could incur significant legal expenses defending against such allegations, could be subject to significant damages, and could be required to comply with these open source licenses in ways that cause substantial competitive harm to our business.

The terms of various open source licenses have not been interpreted by U.S. and international courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our products or services. In such an event, we could be required to re-engineer all or a portion of our technologies, seek licenses from third parties in order to continue offering our products and services, discontinue the use of our platform in the event re-engineering cannot be accomplished, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and loan products and services. If portions of our proprietary software are determined to be subject to an open source license, we could also be required to, under certain circumstances, publicly release or license, at no cost, our products or services that incorporate the open source software or the affected portions of our source code, which could allow our competitors or other third parties to create similar products and services with lower development effort, time, and costs, and could ultimately result in a loss of transaction volume for us. We cannot ensure that we have not incorporated open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies, and we or our third party contractors or suppliers may inadvertently use open source in a manner that we do not intend or that could expose us to claims for breach of contract or intellectual property infringement, misappropriation, or other violation. If we fail to comply, or are alleged to have failed to comply, with the terms and conditions of our open source licenses, we could be required to incur significant legal expenses defending such allegations, be subject to significant damages, be enjoined from the sale of our products and services, and be required to comply with onerous conditions or restrictions on our products and services, any of which could be materially disruptive to our business.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide warranties or other contractual protections regarding infringement, misappropriation, or other violations, the quality of code, or the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect our business, results of operations, financial condition, and prospects. For instance, open source software is often developed by different groups of programmers outside of our control that collaborate with each other on projects. As a result, open source software may have security vulnerabilities, defects, or errors of which we are not aware. Even if we become aware of any security vulnerabilities, defects, or errors, it may take a significant amount of time for either us or the programmers who developed the open source software to address such vulnerabilities, defects, or errors, which could negatively impact our products and services, including by adversely affecting the market's perception of our products and services, impairing the functionality of our products and services, delaying the launch of new products and services, or resulting in the failure of our products and services, any of which could result in liability to us, our vendors, and our service providers. Further, our adoption of certain policies with respect to the use of open source software may affect our ability to hire and retain employees, including engineers.

Any loss of licenses or any quality issues with third-party technology that support our business operations or are integrated with our products or services could have an adverse impact on our reputation and business.

In addition to open source software, we rely on certain technology that we license from third parties, which we may use to support our business operations and incorporate into our products or services. This third-party technology may currently or could, in the future, infringe, misappropriate, or violate the intellectual property rights of third parties, or the licensors of such technology may not have sufficient rights to the technology they license us in all jurisdictions in which we may offer our products or services. We engage third parties to provide a variety of technology to support our business infrastructure. Any failure on the part of our third-party providers or of our business infrastructure to operate effectively, stemming from maintenance problems, upgrading or transitioning to new platforms, a breach in security, or other unanticipated problems could result in interruptions to or delays in to our operations or our products or services. The licensors of third-party technology we use may discontinue their offerings or change the terms under which their technology is licensed. If we are unable to continue to license any of this technology on terms we find acceptable, or if there are quality, security, or other substantive issues with any of this technology, we may face delays in releases of our solutions or we may be required to find alternative vendors or remove functionality from our solutions or internal business infrastructure. In addition, our inability to obtain certain licenses or other rights might require us to engage in litigation regarding these matters. Any of the foregoing could have a material adverse effect on our business, financial condition, and results of operations.

Misconduct and errors by our employees, vendors, and service providers could harm our business and reputation.

We are exposed to many types of operational risk, including the risk of misconduct and errors by our employees, vendors, and other service providers. Our business depends on our employees, vendors, and service providers to process a large number of increasingly complex transactions, including transactions that involve significant dollar amounts and loan transactions that involve the use and disclosure of personal and business information. We could be materially and adversely affected if transactions were redirected, misappropriated, or otherwise improperly executed, personal and business information was disclosed to unintended recipients, or an operational breakdown or failure in the processing of other transactions occurred, whether as a result of human error, a purposeful sabotage or a fraudulent manipulation of our operations or systems. If any of our employees, vendors, or service providers take, convert, or misuse funds, documents, or data, or fail to follow protocol when interacting with consumers and merchants, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents, or data, or the failure to follow protocol, and therefore be subject to civil or criminal liability. It is not always possible to identify and deter misconduct or errors by employees, vendors, or service providers, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. Any of these occurrences could result in our diminished ability to operate our business, potential liability to consumers and merchants, inability to attract future consumers and merchants, reputational damage, regulatory intervention, and financial harm, which could negatively impact our business, results of operations, financial condition, and prospects.

Our business is subject to the risks of fires, floods, and other natural catastrophic events and to interruption by man-made issues such as strikes.

Our systems and operations are vulnerable to damage or interruption from fires, floods, power losses, telecommunications failures, strikes, health pandemics, and similar events. A significant natural disaster in locations in which we have offices or facilities could have a material adverse effect on our business, results of operations, financial condition, and prospects, and our insurance coverage may be insufficient to compensate us for losses that may occur. In addition, strikes, wars, terrorism, and other geopolitical unrest could cause disruptions in our business and lead to interruptions, delays, or loss of critical data. We may not have sufficient protection or an effective recovery plan in certain circumstances, and our business interruption insurance may be insufficient or inadequate to recoup losses that we incur from these occurrences.

The COVID-19 pandemic has impacted our working environment and diverted personnel resources and any prolonged effects of the COVID-19 pandemic may adversely impact our business and operations.

We have had to expend, and expect to continue to expend, personnel resources to respond to the COVID-19 pandemic, including to develop and implement internal policies and procedures and track changes in laws. Any prolonged diversion of personnel resources may have an adverse effect on our operations. In addition, as a result of the COVID-19 pandemic, in March 2020, we transitioned our entire staff to a remote working environment and conducting our operations remotely may decrease the cohesiveness of our teams and our ability to maintain our culture, both of which are critical to our success. Additionally, a remote working environment may impede our ability to undertake new business projects, to foster a creative environment, to hire new team members, and to retain existing team members. Such effects may adversely affect the productivity of our team members and overall operations, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

We may not have any insurance, or have inadequate insurance, to cover losses and liabilities.

We maintain insurance we consider appropriate for our business needs. However, we may not be insured against all risks, either because appropriate coverage is not available or because we consider the applicable premiums to be excessive in relation to the perceived benefits that would accrue. Accordingly, we may not be insured at all or fully insured against all losses and liabilities that could unintentionally arise from our operations. The incurrence of uninsured or partially insured losses or liabilities could have a material adverse effect on our business, results of operations and financial condition.

Any inability to retain our employees or recruit additional employees could adversely impact our financial position.

Our ability to effectively execute our growth strategy depends upon the performance and expertise of our employees. We rely on experienced managerial and highly qualified technical employees to develop and operate our technology and to direct operational employees to manage the operational, sales, compliance and other functions of our business.

There is a risk that we may not be able to attract and retain key employees or be able to find effective replacements in a timely manner. The loss of employees, or any delay in their replacement, could impact our ability to operate our business and achieve our growth strategies, including through the development of new systems and technology. There is a risk that we may not be able to recruit suitably qualified and talented employees in a timeframe that meets our growth objectives. This may result in delays in the integration of new systems, development of technology and general business expansion. There is also a risk that we will be unable to retain existing employees, or recruit new employees, on terms of retention that are as attractive to us as past agreements. Our inability to retain our key employees or recruit additional employees, in particular key employees, would likely have a material adverse effect on our business, results of operation and financial condition.

Risks Related to Our Common Stock

Our existing major stockholders own a large percentage of our stock and can exert significant influence over us.

Our existing major stockholders, particularly Charlie Youakim and to a lesser extent, Paul Paradis, together hold 50.02% of the total CDIs outstanding as of March 17, 2021, and can exert significant influence over us, including in relation to the election of directors, the appointment of new management and the potential outcome of matters submitted to the vote of stockholders. As a result, other stockholders will have minimal control and influence over any matters submitted to our stockholders. There is a risk that the interests of these existing major stockholders may be different from those of other stockholders.

A large number of shares are held in escrow, and the retention of such shares, and actual or perceived large sales upon their release, may adversely affect the liquidity of the market for our shares or the market value of our shares.

As of March 17, 2021, a total of 94,016,911 shares/CDIs, representing 47.71% of the currently outstanding shares of common stock remain subject to escrow restrictions under restriction agreements required by the Australian Securities Exchange ("ASX") in connection with our initial public offering on the ASX in July 2019. In addition, options to purchase an aggregate of 2,166,667 shares/CDIs, of which 1,118,809 shares/CDIs that are exercisable or will become exercisable within 60 days after March 17, 2021, are subject to the escrow restrictions. See "Item 4. Security Ownership of Certain Beneficial Owners and Management – Escrow Arrangements." These shares include a significant number of shares held by our major stockholders. All of such securities will be released from such restrictions on July 30, 2021. Until expiration of the escrow period, the holders of the escrowed securities cannot transfer their respective securities without the approval of the ASX. The retention of such escrowed securities through the end of the escrow period may cause or contribute to limited liquidity in the market for our shares, which could affect the market price at which other stockholders are able to sell. There is also a risk that a significant sale of CDIs or shares by existing stockholders after the end of the escrow period, or the perception that such a sale might occur, could adversely affect the market price of the stock.

We are an "emerging growth company," and the reduced U.S. public company reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We qualify as an "emerging growth company," as defined in the JOBS Act. For so long as we remain an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These provisions include, but are not limited to: being permitted to have only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations disclosure; an exemption from compliance with the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; not being required to comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements; reduced disclosure obligations regarding executive compensation arrangements in our periodic reports, registration statements and proxy statements; and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved by stockholders. In addition, the JOBS Act permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We intend to take advantage of the exemptions discussed above. As a result, the information we provide will be different than the information that is available with respect to other public companies. In this registration statement, we have not included all of the executive compensation-related information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and the market price of our common stock may be more volatile.

We will remain an emerging growth company until the earliest of (i) the last day of our fiscal year following the fifth anniversary of the date of our first sale of our common stock pursuant to an effective registration statement under the Securities Act, (ii) the first fiscal year after our annual gross revenues exceed $1.07 billion, (iii) the date on which we have, during the immediately preceding three-year period, issued more than $1.00 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeds $700 million as of the end of the second quarter of that fiscal year.

Our failure to timely file this registration statement could result in an SEC enforcement proceeding, which could materially and adversely affect our financial condition and results of operations.

As of December 31, 2019, we may have exceeded $10 million in total assets and 2,000 holders of record of our securities. Therefore, we were required to file this registration statement pursuant to Section 12(g) of the Exchange Act by April 29, 2020. However, we failed to file this registration statement on a timely basis. While we commenced preparation of this registration statement in June 2020, the filing of this registration statement was further delayed primarily as a result of delays in our ability to complete the audit of our financial statements in compliance with the auditing standards of the Public Company Accounting Oversight Board (PCAOB). Our failure to timely file our registration statement could subject us to a regulatory enforcement proceeding by the SEC, which could result in distractions of our management's time and attention as well as monetary penalties. There can be no assurance that a regulatory enforcement proceeding, if commenced, would not have a material adverse effect on our financial condition or results of operations.

We will incur significant costs and are subject to additional regulations and requirements as a public company in both Australia and the United States, including compliance with the reporting requirements of the Exchange Act, the requirements of the Sarbanes-Oxley Act and the listing standards of ASX and any U.S. securities exchange on which our shares may become listed for trading. In addition, key members of our management team have limited experience managing a public company.

As a U.S. public company, we will incur significant legal, accounting and other expenses that are not incurred by companies listed solely on the ASX, including costs associated with U.S. public company reporting requirements. Compliance with these requirements will place a strain on our management, systems and resources. The Exchange Act will require us to file annual, quarterly and current reports with respect to our business and financial condition within specified time periods and to prepare a proxy statement with respect to our annual meeting of stockholders. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act and rules implemented by the SEC and the ASX. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures, and internal controls over financial reporting. The ASX requires, and any U.S. securities exchange in which our shares may be listed for trading will require, that we comply with various corporate governance requirements. The expenses generally incurred by U.S. public companies for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations also could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees or as our executive officers. Advocacy efforts by stockholders and third parties may also prompt even more changes in governance and reporting requirements Furthermore, if we are unable to satisfy our obligations as a listed company, we could be subject to delisting of our common stock on the ASX or any U.S. securities exchange on which our shares may be listed for trading, fines, sanctions and other regulatory action and potentially civil litigation.

Many members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company in the United States, being subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors, as well as the interaction of such oversight and reporting obligations with those applicable under ASX listing and regulatory requirements. These new obligations and constituents may require us to employ additional specialized staff and seek advice from third party service provides. They will also require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, results of operations and financial condition.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal controls over financial reporting. Although we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. As an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) until the later of (i) the year following our first annual report required to be filed with the SEC or (ii) the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a U.S. public company, we have undertaken various actions, and will need to take additional actions, such as implementing numerous internal controls and procedures and hiring additional accounting or internal audit staff or consultants. Testing and maintaining internal control can divert our management's attention from other matters that are important to the operation of our business. Additionally, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. We could also become subject to investigations by the SEC, the Australian Securities and Investments Commission, the ASX, and other regulatory authorities, which could require additional financial and management resources. In addition, if we fail to remedy any material weakness, our financial statements could be inaccurate and we could face restricted access to capital markets.

The different characteristics of the capital markets in Australia and the United States may negatively affect the trading prices of our CDIs and common stock, and may limit our ability to take certain actions typically performed by a U.S. company.

We are subject to ASX listing and associated Australian regulatory requirements, and may determine to concurrently list our shares on a U.S. securities exchange as well, which will have its own listing and regulatory requirements. Such exchanges will have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our CDIs and our common stock may not be the same, even allowing for currency differences. Fluctuations in the price of our common stock due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of the CDIs, or vice versa. Certain events having significant negative impact specifically on the Australian capital markets may result in a decline in the trading price of our CDIs notwithstanding that such event may not impact the trading prices of securities listed in Australia generally or to the same extent, or vice versa.

In addition, the listing and regulatory requirements of the ASX may limit our ability to take certain actions typically performed by a U.S. company. For example, ASX listing rules generally require stockholder approval for new share issuances in excess of 15% of the outstanding share capital. Failure to obtain this approval may make it more difficult for us to issue equity securities in the future at a time and at a price that we deem appropriate. ASX rules also require stockholder approval for the granting of options and restricted stock units to our directors, even when the underlying equity incentive plan has already been approved. This creates a risk that, if stockholders do not approve the grants, our directors will not receive their expected amount of equity compensation. This may make it more difficult for us to attract and retain key employees, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Further, ASX listing rules prohibit us from buying back shares of stock at a price which is 5% or more above the volume weighted average market price of our common stock, calculated over the last five days on which sales of the shares were recorded before the day on which the purchase under the buy-back was made, which, as a result, may make it more difficult to repurchase our common stock. In addition, should we wish to undertake a buy-back, the ASX may impose further requirements on us as if we were subject to the Australian Corporations Act, which may include the need to obtain shareholder approval to do so.

Lastly, the ASX listing rules generally prohibit the issuance of equity securities by us without shareholder approval during the three-month period after we learn that a person is making, or proposes to make, a takeover for securities in it and, as a result, we may be materially and adversely affected from a hostile takeover.

Our common stock may trade on more than one stock exchange and this may result in price variations between the markets and volatility in our stock price.

Our CDIs are currently listed on the ASX and we may list our common stock on a U.S. securities exchange in the future. Trading in our common stock therefore may take place in different currencies (U.S. dollars on the U.S. securities exchange and Australian dollars on the ASX), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Australia). The trading prices of our CDIs and our common stock on two markets may differ as a result of these, or other, factors. Any decrease in the price of our CDIs or common stock on either market could cause a decrease in the trading prices of our CDIs or our common stock on the other market. In addition, investors may seek to profit by exploiting the difference, if any, between the price of our CDIs on the ASX and the price of shares of our common stock on a U.S. securities exchange. Such arbitrage activities could cause our share price in the market with the higher value to decrease to the price set by the market with the lower value and could also lead to significant volatility in the price of our common stock.

If we are not able to maintain sufficient cash funds, we may cease trading on the ASX.

If we are not able to maintain sufficient funds to fund our activities or if ASX considers that our financial position is not adequate to warrant the continued quotation of our CDIs on ASX, ASX may suspend our CDIs from quotation. This would limit our liquidity and, in particular, could harm the ability of CDI holders to liquidate their position in our company. In addition, the value of our company could decline if we are not able to maintain our listing on ASX.

Some provisions of our charter documents may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our Fourth Amended and Restated Certificate of Incorporation (the "Amended Charter"), which will be submitted to our stockholders for approval at our annual stockholder meeting to be held on June 11, 2021 in Australia. Provisions in our Amended Charter and our Third Amended and Restated Bylaws ("Amended Bylaws") could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include:

- nothing in our Amended Charter precludes future issuances without stockholder approval of the authorized but unissued shares of our common stock;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- our stockholders will only be able to take action at a meeting of stockholders and not by written consent;
- only our chairman of the board of directors, our chief executive officer, our president, or a majority of the board of directors are authorized to call a special meeting of stockholders;
- no provision in our Amended Charter or Amended Bylaws provides for cumulative voting, which limits the ability of minority stockholders to elect director candidates;
- our Amended Charter authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of our capital stock; and
- certain litigation against us can only be brought in Delaware.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take corporate actions other than those you desire. See " Description of Registrant's Securities To Be Registered."

Our Amended Charter designates the Court of Chancery of the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders and the federal district courts as the exclusive forum for Securities Act claims, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our Amended Charter provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, employees or stockholders, (iii) any action asserting a claim against us arising under the DGCL, our Amended Charter or our Amended Bylaws, (iv) any action to interpret, apply, enforce, or determine the validity of our Amended Charter or our Amended Bylaws, (v) any action governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, or to any claim for which the federal courts have exclusive jurisdiction. Our Amended Charter also provides that, unless we consent in writing to the selection of an alternative forum, the U.S. federal district courts shall be the exclusive forum for the resolution of any claims arising under the Securities Act. Under the Securities Act, federal and state courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act. By becoming a stockholder in our company, you will be deemed to have notice of and have consented to the provisions of our Amended Charter related to choice of forum. The choice of forum provisions in our Amended Charter may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. Additionally, the enforceability of choice of forum provisions in other companies' governing documents has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our Amended Charter to be inapplicable or unenforceable in such action. If so, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

We do not currently expect to pay any cash dividends.

We do not currently expect to pay any cash dividends on our common stock for the foreseeable future. Instead, we intend to retain future earnings, if any, for the future operation and expansion of our business. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our results of operations (including our ability to generate cash flow in excess of expenses and our expected or actual net income), liquidity, cash requirements, financial condition, retained earnings and collateral and capital requirements, general business conditions, contractual restrictions, legal, tax and regulatory limitations, the effect of a dividend or dividends upon our financial strength ratings, and other factors that our board of directors deems relevant. See "Dividend Policy."

Risks Related to Our Existence as a Public Benefit Corporation and a Certified B Corporation

We operate as a Delaware public benefit corporation ("PBC"). As a PBC, we cannot provide any assurance that we will achieve our public benefit purpose.

As a PBC, we are required to produce a public benefit or benefits and to operate in a responsible and sustainable manner, balancing our stockholders' pecuniary interests, the best interests of those materially affected by our conduct, and the public benefit or benefits identified by our Amended Charter. There is no assurance that we will achieve our public benefit purpose or that the expected positive impact from being a PBC will be realized, which could have a material adverse effect on our reputation, which in turn may have a material adverse effect on our business, results of operations and financial condition. See "Description of Registrant's Securities To Be Registered — Public Benefit Corporation Status."

As a PBC, we are required to publicly disclose a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. As we changed our Company charter to become a public benefit corporation in June 2020, we have not yet produced such a report. If we are not timely or are unable to provide this report, or if the report is not viewed favorably by our investors, parties doing business with us or regulators or others reviewing our credentials, our reputation and status as a public benefit corporation may be harmed.

As a PBC, our focus on a specific public benefit purpose and producing a positive effect for society may negatively impact our financial condition.

Unlike traditional corporations, which have a fiduciary duty to focus exclusively on maximizing stockholder value, our directors have a fiduciary duty to consider not only the stockholders' interests, but also our specific public benefit and the interests of other stakeholders affected by our actions. See "Description of Registrant's Securities To Be Registered — Public Benefit Corporation Status." Therefore, we may take actions that we believe will be in the best interests of those stakeholders materially affected by our specific benefit purpose, even if those actions do not maximize our financial results, and we may be restricted from pursuing certain growth opportunities to the extent not consistent with our PBC (or B Corporation) status. While we intend for this public benefit designation and obligation to provide an overall net benefit to us and our customers, it could instead cause us to make decisions and take actions without seeking to maximize the income generated from our business, and hence available for distribution to our stockholders. Our pursuit of longer-term or non-pecuniary benefits may not materialize within the timeframe we expect, or at all, yet may have an immediate negative effect on any amounts available for distribution to our stockholders. Accordingly, being a PBC and complying with our related obligations could have a material adverse effect on our business, results of operations and financial condition. To the extent the market ties our stock price to the results of our business, operations and financial results, such material adverse effects would likely cause our stock price to decline.

As a PBC, we may be less attractive as a takeover target than a traditional company because our directors have a fiduciary duty to consider not only the stockholders' financial interests, but also our specific public benefit and the interests of other stakeholders affected by our actions and, therefore, our stockholders' ability to realize a return on their investments through an acquisition may be limited. Additionally, PBCs may also not be attractive targets for activists or hedge fund investors because new directors would still have to consider and give appropriate weight to the public benefit along with shareholder value, and stockholders committed to the public benefit can enforce this through derivative suits. Further, by requiring that board of directors of PBCs consider additional constituencies other than maximizing shareholder value, Delaware public benefit corporation law could potentially make it easier for a board to reject a hostile bid, even where the takeover would provide the greatest short-term financial yield to investors.

Our directors have a fiduciary duty to consider not only our stockholders' interests, but also our specific public benefit and the interests of other stakeholders affected by our actions. If a conflict between such interests arises, there is no guarantee such a conflict would be resolved in favor of our stockholders.

While directors of traditional corporations are required to make decisions they believe to be in the best interests of their stockholders, directors of a PBC have a fiduciary duty to consider not only the stockholders' interests, but also the company's specific public benefit and the interests of other stakeholders affected by the company's actions. Under Delaware law, directors are shielded from liability for breach of these obligations if they make informed and disinterested decisions that serve a rational purpose. Thus, unlike traditional corporations which must focus exclusively on stockholder value, our directors are not merely permitted, but obligated, to consider our specific public benefit and the interests of other stakeholders. See "Description of Registrant's Securities To Be Registered — Public Benefit Corporation Status." In the event of a conflict between the interests of our stockholders and the interests of our specific public benefit or our other stakeholders, our directors must only make informed and disinterested decisions that serve a rational purpose; thus, there is no guarantee such a conflict would be resolved in favor of our stockholders, which could have a material adverse effect on our business, results of operations and financial condition, which in turn could cause our stock price to decline.

As a Delaware PBC, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interest, the occurrence of which may have an adverse impact on our financial condition and results of operations.

Stockholders of a Delaware PBC (if they, individually or collectively, own at least two percent of the company's outstanding shares) are entitled to file a derivative lawsuit claiming the directors failed to balance stockholder and public benefit interests. This potential liability does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention our management, and, as a result, may adversely impact our management's ability to effectively execute our strategy. Additionally, any such derivative litigation may be costly, which may have an adverse impact on our financial condition and results of operations.

If we lose our certification as a B Corporation or our publicly reported B Corporation score declines, our reputation could be harmed and our business could be adversely affected.

Our business model and brand could be harmed if we were to lose our certification as a B Corporation or if state or federal regulators impede or otherwise delay or restrict our ability to make charitable contributions. Certified B Corporation status is a certification by a third-party, B Lab, which requires us to consider the impact of our decisions on our workers, customers, suppliers, community and the environment. We believe that certified B Corporation status has allowed us to build credibility and trust among our customers. Whether due to our choice or our failure to meet B Lab's certification requirements or our failure to satisfy the re-certification requirements when applying for renewal every three years, any change in our status could create a perception that we are more focused on financial performance and no longer as committed to the values shared by certified B Corporation. Further, once certified, we must publish our assessment score on our website. Our reputation could be harmed if our publicly reported B Corporation score declines and there is a perception that we are no longer committed to the certified B Corporation standards. Similarly, our reputation could be harmed if we take actions that are perceived to be misaligned with B Lab's values. See "Business — Organizational Structure."

ITEM 2. FINANCIAL INFORMATION.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes appearing elsewhere in this registration statement. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. You should review the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this registration statement for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements described in the following discussion and analysis. You should also review our audited and unaudited consolidated financial statements and notes thereto included elsewhere in this registration statement.

Overview

Sezzle is a purpose-driven payments company that is on a mission to financially empower the next generation. Launched in 2017, we have built a Buy Now, Pay Later ("BNPL") product which, as of March 31, 2021, has supported the business growth of 34,000 Active Merchants by providing over 2.6 million Active Consumers with flexible payment options. Our payment products enable consumers to take control over their spending, be more responsible, and gain access to financial freedom.

The Sezzle Platform connects consumers with merchants via a proprietary payments solution that instantly extends credit at the point-of-sale. Our core product is differentiated from banks and other traditional lenders through a credit-and-capital-light approach. We believe that the product is mutually beneficial for merchants and consumers given the network effects inherent in our double-sided platform. We enable consumers to acquire merchandise upfront and spread payments over four equal, interest-free installments over six weeks.

Our products are completely free for consumers who pay on time: therefore, we generate revenues by charging merchant fees in the form of a merchant discount rate. We have extended our product offering to create Sezzle Up, which provides a credit-building solution for new-to-credit consumers, helping them adopt credit responsibly and build their credit history. We have also expanded our product suite to provide consumers with long-term installment lending options through partnerships.

A critical component of our business model is the ability to effectively manage the repayment risk inherent in allowing consumers to pay over time. To that end, a team of our engineers manages our proprietary systems that work in tandem to address this risk by managing interfaces for consumers and merchants, identifying transactions with elevated risk of fraud, assessing the credit risk of the consumer and assigning spending limits, and managing the ultimate receipt of funds. Because consumers settle 25% of the purchase value upfront, repayment risk is more limited relative to other traditional forms of credit. Further, ongoing user interactions allow us to continuously refine and enhance the effectiveness of these tools through machine learning to better serve both our merchants and consumers.

Factors affecting results of operations

We have set out below a discussion of the key factors that have affected our financial performance since the beginning of the fiscal year ended December 31, 2019 and that are expected to impact our performance going forward.

Adoption of the Sezzle Platform

We are currently in the early stages of establishing our presence in some of the jurisdictions we operate, and our ability to profitably scale our business is reliant on adoption of the Sezzle Platform by both consumers and merchants in those jurisdictions. Changes in our Active Consumer and Active Merchant base will in turn have an impact on our results of operations. We consider that establishing, expanding and maintaining our brand is important to growing our merchant and consumer bases.

Diversification of Active Merchants offered on the Sezzle Platform

We depend on continued relationships with our current significant merchants and partners that assist in obtaining and maintaining our relationships with merchants. Further, acquisition of new merchants is becoming increasingly competitive in the buy now, pay later space. We foresee additional future investment in sales, co-marketing, and offering of competitively priced merchant fee rates will be critical in order for us to onboard new and retain existing merchants and grow utilization of the Sezzle Platform. New agreements formed with merchants in the future may be less favorable to us, including in relation to pricing and other key terms, due to unanticipated changes in the market in which we operate.

There is a risk that we may lose merchants for a variety of reasons, including a failure to meet key contractual or commercial requirements, or merchants shifting to other service providers, including competitors or in-house offerings. We also face the risk that our key partners could become competitors of our business after our key partners determine how we have implemented our model to provide our services. Although we do not currently depend on any one merchant for more than 2.0% of Sezzle Income (for the year ended December 31, 2020), our business is still at a relatively early stage and merchant income is not as diversified as it might be for a more mature business.

Maintaining our Capital-Light Strategy

Maintaining our funding strategy and our low cost of capital is important to our ability to grow our business. We have created an efficient funding strategy which, in our view, has allowed us to scale our business and drive rapid growth. The speed with which we are able to recycle capital due to the short-term nature of our products has a multiplier effect on our committed capital.

Our funding helps drives our low cost of capital. We rely on more efficient revolving credit facilities with high advance rates to fund our receivables over time and also use merchant account payables as an alternative low-cost funding source.

Effective Underwriting of our Consumers

We absorb the costs of all uncollectible receivables from our consumers. The provision for uncollectible accounts is a major component of our operating expenses and excessive exposure to consumer repayment failure may materially and adversely impact our results of operations. We believe our systems and processes are highly effective and allow for predominantly accurate, real-time decisions in connection with the consumer transaction approval process. As our consumer base grows, the availability of data on consumer repayment behavior will also better optimize our systems and ability to make real-time consumers repayment capability decisions on a go forward basis. Optimizing repayment capacity decisions of our current and future consumer base may reduce our provision for uncollectible accounts and related charge-offs by providing optimal credit limits to qualified consumers.

Continued Growth of Digital Commerce and Buy Now Pay Later Financing

Digitally-enabled shopping has increasingly begun to claim a larger share of the retail sector, and younger generations – in particular, Gen Z and Millennials – prefer the ease and convenience of shopping online. We have observed an acceleration of these trends since the start of the COVID-19 pandemic, as consumers shop online more and seek out more digital payment alternatives.

We have also observed a trend toward consumers, and in particular younger consumers, preferring more flexible and innovative payment solutions. Younger consumers, and in particular Gen Z and Millennials, tend to use credit cards less frequently relative to other generations and, in many cases, lack access to traditional credit. These same consumers tend to be more tech-savvy, gravitating towards modern, streamlined commerce solutions, whether online or in person.

General Economic Conditions and Industry Trends

Our business depends on consumers transacting with merchants, which in turn can be affected by changes in general economic conditions. For example, the retail sector is affected by such macro-economic conditions as unemployment, interest rates, consumer confidence, economic recessions, downturns or extended periods of uncertainty or volatility, all of which may influence customer spending, and suppliers' retailers' focus and investment in outsourcing solutions. This may subsequently impact our ability to generate income. Additionally, in weaker economic environments, consumers may have less disposable income to spend and so may be less likely to purchase products by utilizing our services and bad debts may increase as a result of consumers' failure to repay the loans originated on the Sezzle Platform.

International Growth Plans

In addition to our continued investment in the United States, global expansion remains a key priority for us. We launched operations in Canada in 2019, commenced operations in India and Europe in 2020, and are in the early stages of expansion into Brazil in 2021. We will continue to extend our platform into attractive new geographies that are ripe for adoption of our product offering. Thus far, we have focused on entering new markets organically rather than through acquisitions. Our approach involves identifying a strong, local entrepreneurial team to lead our expansion. We may be required to expend additional capital to implement our international expansion plans.

Seasonality

We experience seasonality as a result of spending patterns of our Active Consumers. Sezzle Income and Underlying Merchant Sales in the fourth quarter have historically been strongest for us, in line with consumer spending habits during the Black Friday / Cyber Monday holiday shopping season. The seasonality trends we have seen historically may be impacted by adverse and/or beneficial events and may have a disproportionate impact on our results of operations and consolidated balance sheets.

Impact of COVID-19

The COVID-19 pandemic has had, and continues to have, a significant impact on the U.S. economy and the markets in which we operate. Our positive performance during this period demonstrates the value and effectiveness of our platform, the resilience of our business model, and the capabilities of our risk management and underwriting approach.

Throughout 2020 our collections of consumer notes receivable improved. While this improvement was primarily driven by improvements in our consumer underwriting process, consumers also had improved ability for payment as a result of stimulus offered through the CARES Act. During 2020, we also enacted an expansion of fee forgiveness and payment flexibility programs offered to consumers as a response to the COVID-19 pandemic. We also expect that certain of the COVID-19 related sector trends underlying that positive performance may not continue at current levels.

In March 2020, we also rolled out a work-from-home program for our employees. In addition, we implemented restrictions in travel and attendance of group events, including industry-related conferences. These COVID-19 related measures resulted in lower than anticipated operating expenses. We expect future selling, general, and administrative expenses to continue to increase as a result of planned efforts to begin working from the office under a hybrid part-time in person model. We also anticipates incurring additional travel related expenses for our sales and marketing teams in 2021 and future periods.

Key Operating Metrics

Underlying Merchant Sales (UMS)

Underlying Merchant Sales (UMS) is defined as the total value of sales made by merchants based on the purchase price of each confirmed sale where a consumer has selected the Sezzle Platform as the applicable payment option. UMS does not represent revenue earned by us and UMS is not a component of our income or included within our financial results prepared in accordance with GAAP. However, we believe that UMS is a useful operating metric to both us and our investors in assessing the volume of transactions that take place on the Sezzle platform, which is an indicator of the success of our merchants and the strength of the Sezzle Platform. For the quarters ended March 31, 2021 and 2020, UMS totaled $375.1 million and $119.4 million, respectively, representing a 214% increase quarter over quarter. For the year ended December 31, 2020, UMS totaled $856.4 million compared to $244.1 million in the prior comparative period, representing an increase of 251% year over year. The growth in UMS was driven by our continued improvements in growing our Active Merchant and Active Consumer base, year over year.

Active Merchants and Active Consumers

Active Merchants is defined as merchants who have had transactions with us in the last twelve months. As of March 31, 2021, we had 34,018 Active Merchants, an increase of 27% when compared to the 26,690 Active Merchants we had as of December 31, 2020. There is no minimum required number of transactions to meet the Active Merchant criteria.

Active Consumers is defined as unique end users who have used the Sezzle Platform within the last twelve months. Active Consumers increased 17% to 2,604,119 as of March 31, 2021, compared to 2,231,089 Active Consumers as of December 31, 2020.

Net Transaction Margin

Net Transaction Margin represents the unit economics of a transaction facilitated through the Sezzle Platform. Net Transaction Margin is a non-GAAP financial measure based on specific line items within our U.S. GAAP consolidated statements of operations. We calculate Net Transaction Margin as Sezzle Income, plus account reactivation fee income, less the cost of consumer communications, transaction fees, interest expense, less the expected and actual losses against notes receivable and reschedule fee losses to be incurred, expressed as a percentage of UMS. For a discussion on why we believe Net Transaction Margin is useful to us and our investors and a reconciliation to net loss, the most comparable GAAP measure, see below under "—Non-GAAP Financial Measures."

Components of Results of Operations

Total Income

We refer to our primary component of total income as "Sezzle Income". Sezzle Income is comprised primarily from fees paid by merchants in exchange for our payment processing services. These fees are applied to the underlying sales to consumers passing through our platform and are predominantly based on a percentage of the consumer order value plus a fixed fee per transaction. Consumer installment payment plans typically consist of four installments, with the first payment made at the time of purchase and subsequent payments coming due every two weeks thereafter. Additionally, consumers may reschedule their initial installment plan by delaying payment for up to two weeks, for which we generally earn a rescheduled payment fee. The total of merchant fees and rescheduled payment fees, less note origination costs (underwriting costs incurred that result in a successful transaction with the consumer), are collectively referred to as Sezzle Income within the consolidated statements of operations and comprehensive loss. Sezzle Income is then recognized over the average duration of the note using the effective interest rate method.

We also earn income from consumers in the form of account reactivation fees, recorded within "Account reactivation fee income" (a component of Total Income) on the consolidated statements of operations and comprehensive loss. When a consumer's payment fails in the automated payment process the consumer must pay a fee, which we refer to as an Account Reactivation Fee, before the consumer is able to use the Sezzle Platform again. We allow, at a minimum and subject to state jurisdiction regulation, a 48-hour waiver period where fees are dismissed if the installment is paid by the consumer. Account reactivation fees are recognized at the time the fee is charged to the consumer, less an allowance for uncollectible amounts.

Cost of Income

Cost of income primarily comprises processing fees paid to third parties to process debit, credit and ACH payments received from consumers, merchant affiliate program and partnership fees, and consumer communication costs. Merchant affiliate program and partnership fees are incurred by us when consumers make purchases with merchants who either were referred by another merchant or are associated with partner platforms with which we have a contractual agreement. Customer communication costs are incurred by us and are primarily driven by the frequency in which we notify the consumer about the transaction status and upcoming payments. Communications are primarily made via text message directly to the consumer.

Selling, General & Administrative Expenses

Selling, general, and administrative expenses is comprised primarily of compensation and equity-based compensation costs incurred. Additionally, these costs include marketing, sponsorships, promotional product expenses, as well as rent and professional services.

Provision for Uncollectible Accounts

We calculate our provision for uncollectible accounts on notes receivable on an expected-loss basis. We maintain an allowance for uncollectible accounts at a level necessary to absorb estimated probable losses on principal and reschedule fee receivables from consumers. Any amounts delinquent after 90 days are charged-off with an offsetting reversal of the allowance for doubtful accounts through the provision for uncollectible accounts. Additionally, amounts identified as no longer collectible—such as when a consumer becomes deceased or bankrupt—are charged off immediately. We use our judgment to evaluate the allowance for uncollectible accounts based on current economic conditions and historical performance of consumer payments.

Net Interest Expense

We incur interest expense on a continuous basis as a result of draws on our revolving credit facility to fund consumer notes receivable as well as our Merchant Interest Program, whereby merchants may defer their payments owed by us in exchange for interest. The interest paid on borrowings under our revolving credit facility and Merchant Interest Program are based on LIBOR.

Income Tax Expense

Income tax expense consists of income taxes in various jurisdictions, primarily U.S. Federal and state income taxes, and also Canada and the other foreign jurisdictions in which we operate. Tax effects of transactions reported in the consolidated financial statements consist of taxes currently due. Additionally, we record deferred taxes related primarily to differences between the basis of receivables, property and equipment, and accrued liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Given our history of losses, a full valuation allowance is recorded against our deferred tax assets.

Other Comprehensive Income

Other Comprehensive Income is typically comprised of foreign currency translation adjustments.

Results of Operations

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Total Income

Total Income is comprised of Sezzle Income and account reactivation fee income. Sezzle Income for the three months ended March 31, 2021 and 2020 totaled $22.3 million and $7.0 million, respectively, which is an increase of 216%. This increase compared to the prior comparative period was driven by growth in UMS. Merchant fees totaled $21.3 million, or 95.7% of Sezzle Income, for the three months ended March 31, 2021 compared to $6.8 million, or 97.1% of Sezzle Income, for the three months ended March 31, 2020. The decrease in merchant fees as a percentage of Sezzle Income was due to higher rates of account reschedule fee forgiveness during the three months ended March 31, 2020, when compared to the three months ended March 31, 2021, as a result of the economic conditions surrounding the onset of the COVID-19 pandemic.

Total account reactivation fee income recognized totaled $3.8 million and $1.1 million for the three months ended March 31, 2021 and 2020, respectively. Account reactivation fees as a percentage of total income was 14.5% and 13.8% for the three months ended March 31, 2021 and 2020, respectively. The increase in this metric was due to higher rates of account reactivation fee forgiveness during the three months ended March 31, 2020, when compared to the three months ended March 31, 2021, as a result of the economic conditions surrounding the onset of the COVID-19 pandemic.

Cost of Income

Payment processing costs were $6.5 million and $2.7 million for the three months ended March 31, 2021 and 2020, respectively. The 141% increase in costs was primarily driven by the increase in volume of orders transacted by consumers and the related processing of payments associated with those orders. Average per-order processing fee costs has decreased compared to the prior comparative period due to third parties offering lower card processing fees to us, in addition to a larger portion of our consumers making installment payments via ACH in connection with our rollout of Sezzle Up.

Merchant affiliate program and partnership fees are incurred by us when consumers make purchases with merchants who either were referred by another merchant, or are associated with partner platforms with which we have contractual agreements. Such costs were $1.4 million and $0.5 million for the three months ended March 31, 2021 and 2020, respectively. The increase in costs was related to our increased volume of orders originating from merchants that were referred or are associated with our partnered platforms.

Consumer communication costs were $0.2 million and $0.1 million for the three months ended March 31, 2021 and 2020, respectively. The increase in costs was a result of increased Active Consumers on the Sezzle Platform.

Selling, General, and Administrative Expenses

Overall, selling, general, and administrative expenses increased 226% period over period as a result of our continued investment in our personnel, marketing, and other various third-party service provider and professional service expenses. Selling, general, and administrative expenses are comprised of the following:

	March 31, 2021		March 31, 2020	
		% of Total		% of Total
Compensation-related expenses	$ 7,052,547	40.6%	$ 3,154,224	59.2%
Equity and incentive–based compensation expenses	5,249,626	30.2%	608,523	11.4%
Third-party service provider costs	1,151,193	6.6%	390,512	7.3%
Marketing, advertising, and tradeshows	1,523,770	8.8%	277,715	5.2%
Professional services	1,263,907	7.3%	307,506	5.8%
Rent	141,173	0.8%	114,448	2.1%
Depreciation, amortization, and impairment	163,401	0.9%	81,856	1.5%
Other	815,034	4.8%	392,196	7.5%
Selling, general, and administrative expenses	$ 17,360,651	100.0%	$ 5,326,980	100.0%

Compensation-related expenses increased to $7.1 million for the three months ended March 31, 2021, from $3.2 million for the three months ended March 31, 2020, as a result of our continued investment in our workforce by additional hiring of employees.

Stock and incentive–based compensation expenses increased to $5.2 million for the three months ended March 31, 2021, from $0.6 million for the three months ended March 31, 2020, due to the increase in number of employees and increase in fair value of awards issued to certain key officers, which was driven by the appreciation of our share price.

Third-party service provider costs consisted primarily of costs incurred related to fraud prevention, other cloud-based computing services, and costs of failed loan applications. Underwriting costs incurred that result in successfully originated loans are an element of Sezzle Income and recognized as a reduction of the overall income. These costs plus the costs for failed loan applications increased to $1.2 million for the three months ended March 31, 2021, compared to $0.4 million for the three months ended March 31, 2020, driven by growth in Active Consumers.

Marketing, advertising, and tradeshow costs increased to $1.5 million for the three months ended March 31, 2021, compared to $0.3 million for the three months ended March 31, 2020, as a result of our increased initiatives in digital advertising, to co-market our brand with our merchants, and for expenses related to our “Treat Yo Self” campaign.

Professional services included legal, consultation, recruiting, financial audit, and tax compliance related costs. Costs increased by $1.0 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 primarily due to costs associated with the completion of our 2020 financial audit and closing of our revolving credit facility.

Other selling, general, and administrative expenses increased by $0.4 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020 as a result of third-party implementation costs, charitable contributions, and franchise taxes. Such costs as a percentage of total selling, general, and administrative expenses decreased from the prior year as a result of cost reductions in response to the COVID-19 pandemic.

Provision for Uncollectible Accounts

Total provision for uncollectible accounts was $8.6 million for the three months ended March 31, 2021, compared to $2.8 million for the three months ended March 31, 2020. The 203% increase in expense is driven by growth in UMS and Active Consumers. As a percentage of Sezzle Income, the provision for uncollectible accounts was 38.5% and 40.3% for the three months ended March 31, 2021 and 2020, respectively. The relative reduction in the provision for uncollectible accounts was driven by improvements in collections on uncollectible consumer notes receivable.

Net Interest Expense

Net interest expense was $1.4 million for the three months ended March 31, 2021, compared to $0.8 million for the three months ended March 31, 2020. This 67.8% increase was a result of our increased utilization of our line of credit and an increase in the number of Active Merchants participating in the Merchant Interest Program.

Income Taxes

Income tax expense for the three months ended March 31, 2021 was $18,223. Our effective income tax rate for the three months ended March 31, 2021 was 0.2%, consistent with the prior year and comprised of minimum income taxes owed to state and local jurisdictions. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2020. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, a full valuation allowance was recorded against our net deferred tax assets as of March 31, 2021 and December 31, 2020.

Other Comprehensive Income

We had $134,931 and $6,010 of foreign currency translation adjustments recorded within other comprehensive income for the three months ended March 31, 2021 and 2020, respectively, as a result of the financial statements of our non-U.S. subsidiaries being translated into U.S. dollars in accordance with ASC 830, "Foreign Currency Matters". We expect to record foreign currency translation adjustments in future years and changes will be dependent on fluctuations in foreign currencies of countries in which we have operations.

Year Ended December 31, 2020 compared to Year Ended December 31, 2019

Total Income

Total income grew 272% year over year, driven by growth in Sezzle Income. Sezzle Income totaled $49.7 million for the year ended December 31, 2020, compared to $13.3 million for the year ended December 31, 2019, an increase of 273% year over year driven by the overall increases in UMS. Together, total consumer reschedule fees and note origination costs were $1.9 million, or 3.9% of total Sezzle Income recognized during the year ended December 31, 2020 compared to $0.4 million and 2.6% of Sezzle Income during the year ended December 31, 2019, driven by an improvements in note origination costs incurred year over year.

Account reactivation fee income was $9.1 million for the year ended December 31, 2020, compared to $2.5 million for the year ended December 31, 2019. Account reactivation fee income made up 15.5% of total income for the year ended December 31, 2020, compared to 15.7% for the year ended December 31, 2019.

As a percentage of total income, Account Reactivation Fees were 15.5% and 15.7% for the years ended December 31, 2020 and 2019, respectively. The 0.2% reduction, as a percentage of total income, was a result of improved collections on consumer notes receivable and the expansion of our fee forgiveness and payment flexibility programs offered to consumers as a response to the COVID-19 pandemic.

Cost of Income

Total cost of income as a percentage of total income was 45.3% and 57.5% for the years ended December 31, 2020 and 2019, respectively. The improvement in the 2020 results included the full benefit of our change in card processing service providers, executed in April 2019, as well as a relative reduction in consumer communication expenses year over year. Short-term referral fee costs stipulated by agreements with both our platform partners and merchants remained consistent year over year. Gross margin increased by 10.2% to 61.7% for the year ended December 31, 2020, compared to 51.5% for the year ended December 31, 2019, as a result of the events mentioned above. The activity recorded through cost of income for the year ended December 31, 2020 was consistent with our expectations.

Selling, General & Administrative Expenses

Selling, general, and administrative expenses increased 239% year over year as a result of our increased headcount and continued investment in our personnel, marketing, and other various third-party service provider and professional service expenses.

	2020		2019	
		% of Total		% of Total
Compensation-related expenses	$ 17,076,853	38.3%	$ 7,420,215	56.4%
Equity and incentive–based compensation expenses	13,612,609	30.5%	1,167,265	8.9%
Third-party service provider costs	2,464,113	5.5%	1,283,815	9.8%
Marketing, advertising, and tradeshows	4,274,929	9.6%	839,298	6.4%
Professional services	2,357,439	5.3%	720,409	5.5%
Rent	540,046	1.2%	368,664	2.8%
Depreciation, amortization, and impairment	436,224	1.0%	261,120	2.0%
Other	3,880,826	8.7%	1,096,105	8.3%
Selling, general, and administrative expenses	$ 44,643,039	100.0%	$ 13,156,891	100.0%

Compensation-related expenses increased to $17.1 million for the year ended December 31, 2020, from $7.4 million for the year ended December 31, 2019. Total employees were 279 as of December 31, 2020, compared to 122 as of December 31, 2019. Stock and incentive –based compensation expenses increased to $13.6 million for the year ended December 31, 2020, from $1.2 million for the year ended December 31, 2019, due to the increase in number of employees, increase in fair value of awards issued in 2020 to certain key officers (driven by the increase of our share price), as well as $8.1 million of expense attributable to the introduction of new incentive plans.

Third-party service provider costs consisted primarily of costs incurred related to fraud prevention, other cloud-based computing services, and costs of failed loan applications. Underwriting costs incurred that result in successfully originated loans are an element of Sezzle Income and recognized as a reduction of the overall income. These costs plus the costs for failed loan applications increased to $2.5 million for the year ended December 31, 2020, compared to $1.3 million for the year ended December 31, 2019, driven by growth in Active Consumers.

Marketing, advertising, and tradeshow costs increased to $4.3 million for the year ended December 31, 2020, compared to $0.8 million for the year ended December 31, 2019, as a result of our increased initiatives to co-market the Sezzle brand with our merchants.

Professional services included legal, consultation, recruiting, financial audit, and tax compliance related costs. Costs increased by $1.6 million year over year as a result of costs associated with our listing on the ASX, as well as additional financial statement audit, tax, and legal costs.

Other selling, general, and administrative expenses increased $2.8 million year over year primarily due to implementation incentives entered into with merchants during 2020.

Provision for Uncollectible Accounts

The total provision for uncollectible accounts was $19.6 million for the year ended December 31, 2020, compared to $6.2 million for the year ended December 31, 2019. The overall growth in this was driven by increased underlying merchant sales and Active Customers. For the 2020 year, overall, we saw improved loss rates driven by several factors, including increased repeat usage among consumers, continuous improvements in proprietary underwriting processes, tightening of credit to consumers as an initial response to the onset of the COVID-19 pandemic, and overall improved collections driven in part by U.S. government stimulus offered to many of our consumers through the CARES Act. These improvements were offset by higher loss rates as a result of universe expansion testing of our underwriting processes and seasonal loss rate patterns noted in the second half of 2020. As a percentage of Sezzle Income, the provision for uncollectible accounts was 39.4% and 46.8% for the years ended December 31, 2020 and 2019, respectively. The relative reduction in the provision for uncollectible accounts was driven by improvements in collections on uncollectible consumer notes receivable.

Net Interest Expense

Net interest expense was $4.3 million for the year ended December 31, 2020, driven by our continued utilization of both our revolving line of credit and the Merchant Interest Program.

Interest expense on the beneficial conversion feature was incurred on the date of our initial public offering on the ASX and resulted from the conversion of $5.8 million of notes issued in the first half of 2019.

Income Taxes

Our effective income tax rate for the year ended December 31, 2020 was 0.1%, consistent with the prior year and comprised of minimum income taxes owed to state and local jurisdictions. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2020. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, a full valuation allowance is recorded against our net deferred tax assets as of December 31, 2020 and 2019.

Other Comprehensive Income

We have $0.5 million of foreign currency translation adjustments recorded within other comprehensive income for the year ended December 31, 2020, as a result of the financial statements of our non-U.S. subsidiaries being translated into U.S. dollars in accordance with ASC 830, “Foreign Currency Matters”. We expect to record foreign currency translation adjustments in future years and changes will be dependent on fluctuations in foreign currencies of countries in which we operate.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures to supplement financial information presented on a GAAP basis. We use Net Transaction Margin as a supplemental measure of our performance which is derived from our consolidated financial information but which is not presented in the consolidated financial statements prepared in accordance with GAAP. Net Transaction Margin is the primary financial performance measure used by management to evaluate our business and monitor results of operations. We believe that Net Transaction Margin allows management to better understand our consolidated financial performance from period to period and better project future consolidated financial performance as forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, we believe Net Transaction Margin provides our stakeholders with useful information to help them evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling stakeholders to make more meaningful period to period comparisons. There are limitations to the use of this non-GAAP financial measure. The non-GAAP financial measure may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than us, limiting the usefulness of those measures for comparative purposes.

The non-GAAP financial measure is not meant to be considered an indicator of performance in isolation from or as a substitute for net income (loss) prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis. A reconciliation of this measure to its most directly comparable GAAP financial measure is presented below. The reconciliation below should be read in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items.

Below is a reconciliation of Net Transaction Margin to net loss, the most comparable GAAP measure, for the three months ended March 31, 2021 and 2020:

	For the three months ended			
	March 31, 2021		March 31, 2020	
Net Transaction Margin		% of UMS		% of UMS
Sezzle income	$ 22,252,390	5.9%	$ 7,038,200	5.9%
Account reactivation fee income	3,778,368	1.0%	1,130,691	0.9%
Total income	26,030,758	6.9%	8,168,891	6.8%
Cost of income	(8,924,927)	(2.4)%	(3,501,491)	(2.9)%
Gross profit	17,105,831	4.5%	4,667,400	3.9%
Provision for uncollectible accounts	(8,576,978)	(2.3)%	(2,833,613)	(2.4)%
Net interest expense	(1,353,619)	(0.4)%	(806,906)	(0.7)%
Net Transaction Margin	**7,175,234**	**1.9%**	**1,026,881**	**0.9%**
Selling, general, and administrative expenses	(17,360,651)	(4.6)%	(5,326,980)	(4.5)%
Other income and expense, net	(57,039)	(0.0)%	(57,485)	(0.0)%
Loss on extinguishment of line of credit	(1,092,678)	(0.3)%	—	—%
Loss before taxes	(11,335,134)	(3.0)%	(4,357,584)	(3.6)%
Income tax expense	(18,223)	(0.0)%	—	—%
Net loss	**$(11,353,357)**	**(3.0)%**	**$ (4,357,584)**	**(3.6)%**

Below is a reconciliation and analysis of the following GAAP measures to Net Transaction Margin for the years ended December 31, 2020 and 2019:

	For the years ended December 31,			
	2020		2019	
Net Transaction Margin (NTM)		% of UMS		% of UMS
Sezzle income	$ 49,659,042	5.8%	$ 13,319,218	5.5%
Account reactivation fee income	9,129,231	1.1%	2,481,893	1.0%
Total income	58,788,273	6.9%	15,801,111	6.5%
Cost of income	(22,489,626)	(2.6)%	(7,660,276)	(3.1)%
Gross profit	36,298,647	4.2%	8,140,835	3.3%
Provision for uncollectible accounts	(19,587,918)	(2.3)%	(6,235,820)	(2.6)%
Net interest expense	(4,303,175)	(0.5)%	(1,307,143)	(0.5)%
Net Transaction Margin	**12,407,554**	**1.4%**	**597,872**	**0.2%**
Selling, general, and administrative expenses	(44,643,039)	(5.2)%	(13,156,891)	(5.4)%
Other income and expense, net	(126,291)	(0.0)%	(20,085)	(0.0)%
Interest expense on beneficial conversion feature	—	—%	(470,268)	(0.2)%
Loss before taxes	(32,361,776)	(3.8)%	(13,049,372)	(5.3)%
Income tax expense	(30,964)	(0.0)%	(11,981)	(0.0)%
Net loss	**$(32,392,740)**	**(3.8)%**	**$(13,061,353)**	**(5.4)%**

Liquidity and Capital Resources

We incurred net losses from operating activities for the three months ended March 31, 2021 and 2020. For the three months ended March 31, 2021 and 2020, we incurred a net loss of $11.4 million and $4.4 million, respectively. As of March 31, 2021, we had cash, cash equivalents, and restricted cash of $67.4 million and working capital of $82.8 million.

We incurred net losses from operating activities for the years ended December 31, 2020 and 2019. For the years ended December 31, 2020 and 2019, we incurred a net loss of $32.4 million and $13.1 million, respectively. As of December 31, 2020, we had cash and cash equivalents of $84.3 million and working capital of $104.6 million.

We believe our existing cash, cash equivalents, and restricted cash, along with cash flow from operations, will be sufficient to meet our working capital and investment requirements beyond the next 12 months.

	For the three months ended		For the year ended	
	March 31, 2021	March 31, 2020	Dec 31, 2020	Dec 31, 2019
Net Cash Used for Operating Activities	$ (5,409,000)	$ (1,789,225)	$ (24,808,861)	$ (19,919,563)
Net Cash Used for Investing Activities	(389,303)	(114,756)	(732,911)	(532,218)
Net Cash (Used for) Provided from Financing Activities	(16,056,908)	4,200,000	77,565,841	49,991,545
Effect of exchange rate changes on cash	129,389	22,697	455,216	-
Net (decrease) increase in cash, cash equivalents, and restricted cash	$ (21,855,211)	$ 2,296,019	$ 52,024,069	$ 29,539,764

Operating Activities

Net cash used for operating activities was $5.4 million and $1.8 million for the three months ended March 31, 2021 and 2020, respectively. Net cash used for operating activities for the three months ended March 31, 2021 is comprised of our net losses totaling $11.4 million, non-cash adjustments of $13.9 million, and changes in operating assets and liabilities of ($8.0) million.

For the three months ended March 31, 2021, significant non-cash adjustments include provisions for uncollectible notes and other receivables of $9.9 million and equity-based compensation and restricted stock vested totaling $2.7 million. Significant changes in operating assets and liabilities includes increases in consumer notes receivable of $25.5 million, due to increased Active Consumers and UMS, and increases in merchant accounts payable of $15.6 million, due to increased Active Merchants and their participation in the Merchant Interest Program.

Net cash used for operating activities was $24.8 million and $19.9 million for the years ended December 31, 2020 and 2019, respectively. Net cash used for operating activities for the year ended December 31, 2020 is comprised of our net losses totaling $32.4 million, non-cash adjustments of $30.2 million, and changes in operating assets and liabilities of ($22.6) million. Significant non-cash adjustments include provisions for uncollectible notes and other receivables of $22.3 million and equity-based compensation totaling $7.0 million. Significant changes in operating assets and liabilities include increases in consumer notes receivable of $75.0 million, due to increased Active Consumers and UMS, and increases in merchant accounts payable of $47.5 million, due to increased Active Merchants and their participation in the Merchant Interest Program. Net cash used for operating activities for the year ended December 31, 2019 was primarily driven by increases in notes receivable due from consumers.

Investing Activities

Net cash used for investing activities during the three months ended March 31, 2021 was $0.4 million, compared to $0.1 million during the three months ended March 31, 2020. Cash outflows for investing activities were primarily used for purchasing computer equipment, as well as payments of salaries to employees who create capitalized internal-use software.

Net cash used for investing activities during the year ended December 31, 2020 increased slightly to $0.7 million, compared to $0.5 million during the year ended December 31, 2019. Cash outflows for investing activities were primarily used for purchasing computer equipment, as well as payments of salaries to employees who create capitalized internal-use software.

Financing Activities

Net cash provided from (used for) financing activities during the three months ended March 31, 2021 was ($16.1) million, compared to $4.2 million during the three months ended March 31, 2020. Significant financing activities during the three months ended March 31, 2021 included a net pay down on our line of credit of ($13.0) million and payments of debt issuance and extinguishment costs totaling ($2.6) million related to closing of our new revolving credit facility.

Net cash provided by financing activities during the year ended December 31, 2020 was $77.6 million, compared to $50.0 million during the year ended December 31, 2019. The increase was primarily related to our capital raise of $58.0 million (net of costs of the offer) and net cash proceeds on our line of credit totaling $18.6 million.

Revolving Credit Facility

On February 10, 2021, Sezzle Funding SPE II, LLC (the "Borrower") entered into a senior secured asset-based revolving credit facility, with a borrowing capacity of up to $250.0 million (the "revolving credit facility"), which is governed by a credit agreement entered into by the Borrower, certain lenders party thereto and Goldman Sachs Bank USA, as administrative agent. The revolving credit facility has a maturity date of June 12, 2023.

The revolving credit facility consists of a committed revolving facility (the "Committed Facility") of up to $125.0 million and an incremental uncommitted facility (the "Incremental Facility") of up to $125.0 million, subject in each case to availability under a borrowing base with advance rates against eligible collateral receivables ranging from 65-90%. Each of the Committed Facility and Incremental Facility is split between a group of Class A lenders and Class B lenders (in the amounts of $97.22 million and $27.78 million for each facility, respectively), and the amounts available to be borrowed from the Class A lenders and Class B lenders are subject to separate borrowing bases. Loans under the Incremental Facility are available at the sole discretion of each Class A and Class B lender. We had an outstanding line of credit balance of $27,000,000 as of March 31, 2021 and is recorded within line of credit, net, as a non-current liability on the consolidated balance sheets. As of March 31, 2021, we had pledged $97,747,215 of our notes receivable. We had an unused borrowing capacity of $46,612,706 as of March 31, 2021.

The obligations of the Borrower under the revolving credit facility are guaranteed by Sezzle Funding SPE II Parent, LLC ("SPE II Parent"), which is the sole member and owner of 100% of the equity interests of the Borrower, pursuant to that certain Pledge and Guaranty Agreement dated as of February 10, 2021 (the "Parent Guaranty"), entered into by SPE II Parent in favor of Goldman Sachs Bank USA, as administrative agent on behalf of the secured parties under the revolving credit facility. The revolving credit facility is further supported by a limited guaranty and indemnity of certain losses, expenses and claims of the lenders and other secured parties, provided by us, as the direct owner of 100% of the legal and beneficial equity interests in SPE II Parent, pursuant to that certain Parent Guaranty and Indemnity Agreement entered into as of February 10, 2021 by us for the benefit of Goldman Sachs Bank USA, as administrative agent on behalf of the secured parties under the revolving credit facility.

The revolving credit facility carries an interest rate of 3-month LIBOR+3.375% and 3-month LIBOR+10.689% (the LIBOR floor rate is set at 0.25%) for funds borrowed from the Class A and Class B lender, respectively. As of March 31, 2021, the weighted average interest rate was 5.250%. Interest on borrowings is due on collection dates as specified in the loan agreement, typically fortnightly. For the three months ended March 31, 2021, interest expense relating to the utilization of the line of credit was $669,248.

Additionally, any unused daily amounts incur a facility fee at a rate of 0.50% per annum until May 11, 2021. Beginning May 11, 2021, the facility fee rate became variable, dependent on the percentage of the line of credit utilized. If less than one-third of the facility is used, the rate is 0.65% per annum; if between one-third and two-thirds of the facility is used, the rate is 0.50% per annum; and if more than two-thirds of the facility is used, the rate is 0.35% per annum. In the event of a prepayment due to a broadly marketed and distributed securitization transaction with a party external to the agreement, an exit fee of 0.75% of such prepaid balance will be due to the lender upon such transaction.

The agreement governing the revolving credit facility includes certain restrictive covenants and, among other things and subject to certain exceptions and qualifications, limits the Borrower's ability to: (i) incur or guarantee additional indebtedness, (ii) make investments or other restricted payments, (iii) acquire assets or form or acquire subsidiaries; (iv) create liens, (v) sell assets, (vi) pay dividends or make other distributions or repurchase or redeem capital stock, (vii) engage in certain transactions with affiliates, (viii) enter into agreements that restrict the creation or incurrence of liens other than the revolving credit facility and related documents; (ix) engage in liquidations, mergers or consolidations; and (x) make any material amendment, modification or supplement to its credit guidelines or servicing guide. SPE II Parent is subject to similar restrictive covenants contained in the Parent Guaranty.

The Parent Guaranty includes financial maintenance covenants pertaining to the tangible net worth, liquidity and leverage of us and our subsidiaries on a consolidated basis (the "Consolidated Group"). The Consolidated Group is required to maintain at all times a minimum tangible net worth of (x) if the aggregate outstanding principal balance of advances under the revolving credit facility is less than or equal to $125.0 million, $15.0 million or (y) if the aggregate outstanding principal balance of advances under the revolving credit facility is greater than $125.0 million, $30.0 million. With respect to liquidity, the Consolidated Group must maintain unrestricted cash at all times in an amount at least equal to the greater of (x) $7.5 million and (ii) 7.5% of the amount funded under the revolving credit facility. The Consolidated Group is also required to maintain a maximum leverage ratio, tested as of the last day of each fiscal quarter, of (x) on or prior to March 31, 2022, 8.00 to 1.00 and (y) after March 31, 2022, 12.00 to 1.00. All three financial covenants are subject to tightening should we become party to a comparable guaranty containing similar financial covenants set at more restrictive levels. A failure by us to satisfy the financial covenants under the Parent Guaranty constitutes an event of default under the revolving credit facility.

The credit agreement governing the revolving credit facility also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). An immediate event of default is also deemed to have occurred if ratios pertaining to defaulted collateral receivables of a particular vintage or past due collateral receivables within a certain collection period exceed pre-determined levels.

Prior to February 10, 2021, we had a $100.0 million revolving credit facility with Bastion Consumer Funding II, LLC Atalaya Asset Income Fund IV LP, and Hudson Cove Credit Opportunity Master Fund, LP with a maturity date of May 29, 2022. We had an outstanding revolving line of credit balance of $40.0 million and $21.5 million as of December 31, 2020 and 2019, respectively. In February 2021, we paid a $1.0 million fee to terminate this credit facility and repaid the amounts outstanding under the credit facility with proceeds from our new revolving credit facility.

Equity Financing

On July 15, 2020, we raised $55,316,546 of proceeds via an institutional placement of our Chess Depository Interests (CDIs). In addition, on August 10, 2020, we raised an additional $5,140,710 of proceeds via a securities purchase plan offered to certain existing shareholders. The total costs of the capital raise were $2,484,504, resulting in overall net proceeds of $57,972,752. In connection with the capital raise, we issued 16,289,935 CDIs at a price of A$5.30 (approximately $3.82). The issued CDIs are equivalent to common shares on a 1:1 basis.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. These principles require us to make certain estimates and judgments that affect the amounts reported in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that management believes to be reasonable. Our actual results may differ materially from our estimates because of certain accounting policies requiring significant judgment. To the extent that there are material differences between our estimates and actual results, our future consolidated financial statements will be affected.

We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to our allowance for uncollectible accounts, equity-based compensation, income taxes, and internally developed intangible assets. We believe these estimates have the greatest risk of affecting our consolidated financial statements; therefore, we consider these to be our critical accounting policies and estimates.

Receivables and Credit Policy

Notes receivable represent amounts from uncollateralized consumer receivables generated from the purchase of merchandise. The original terms of the notes for our core product are to be paid back in equal installments every two weeks over a six-week period. We do not charge interest on the notes to consumers. We defer direct note origination costs over the average life of the notes receivable using the effective interest rate method. These net deferred costs are recorded within notes receivable, net on the consolidated balance sheets. Notes receivable are recorded at net realizable value and are recorded as current assets. We evaluate the collectability of the balances based on historical performance, current economic conditions, and specific circumstances of individual notes, with an allowance for uncollectible accounts being provided as necessary.

Other receivables represent the net realizable value of consumer account reactivation fees receivable, merchant accounts receivable, and merchant processing fees receivable. Consumer account reactivation fees receivable, less an allowance for uncollectible accounts, represents the amount of account reactivation fees we reasonably expect to receive from consumers. Receivables from merchants represent amounts merchants owe us relating to transactions placed by consumers on their sites. All notes receivable from consumers, as well as related fees, outstanding greater than 90 days past due are charged off as uncollectible. It is our practice to continue collection efforts after the charge-off date.

Sezzle Income

We receive our income primarily from fees paid by merchants in exchange for our payment processing services. These fees are applied to the underlying sales to consumers passing through our platform and are predominantly based on a percentage of the consumer order value plus a fixed fee per transaction. Consumer installment payment plans typically consist of four installments, with the first payment made at the time of purchase and subsequent payments coming due every two weeks thereafter. Additionally, consumers may reschedule their initial installment plan by delaying payment for up to two weeks, for which we generally earn a rescheduled payment fee. The total of merchant fees and rescheduled payment fees, less note origination costs, are collectively referred to as Sezzle Income within our consolidated statements of operations and comprehensive loss. Sezzle Income is initially recorded as a reduction to notes receivable, net within the consolidated balance sheets. Sezzle Income is then recognized over the average duration of the note using the effective interest rate method.

Equity Based Compensation

We maintain stock compensation plans that offer incentives in the form of stock options and restricted stock to our employees, directors, and advisors. Equity based compensation expense reflects the fair value of awards measured at the grant date and recognized over the relevant vesting period. We estimate the fair value of stock options without a market condition on the measurement date using the Black-Scholes option valuation model. The fair value of stock options with a market condition is estimated, at the date of grant, using the Monte Carlo Simulation model. The Black-Scholes and Monte Carlo Simulation models incorporate assumptions about stock price volatility, the expected life of the options, risk-free interest rate, and dividend yield. For valuing our stock option grants, significant judgment is required for determining the expected volatility of our common stock and is based on the historical volatility of both our common stock and our defined peer group. The fair value of restricted stock awards and restricted stock units is based on the fair market value of our common stock on the date of grant. The expense associated with equity-based compensation is recognized over the requisite service period using the straight-line method. We issue new shares upon the exercise of stock options and vesting of restricted stock units.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, property and equipment, and accrued liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. A full valuation allowance is recorded against our deferred tax assets.

We evaluate our tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. To date we have not recorded any liabilities for uncertain tax positions.

Off Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that would have been established for the purpose of facilitating off balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships. We enter into guarantees in the ordinary course of business related to the guarantee of our performance and the performance of our subsidiaries.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks during our ordinary course of business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices, interest rates, and foreign currency exchange rates. Our primary risk exposure is the result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

Our cash, cash equivalents, and restricted cash as of March 31, 2021 were primarily held in checking, savings, and money market accounts. As of March 31, 2021, we had $3.0 million of cash equivalents invested in money market funds. The fair value of our cash and cash equivalents would not be materially affected by either an increase or decrease in interest rates due to the short-term nature of these investments.

Our revolving credit facility and Merchant Interest Program accrue interest at a floating rate based on a formula tied to the London Inter-Bank Offered Rate (LIBOR). A 0.1 percentage point increase or decrease in LIBOR would not have a material effect on our accrued interest due to a LIBOR floor clause stipulated in the agreement. In 2017, the United Kingdom's Financial Conduct Authority announced the intent to phase out LIBOR by the end of 2021. As a result, we may be required to amend our contracts that use LIBOR as a benchmark, but we do not expect these changes to have a material impact on our financial statements, liquidity, and access to capital markets.

Foreign Currency Risk

We have operations in the United States and Canada, and continue to establish operations in India, Brazil and parts of Europe. Operations in Canada are becoming more substantial to the business overall, and changes in the foreign currency exchange rate between the US Dollar and the Canadian Dollar may impact our consolidated balance sheets. Based on our consolidated balance sheets as of March 31, 2021, a 1% change in the actual exchange rates between the US Dollar and the Canadian Dollar during the three months ended March 31, 2021 would increase or decrease other comprehensive income by approximately $100,000. Operations in India, Brazil and parts of Europe are not significant, and changes in the foreign currency exchange rate between the U.S. Dollar and the Indian Rupee or the Euro would not have a material effect on our consolidated balance sheets.

ITEM 3. PROPERTIES.

Our corporate headquarters are currently located in Minneapolis, Minnesota, where we lease approximately 14,740 square feet of office space pursuant to a lease agreement that expires in June 2022. We believe that these premises are suitable and adequate for our needs now and for the foreseeable future. If required, we believe that suitable additional or alternative space would be available in the future on commercially reasonable terms. We also lease minimal office space in certain international markets where we operate our business.

In Minneapolis, Minnesota, we also lease an additional 14,929 square feet that, due to our workforce working remotely during the COVID-19 pandemic, we never occupied. Subsequently, we terminated the lease, which will become effective in June 2021.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of March 17, 2021, information regarding beneficial ownership of shares of our common stock, including common stock held through CDIs, by the following:

- each person, or group of affiliated persons, who is known by us to beneficially own 5% or more of any class of our voting securities;
- each of our directors;

- each of our Named Executive Officers; and
- all current directors and executive officers, as a group.

Beneficial ownership is determined according to the rules of the SEC. Beneficial ownership generally includes voting or investment power of a security and includes shares underlying options that are currently exercisable or exercisable within 60 days of March 17, 2021. The officers, directors and principal stockholders supplied the information for this table. Except as otherwise indicated, we believe that the beneficial owners of the CDIs and common stock listed below, based on the information given to us by each of them, have sole investment and voting power with respect to their shares, except where community property laws may apply.

Percentage of ownership is based on 197,070,685 shares of our common stock, or common stock equivalent CDIs, outstanding on March 17, 2021. Unless otherwise indicated, we deem shares subject to options that are exercisable within 60 days of March 17, 2021 to be outstanding and beneficially owned by the person holding the options for the purpose of computing percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the ownership percentage of any other person. CDIs represent one share of our common stock.

Unless otherwise indicated on the table, the address of each of the individuals named below is: c/o Sezzle Inc., 251 1st Ave N, Suite 200, Minneapolis, MN 55401, USA.

Name of Beneficial Owner	Number of Shares of Common Stock	Percentage of Common Stock
5% Stockholders		
J P Morgan Nominees Australia Pty Limited[(1)]	12,042,609	6.11%
Directors and Executive Officers		
Mike Cutter[(2)]	145,833	*
Karen Hartje[(3)]	1,577,104	*
Paul Lahiff[(4)]	145,833	*
Paul Paradis[(5)]	10,218,750	5.18
Kathleen Pierce-Gilmore[(6)]	243,056	*
Paul Purcell[(7)]	9,739,407	4.94
Charles Youakim[(8)]	88,578,559	44.90
All directors and executive officers	**110,648,542**	**56.15%**

* Less than 1.0%.

(1) 9,553,571 of Mr. Charles Youakim's shares are held through J P Morgan Nominees Australia Pty Limited, who is noted as a substantial shareholder of the Company. Please see Note 8 for more detail.

(2) Mr. Cutter serves as an Independent Non-Executive Director. Shares include options to purchase 145,833 shares of common stock.

(3) Ms. Hartje serves as the Company's Chief Financial Officer. Shares include options to purchase 1,556,145 shares of common stock and 20,959 RSUs.

(4) Mr. Lahiff serves as an Independent Non-Executive Director. Shares include options to purchase 145,833 shares of common stock. All options are held in escrow until July 30, 2021 as described under "Escrow Arrangements" below.

(5) Mr. Paradis serves as an Executive Director and President. Shares include 625,000 common shares vesting in equal installments over the next 10 months. Shares include options to purchase 218,750 shares of common stock. All of Mr. Paradis' shares and options are held in escrow until July 30, 2021 as described under "Escrow Arrangements" below.

(6) Ms. Pierce-Gilmore serves as an Independent Non-Executive Director. Shares include options to purchase 243,056 shares of common stock. All options are held in escrow until July 30, 2021 as described under "Escrow Arrangements" below.

(7) Mr. Purcell serves as an Independent Non-Executive Director. All shares are owned by Continental Investment Partners, LLC. Mr. Purcell may be deemed to beneficially own such shares as a manager of Continental Investment Partners, LLC. 350,000 of such shares and are held in escrow until July 30, 2021, as described under "Escrow Arrangements" below.

(8) Mr. Youakim serves as an Executive Chairman and Chief Executive Officer. Shares include 78,806,238 shares held by Mr. Youakim directly or through family trusts which are held in escrow until July 30, 2021, as described under "Escrow Arrangements" below. Shares also include 9,553,571 shares that are held by a trust for the benefit of direct current and future family members of Mr. Youakim. Mr. Youakim shares the power to dispose of these shares. These shares have been pledged to J P Morgan Nominees Australia Pty Limited ("J P Morgan") in connection with a loan made to Mr. Youakim by J P Morgan. In addition, shares include options to purchase 218,750 shares of common stock. All options are held in escrow until July 30, 2021, as described under "Escrow Arrangements" below.

Escrow Arrangements

As of March 17, 2021, the holders of 94,016,911 shares/CDIs, representing 47.71% of the currently outstanding shares of common stock, remain subject to restriction agreements with respect to their shares (including in the form of CDIs), pursuant to the listing rules of the ASX. In addition, options to purchase an aggregate of 2,166,667 shares/CDIs, of which 1,111,809 shares/CDIs that are exercisable or will become exercisable within 60 days are subject to the escrow restrictions. The restriction agreements restrict the ability of the holder from disposing of, creating any security interest in, or transferring effective ownership or control of the securities until July 31, 2021. ASX may consent to the removal of the restrictions prior to July 31, 2021, subject to the satisfaction of certain conditions, to enable escrowed securities to be transferred or cancelled in connection with a merger or other specified transactions.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS.

Directors and Officers

Our directors and executive officers and their respective ages as of March 17, 2021 are as follows:

Name	Age	Position
DIRECTORS:		
Charles Youakim	44	Executive Chairman and Chief Executive Officer
Paul Paradis	37	Executive Director and President
Paul Lahiff	68	Independent Non-Executive Director
Kathleen Pierce-Gilmore	44	Independent Non-Executive Director
Mike Cutter	55	Independent Non-Executive Director
Paul Purcell	46	Independent Non-Executive Director
EXECUTIVE OFFICERS:		
Karen Hartje	63	Chief Financial Officer
Jamie Kirkpatrick	44	Chief Operating and Risk Officer
Veronica Katz	53	Chief Revenue Officer
Candice Ciresi	50	General Counsel
Killian Brackey	26	Chief Technology Officer

Charles Youakim

Mr. Youakim is our co-founder, Executive Chairman, and Chief Executive Officer of Sezzle. Mr. Youakim is a serial technology entrepreneur with nearly ten years of experience in growing fintech companies from inception to large-scale businesses. Mr. Youakim began his career as an engineer and software developer. After successfully advancing in his early career, he returned to business school where he was able to focus on expanding his knowledge of finance, marketing, and business strategy.

In 2010, after completing business school, Mr. Youakim founded his first payments company, Passport Labs, Inc. ("Passport"). Passport became a leader in software and payments for the transportation industry. At Passport, Mr. Youakim led the construction and the original technology and led the company as it disrupted the industry through the introduction of white label systems and payment wallets. Passport is the technology behind enterprise transportation installations like ParkChicago, ParkBoston, and the GreenP in Toronto.

Mr. Youakim co-founded Sezzle in 2016 and also planned much of the business' technology architecture. Mr. Youakim has a degree in Mechanical Engineering from the University of Minnesota and an MBA from the Carlson School of Management at the University of Minnesota. Mr. Youakim does not currently hold any other directorships. We believe Mr. Youakim is well-qualified to serve as a member of our board of directors due to his perspective and experience from serving as co-founder and Chief Executive Officer of Sezzle, as well as his experience leading other technology companies.

Paul Paradis

Mr. Paradis co-founded Sezzle and has served as a member of our board of directors since July 2019. Mr. Paradis has served as President since July 2020 and, prior to President, Mr. Paradis was our Chief Revenue Officer since May 2016. Mr. Paradis has extensive experience in sales and marketing. He began his career in sales with the Minnesota Timberwolves. He left the Timberwolves to attain his MBA from the Carlson School of Management at the University of Minnesota, where he focused on marketing and strategy. After graduating from the Carlson School of Management, Mr. Paradis spent six years leading sales and marketing at Dashe & Thomson and the Abreon Group, which are boutique management consultancies focus on IT transportation adoption. Mr. Paradis left the Abreon Group in 2016 when he co-founded Sezzle. At Sezzle, Mr. Paradis oversees sales, marketing, partnerships, and merchant development.

Mr. Paradis has a Bachelor of Arts in Political Science from Davidson College and an MBA from the University of Minnesota. Mr. Paradis does not currently hold any other directorships. We believe Mr. Paradis is well-qualified to serve as a member of our board of directors due to his experience from serving as co-founder and President at Sezzle, in addition his experience in strategic technology industries.

Paul Lahiff

Mr. Lahiff has served as a member of our board of directors since May 2019. Mr. Lahiff was previously Chief Executive Officer of Mortgage Choice and prior to that, Chief Executive Officer of Permanent Trustee and Heritage Bank. He previously held roles on the boards of directors with Sunsuper, Thorn Group, New Payments Platform Australia, RFi, Cuscal and Cancer Council NSW. Mr. Lahiff holds a Bachelors of Science from the University of Sydney and is a graduate of the Australian Institute of Company Directors. Mr. Lahiff is a Non-Executive Director of AUB Holdings, Harmoney and NESS Superannuation. Mr. Lahiff is a Senior Non-Executive Director at 86400. We believe Mr. Lahiff is well-qualified to serve as a member of our board of directors due to his senior management experience and prior and other director roles.

Kathleen Pierce-Gilmore

Ms. Pierce-Gilmore has served as a member of our board of directors since May 2019. Ms. Pierce-Gilmore has been a payments and fintech executive for 20+ years across firms. She is currently the Head of Global Payments at Silicon Valley Bank, where she began in August 2020. Prior to Silicon Valley Bank, she was the Chief Executive Officer of Lingua Franca from August 2019 to March 2020. Before Lingua Franca, she was Chief Executive Officer of Flexa Technologies from March 2018 to September 2018, before which she was President and Chief Operating Officer of Raise Marketplace since October 2017. Prior to Raise Marketplace, Ms. Pierce-Gilmore was General Manager of Consumer Credit at PayPal from September 2015 to October 2017. In addition to her deep expertise in customer experience, consumer lending, product development, and P&L management, Ms. Pierce-Gilmore has also led businesses on the merchant side of the payments ecosystem.

Ms. Pierce-Gilmore graduated with a Bachelor of Arts from the Integrated Sciences Program at Northwestern University and has recently completed the Non-Executive Director Diploma program through the Financial Times. Ms. Pierce-Gilmore also serves as a Director for Tala. We believe Ms. Pierce-Gilmore is well-qualified to serve as a member of our board of directors due to her management experience in the payment technology industry.

Paul Purcell

Mr. Purcell has served as a member of our board of directors since March 2019. Mr. Purcell has invested in financial services companies (public and private markets) for nearly 20 years. He retains a specific specialization in emerging financial innovation as well as non-bank financial services. He has been the Chief Investment Officer of Jupiter Management since January 1, 2019 and prior to assuming that position led the sourcing and origination of investments at Continental Investors since 1999. Mr. Purcell is a frequent panelist at industry conferences and has published several articles on the trends and developments in the emerging commerce and financial services marketplaces.

Before joining Continental Investors, Mr. Purcell was a co-founder of Continental Advisors, a manager of two sector-based hedge funds. He was also Manager of Internet marketing at the Chicago Board Options Exchange (CBOE), a department he helped found.

Mr. Purcell is a graduate of the University of San Diego where he is a member of the Board of Trustees. He currently serves on the board of directors of Align Income Share Funding, Listo!, Veritec Solutions, Drizly, Winestyr Pearachute, Intuition LLC, CarHop, and What's Next Media. We believe Mr. Purcell is well-qualified to serve as a member of our board of directors due to his various experiences in financial services industry and his service as a director at numerous companies.

Michael Cutter

Mr. Cutter has served as a member of our board of directors since May 2019. Mr. Cutter has more than 33 years' experience in a wide range of financial services businesses in Australia, New Zealand, Asia and Europe.

Most recently from 2015 to 2019 he served as the Group Managing Director for the information services business Equifax ANZ. Prior that he held various CEO, CRO, Product and Operations roles with GE, ANZ, Wesfarmers, Halifax/BankOne and NAB.

Mr. Cutter is a Graduate of the Australian Institute of Company Directors (GAICD) and a Senior Fellow of the Financial Services Institute of Australia and has previously served on the board of directors of the Women's Cancer Foundation, Ovarian Cancer Institute, the Australian Finance Congress, the National Insurance Brokers Association and the Australian Retail Credit Association.

In addition to his role with Sezzle, Mr. Cutter is currently a director for Pepper Money Australia New Zealand, a Board Advisor to PNO Insurance and serves as a Director for Kadre Consulting. Mr. Cutter has a Bachelors of Science (Hons) from Hertfordshire University. We believe Mr. Cutter is well-qualified to serve as a member of our board of directors due to his experiences in the financial services industry across varied geographical locations.

Executive Officers

Set forth below is biographical information for our executive officers, other than Messrs. Youakim and Paradis.

Karen Hartje

Ms. Hartje has served as our Chief Financial Officer since April 2018. From April 2016 until joining Sezzle, Ms. Hartje operated her own financial consulting business, Grand Group LLC, and was an Interim CFO of Robert Half, Inc. Prior to her own consulting business, Ms. Hartje occupied finance and credit management roles at Bluestem Brands, a retail finance company that was a reboot of Fingerhut Direct Marketing and generated well over $1 billion in retail sales. Ms. Hartje was on the founding team of Bluestem Brands, where she led the finance department reporting to the President of Bluestem Brands. During her tenure, Ms. Hartje led financial planning and analysis, management of credit policies, and forecasting. Bluestem Brands was acquired in 2014. Before Bluestem Brands, Ms. Hartje started her career with KPMG and has held senior leadership positions at US Bank and Lenders Trust. Ms. Hartje has sat on the not-for-profit board of Saint Paul Figure Skating Club, Inc. since 2015, and was previously a member of the board of Upworks from 2016 to 2018. Ms. Hartje has a Bachelors of Arts in accounting from the University of Minnesota and was a certified public accountant (expired).

Jamie Kirkpatrick

Mr. Kirkpatrick has served as our Chief Operating and Risk Officer since October 2018. In this role, Mr. Kirkpatrick leads the risk management, data science, credit strategy, fraud, analytics and support functions. He previously served as the Vice President and Head of Risk Management at TD Bank since April 2018. Prior to that, Mr. Kirkpatrick purposefully left the workforce to pursue personal interests from June 2016 until April 2018. From April 2009 to June 2016, he was employed by Bluestem Brands, where he spent the majority of his time as the Vice President of New Customer Risk and Fraud Management.

Veronica Katz

Ms. Katz has served as our Chief Revenue Officer since July 2020. In this role, Ms. Katz leads the revenue organization, including sales, marketing, merchant success and strategic partnership teams. She previously served in various roles at PayPal since 2011, including Vice President of Global Accounts, Vice President of Large Enterprise, and General Manager of Large Enterprise Client Growth among others. Prior to that, she was the Vice President of Strategic Marketing and Business Development at The Bridal Group (David's Bridal, Inc.).

Candice Ciresi

Ms. Ciresi has served as our General Counsel since August 2020. She previously served as an independent contractor for various entities performing a broad array of transactional and legal work since 2019. Prior to that, Ms. Ciresi was the General Counsel for Vital Images, Inc. from 2016 to 2019. Ms. Ciresi previously held various senior legal positions at Stratasys, Inc., Covidien, Ltd., Kroll Ontrack, Inc. and MTS Systems Corporation, Inc.

Killian Brackey

Mr. Brackey has served as our Chief Technology Officer since November 2018. In this role, Mr. Brackey leads the engineering team and coordinates across internal stakeholders on product development. He previously served as a software engineer, where he documented, designed and implemented components of the software underlying Sezzle's core products, and as a Vice President of Engineering at Sezzle since June 2016, where he managed the software product process. Prior to joining Sezzle, Mr. Brackey worked in the information technology department at the University of Minnesota.

ITEM 6. EXECUTIVE COMPENSATION.

The following discussion and analysis of compensation arrangements should be read with the compensation tables and related disclosures set forth below. This discussion contains forward looking statements that are based on our current plans and expectations regarding future compensation programs. The actual compensation programs that we adopt may differ materially from the programs summarized in this discussion.

This section describes the material elements of the compensation awarded to, earned by, or paid to our Executive Chairman and Chief Executive Officer, Charlie Youakim, and our two most highly compensated executive officers (other than our Executive Chairman and Chief Executive Officer), Paul Paradis, our Executive Director and President, and Karen Hartje, our Chief Financial Officer, for our fiscal year ended December 31, 2020. These executives are collectively referred to in this "Executive Compensation" section as our named executive officers. As an "emerging growth company" as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled disclosure requirements applicable to emerging growth companies.

Summary Compensation Table

The following table sets forth the compensation paid to, received by, or earned during each of fiscal year 2020 and 2019 by each of our named executive officers.

Name and principal position	Year	Salary ($)	Bonus ($)	Stock awards ($) (1)	Option awards ($)(2)	Nonequity incentive plan compensation ($)(4)	All other compensation ($)	Total ($)
Charles Youakim, Executive Chairman and Chief Executive Officer	2020	250,000	--	--	750,000(3)	97,652	--	1,097,652
	2019	212,228			298,172	-		510,400
Paul Paradis, Executive Director and President	2020	250,000	--	--	750,000(3)	96,055	--	1,096,055
	2019	174,455			298,172	-		472,627
Karen Hartje, Chief Financial Officer	2020	250,000	--	59,579-	750,000	110,945	--	1,170,524
	2019	209,673			298,172	-		507,845

(1) Amounts reported represent the grant date fair value, computed in accordance with FASB ASC Topic 718, of restricted stock units granted to Ms. Hartje under the 2019 Equity Incentive Plan, disregarding the effects of estimated forfeitures. For assumptions used in valuing the restricted stock units, please see Note 16 to the financial statements included elsewhere in this prospectus.

(2) For 2020, amounts reported represent the grant date fair value of the LTIP Options, as defined below, computed in accordance with FASB ASC Topic 718 and based on the following assumptions: risk-free interest rate of 0.68%; expected volatility of 93.0%; expected term of 9.61 years and expected dividend rate of 0% and the probable achievement of the underlying performance goal at the time of grant. Under FASB ASC Topic 718, the vesting condition related to the LTIP Options is considered a market condition and not a performance condition. Accordingly, there is no grant date fair value below or in excess of the amount reflected in the table above for the named executive officers that could be calculated and disclosed based on achievement of the underlying market condition. For 2019, the amounts reported represent the grant date fair value, computed in accordance with FASB ASC Topic 718, of stock options issued to our named executive officers to purchase 500,000 shares of our common stock at $0.84 per share. Twenty-five percent (25%) of the shares subject to these options vested on the one-year anniversary of the date of grant (July 27, 2020), and the remaining shares vest in equal monthly installments over a 36-month period thereafter. There are no performance-based vesting conditions applicable to these stock options.

(3) As described in more detail below, the LTIP Options granted to Messrs. Youakim and Paradis to purchase 1,171,875 shares of common stock were rescinded in order to provide stockholders with the ability to approve such LTIP Options in accordance with ASX listing standards.

(4) Amounts reflect 2020 STIP bonus amounts for each named executive officer, which were delivered to Ms. Hartje in the form of RSUs that fully vest on October 15,2021 and, subject to the approval of our stockholders, will be similarly delivered to Messrs. Youakim and Paradis.

Narrative Disclosure to Summary Compensation Table

Base Salary

The initial base salaries of our named executive officers were set forth in their respective employment agreements and have been periodically reviewed by the Remuneration and Nomination Committee. For 2020, each of our named executive officers had a base salary of $250,000.

Short-Term Incentive Plan ("STIP")

Our named executive officers are eligible to participate in our STIP, which provides an annual bonus opportunity based on a combination of a Company Performance Score ("CPS") and individual performance. For 2020, CPS was determined by the Remuneration and Nomination Committee based on Company performance within four weighted categories: growth (50%), stakeholder satisfaction (20%), optimization (15%), and innovation (15%). After evaluating applicable metrics within these categories, including revenue, underlying merchant sales, active customers, stakeholder satisfaction and net transaction margin, the Remuneration and Nomination Committee determined the CPS to be 78.6. The Remuneration and Nomination Committee then evaluated individual performance for each of our named executive officers and determined the STIP bonus amounts for 2020 that are set forth in the Summary Compensation Table above.

STIP bonus amounts for each named executive officer, which cannot exceed a maximum of 50% of the base salary for the named executive officer for the performance year, were delivered in the form of restricted stock units ("RSUs") in the Company. For Messrs. Youakim and Paradis, the grants of the RSUs are subject to prior stockholder approval under ASX listing rules. Stockholders are being asked to approve the RSUs to Messrs. Youakim and Paradis at our annual meeting of stockholders scheduled to be held on June 11, 2021 in Australia.

Long-Term Incentive Plan ("LTIP")

Our named executive officers are also eligible to participate in our LTIP, which provides for grants of stock options under the 2019 Equity Incentive Plan, with vesting subject to the satisfaction of both time- and performance-based vesting conditions over a three-year period. The performance-based vesting condition for LTIP stock options granted during 2020 consists of the Company's total shareholder return ("TSR") measured against that of the S&P/ASX All Technology Index (excluding materials and energy companies) for each one-year period within the three-year performance period starting on January 1, 2020 and ending on December 31, 2022. For comparative purposes, our volume weighted average price ("VWAP") over a 30-day period up to the end of the relevant performance period will be used and compared to the average S&P/ASX All Technology Index price over that same period. One-third of the total number of LTIP Options, as defined below, are eligible to be earned each year within the three-year performance period based on the following TSR performance for the applicable year:

Comparative TSR Target	Percentage of LTIP Options Earned (Measured on an Annual Basis)
Less than 51st percentile of companies in S&P/ASX All Technology Index (excluding materials and energy companies)	0%
Greater than or equal to 51st percentile but less than the 90th percentile of companies in S&P/ASX All Technology Index (excluding materials and energy companies)	Pro rata between 1% and 100%
Greater than or equal to 90th percentile of companies in S&P/ASX All Technology Index (excluding materials and energy companies)	100%

The board of directors has the discretion to amend the comparative TSR performance condition at any time during the performance period applicable to the LTIP Options if the board of directors believes it is appropriate to do so to reflect the Company's circumstances. Any LTIP Options that are earned for a measurement year within the three-year performance period remain subject to a time-based vesting condition, which is satisfied upon the named executive officer's continued employment with the Company through December 31, 2022.

On May 22, 2020, each of our named executive officers received a stock option grant under the LTIP to purchase 1,171,875 shares of our common stock at an exercise price of $1.37 (using a conversion rate of A$1.53 to $1.00) per share, based on the closing sale price of CDIs on the ASX on May 21, 2020 (the "LTIP Options"). The number of shares subject to the LTIP Options was calculated so that the Monte Carlo value of each LTIP Option was equal to 300% of the executive's salary in effect at the time (i.e., 100% for each of the three years in the performance period). Subsequently, on October 22, 2020, the LTIP Options granted to Messrs. Youakim and Paradis were rescinded in order to provide stockholders with the ability to approve such LTIP Options in accordance with ASX listing standards. Stockholders are being asked to approve the issuance of LTIP Options to Messrs. Youakim and Paradis at the Company's annual meeting of stockholders scheduled to be held on June 11, 2021 in Australia.

Agreements with our Named Executive Officers

Each of our named executive officers is party to an employment agreement with us dated June 1, 2019 that sets forth the terms and conditions of his or her employment, including an annual base salary, which has subsequently been increased, and the ability to participate in the Company's employee stock option plan, as described below. In addition, our named executive officers are bound by certain restrictive covenant obligations pursuant to a Proprietary Information, Inventions, Non-Competition and Non-Solicitation Agreement, including covenants relating to non-disclosure and use of proprietary information and assignment of inventions, as well as a covenant not to compete or solicit certain of our service providers, customers or prospective customers and suppliers during employment and for a period of one-year immediately following termination of employment for any reason.

Employee and Retirement Benefits and Perquisites

We currently provide our named executive officers with the same broad-based health and welfare benefits, including health, vision and dental insurance, that are available to our U.S.-based full-time employees. In addition, we maintain a 401(k) retirement plan for our U.S.-based full-time employees under which we may make discretionary matching and/or profit-sharing contributions. Other than the 401 (k) plan, we do not provide any qualified or non-qualified retirement or deferred compensation benefits to our employees, including our named executive officers. In addition, we do not currently provide any perquisites to our named executive officers.

Outstanding Equity Awards at Fiscal Year-End 2020

The following table sets forth information regarding outstanding option awards and unvested stock awards held by each of the named executive officers on December 31, 2020.

	Option Awards					Stock Awards			
Name (a)	**Number of securities underlying unexercised options (#) exercisable (b)**	**Number of securities underlying unexercised options (#) unexercisable (c)**	**Equity incentive plan awards: Number of securities underlying unexercised unearned options (#) (d)**	**Option exercise price ($) (e)**	**Option expiration date (f)**	**Number of shares or units of stock that have not vested (#) (g)**	**Market value of shares or units of stock that have not vested ($) (h)**	**Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#) (i)**	**Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($) (j)**
Charlie Youakim	177,083	322,917	--	$ 0.84(1)	July 26, 2029	-	$ -	-	$ -
Paul Paradis	177,083	322,917	--	$ 0.84(1)	July 26, 2029	-	$ -	-	$ -
Karen Hartje	177,083	322,917	--	$ 0.84(1)	July 26, 2029	-			
	1,156,666	578,334	--	$ 0.05(2)	August 25, 2028				
	-	390,625	781,250	$ 1.37(3)	January 1, 2030				
						10,651(4)	$ 50,608		

(1) Reflects stock options that vested as to 25% of the shares subject to the award on the one-year anniversary of the date of grant (July 27, 2020), with the remaining shares vesting in equal monthly installments over a 36-month period thereafter.

(2) Reflects stock options granted to Ms. Hartje in connection with her commencement of employment with the Company that vested as to 25% of the shares subject to the award on the one-year anniversary of the date of grant (August 26, 2018), with the remaining shares vesting in equal monthly installments over a 36-month period thereafter.

(3) Reflects LTIP Options that vest based on the satisfaction of both a time and performance-based vesting condition over a three-year period ending December 31, 2022. Please see "Long-Term Incentive Plan ("LTIP")" for additional detail regarding the Comparative TSR performance vesting condition. Exercise price amounts were converted from AUD to U.S. Dollars using a conversion rate of A$1.53 to $1.00, representing the exchange rate on the May 22, 2020 grant date.

(4) Reflects RSUs granted to Ms. Hartje that vest six months following their respective date of grant; all such RSUs will have vested as of June 15, 2021, subject to her continued employment with the Company.

Potential Payments Upon Termination of Employment

Each of our named executive officers is entitled to severance and other benefits upon a termination of employment in certain circumstances, as described below. The employment of our named executive officers may be terminated: (i) at any time upon mutual written agreement of the parties; (ii) by us immediately and without prior notice for cause (as defined in the named executive officer's employment agreement); (iii) immediately upon death or disability; (iv) by us other than for cause with advance written notice of at least 12 months (six months, in the case of Ms. Hartje); or (v) by the named executive officer, other than due to death or disability, with advance written notice of at least 12 months (six months, in the case of Ms. Hartje). In lieu of providing the written notice described above, the Company may elect to make a payment to the named executive officer equal to the regular compensation that the named executive officer would have earned over the applicable notice period.

In addition, in the event that a named executive officer's employment is terminated by the Company in connection with, or within the three-year period following, a change of control (as defined in the Company's employee stock option plan), all stock options held by the named executive officer under such plan will immediately vest and become exercisable.

Equity Plans

2019 Equity Incentive Plan

On June 24, 2019, the board of directors adopted, and on June 1, 2020 our stockholders amended, the Sezzle Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan"). The 2019 Equity Incentive Plan permits the grant of incentive stock options to our employees and the grant of nonqualified stock options, stock appreciation rights, restricted stock or restricted CDI awards, restricted stock units, dividend equivalent rights, and performance awards to our employees, directors, and consultants. Subject to adjustment, the maximum number of shares and CDIs that may be granted under the 2019 Equity Incentive Plan is 26,000,000. Shares and CDIs underlying awards that terminate, expire, are surrendered or lapse for any reason will become available for subsequent awards under the 2019 Equity Incentive Plan. It is anticipated that no further awards will be made under the 2019 Equity Incentive Plan following the completion of this offering. This summary is not a complete description of all provisions of the 2019 Equity Incentive Plan and is qualified in its entirety by reference to the 2019 Equity Incentive Plan.

Plan Administration. The Remuneration and Nomination Committee administers the 2019 Equity Incentive Plan. As used in this summary, the term "administrator" refers to the Remuneration and Nomination Committee and its authorized delegate, as applicable. Subject to the provisions of the 2019 Equity Incentive Plan, the administrator has the authority to, among other things, construe, interpret and administer the 2019 Equity Incentive Plan and all award agreements, determine eligibility for and grant, or recommend to the board of directors for approval to grant, awards under the 2019 Equity Incentive Plan, determine the form of settlement of awards under the 2019 Equity Incentive Plan, prescribe, amend and rescind rules and regulations, amend any outstanding award agreement in any respect and otherwise make all determinations necessary or advisable in administering the 2019 Equity Incentive Plan.

Non-transferability of Awards. The 2019 Equity Incentive Plan generally does not allow for the transfer of awards and awards may generally be exercised only by the holder of an award during his or her lifetime.

Adjustments upon Changes in Capitalization, Merger, or Certain other Transactions. The 2019 Equity Incentive Plan provides that in the event of any increase or decrease in the number of issued shares or CDIs resulting from a recapitalization, stock split, reverse stock split, stock dividend, spinoff, split up, combination, reclassification or exchange of CDIs or shares, merger, consolidation, rights offering, separation, reorganization or liquidation, or any other change in our corporate structure, CDIs or shares, the administrator will make appropriate adjustments to the number and kind of CDIs or shares underlying any then-outstanding awards under the 2019 Equity Incentive Plan, any exercise or strike prices relating to awards under the 2019 Equity Incentive Plan and any other provision of awards affected by such change.

In the case of a change in control (which does not include this offering), the administrator will determine the effect of such change in control on awards, which determination may include taking any of the following actions: (i) the settlement of awards in cash or securities; (ii) the assumption of outstanding awards or for the grant of substitute awards; (iii) the modification of the terms of awards to add events, conditions or circumstances upon which the vesting of awards or the lapse of restrictions applicable to awards will accelerate; (iv) the deemed satisfaction of any performance conditions at target, maximum or actual performance through the closing of the change in control or for the performance conditions to continue after such closing; (v) acceleration of awards; and (vi) the full exercisability, for a period of at least 20 days prior to the change in control, of any stock options or stock appreciation rights that would not otherwise become exercisable prior to the change in control (with any such exercise contingent upon the occurrence of the change in control), with any stock options or stock appreciations rights not exercised prior to the consummation of the change in control terminating as of the consummation of the change in control.

Amendment and Termination. Subject to the ASX Listing Rules, the board of directors may, from time to time, suspend, discontinue, revise or amend the 2019 Equity Incentive Plan, provided, however, that no such action may materially adversely impair the rights under any outstanding award without the consent of the holder of the award.

2021 Equity Incentive Plan

The board of directors, upon the recommendation of the Remuneration and Nomination Committee, adopted the 2021 Equity Incentive Plan (the "2021 Plan"), which is subject to the approval of our stockholders on June 11, 2021 in Australia, as a replacement for the 2019 Equity Incentive Plan. This summary is not a complete description of all provisions of the 2021 Plan and is qualified in its entirety by reference to the 2021 Plan.

Purpose. The purpose of the Plan is to advance the interests of the Company by providing for the grant of stock and stock-based awards to the Company's employees, directors, and consultants.

Administration. The 2021 Plan is administered by the administrator, who has the discretionary authority to, among other things, administer and interpret the 2021 Plan and any awards granted under it, determine eligibility for and grant awards, determine the exercise price, base value from which appreciation is measured, or purchase price, if applicable to any award, determine, modify, accelerate or waive the terms and conditions of any award, determine the form of settlement of awards, prescribe forms, rules and procedures for awards and otherwise do all things necessary or desirable to carry out the purposes of the 2021 Plan. Determinations of the administrator under the 2021 Plan will be conclusive and binding upon all parties. The administrator may delegate certain of its powers under the 2021 Plan to one or more of its members or members of the board of directors, officers of the Company or other employees or persons. As used in this summary, the term "administrator" refers to the Remuneration and Nomination Committee or its authorized delegates, as applicable.

Eligibility. Employees, directors, and consultants of us or our subsidiaries are eligible to participate in the 2021 Plan. Eligibility for stock options intended to be incentive stock options under the U.S. tax code (ISOs) is limited to our employees or employees of a "parent corporation" or "subsidiary corporation" of the Company.

Authorized Shares. Subject to adjustment as described below, the maximum number of shares of our common stock that may be delivered in satisfaction of awards under the 2021 Plan is 25,000,000 shares of common stock ("the initial share pool") (inclusive of the number of shares available for issuance under the 2019 Equity Incentive Plan prior to the effective date of the 2021 Plan), plus the number of shares that are subject to awards under the 2019 Equity Incentive Plan (which shall not exceed 25,000,000 shares) that expire or are terminated, surrendered or cancelled without the delivery of shares, or are forfeited or reacquired by the Company under the terms of the 2019 Equity Incentive Plan. The initial share pool will automatically increase on January 1 of each year from 2022 to 2031 by the lesser of (i) four percent (4%) of the number of shares of our common stock outstanding as of the close of business on the immediately preceding December 31st and (ii) the number of shares of common stock determined by the board of directors on or prior to such date for such year (the initial share pool, as so increased, the "Share Pool"). The following rules apply in respect of the Share Pool:

- Shares of our common stock withheld by us in payment of the exercise price or purchase price of an award or in satisfaction of tax withholding requirements will not reduce the Share Pool.

- Shares of our common stock underlying awards that expire, become unexercisable, or that terminate or are forfeited to or repurchased by us due to failure to vest will not reduce the Share Pool.

- Shares of our common stock delivered under awards in substitution for awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition ("Substitute Awards") will not reduce the Share Pool.

Shares of common stock that may be delivered under the 2021 Plan may be authorized but unissued shares, treasury shares or previously issued shares acquired by the Company.

Director Limits. With respect to any non-employee director in any calendar year, the aggregate value of all compensation granted or paid, including awards granted under the 2021 Plan, may not exceed $750,000.00 in the aggregate ($US $1 million in the aggregate with respect to a director's first fiscal year of service on the board of directors). The foregoing limits will not apply to any compensation granted or paid to a non-employee director for his or her service to us or one of our subsidiaries other than as a director, including, without limitation, as a consultant or advisor to us or one of our subsidiaries.

Types of Awards. The 2021 Plan provides for the grant of stock options, SARs, restricted and unrestricted stock and stock units, performance awards and other awards that are convertible into or otherwise based on our common stock. Dividend equivalents may also be provided in connection with awards under the 2021 Plan.

- *Stock Options and SARs.* The administrator may grant stock options, including ISOs, and SARs. A stock option is a right entitling the holder to acquire shares of our common stock upon payment of the applicable exercise price. A SAR is a right entitling the holder upon exercise to receive an amount (payable in cash or shares of equivalent value) equal to the excess of the fair market value of the shares subject to the right over the base value from which appreciation is measured. The exercise price of each stock option, and the base value of each SAR, granted under the 2021 Plan shall be no less than 100% of the fair market value of a share of our common stock on the date of grant (110% in the case of certain ISOs). Other than in connection with certain corporate transactions or changes to our capital structure, stock options and SARs granted under the 2021 Plan may not be repriced or substituted for by new stock options or SARs having a lower exercise price or base value, nor may any consideration be paid upon the cancellation of any stock options or SARs that have a per share exercise or base price greater than the fair market value of a share of our common stock on the date of such cancellation, in each case, without stockholder approval. Each stock option and SAR will have a maximum term not more than ten years from the date of grant (or five years, in the case of certain ISOs).

- *Restricted and Unrestricted Stock and Stock Units.* The administrator may grant awards of stock, stock units, restricted stock and restricted stock units. A stock unit is an unfunded and unsecured promise, denominated in shares, to deliver shares or cash measured by the value of shares in the future, and a restricted stock unit is a stock unit that is subject to the satisfaction of specified performance or other vesting conditions. Restricted stock is stock subject to restrictions requiring that it be redelivered or offered for sale to us if specified conditions are not satisfied.

- *Performance Awards.* The administrator may grant performance awards, which are awards subject to performance criteria.

- *Other Stock-Based Awards.* The administrator may grant other awards that are convertible into or otherwise based on shares of our common stock, subject to such terms and conditions as are determined by the administrator.

- *Substitute Awards.* The administrator may grant Substitute Awards, which may have terms and conditions that *are* inconsistent with the terms and conditions of the 2021 Plan.

Vesting; Terms of Awards. The administrator will determine the terms of all awards granted under the 2021 Plan, including the time or times an award will vest or become exercisable, the terms on which awards will remain exercisable and the effect of termination of a participant's employment or service on awards. The administrator may at any time accelerate the vesting or exercisability of an award.

Transferability of Awards. Except as the administrator may otherwise determine, awards may not be transferred other than by will or by the laws of descent and distribution.

Performance Criteria. The 2021 Plan provides for grants of performance awards subject to "performance criteria." Performance criteria are specified criteria, other than the mere continuation of employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting, or full enjoyment of the award. Performance criteria and any related targets may be applied to a participant individually or to a business unit or division of the Company or the Company as a whole. Performance criteria may also be based on individual performance and/or subjective performance criteria. The administrator may provide that performance criteria applicable to an award will be adjusted in a manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable performance criteria.

Effect of Certain Transactions. In the event of a consolidation, merger or similar transaction in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity, a sale of all or substantially all of the Company's assets or common stock, a dissolution or liquidation of the Company, or any other transaction the administrator determines to be a covered transaction, the administrator may, with respect to outstanding awards, provide for:

- The assumption, substitution or continuation of some or all awards (or any portion thereof) by the acquirer or surviving entity;

- The cash payment in respect of some or all awards (or any portion thereof) equal to the difference between the fair market value of the shares subject to the award and its exercise or base price, if any, on such terms and conditions as the administrator determines; and/or

- The acceleration of exercisability or delivery of shares in respect of some or all awards.

Adjustment Provisions. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in our capital structure, the administrator shall make appropriate adjustments to the maximum number of shares that may be delivered under the 2021 Plan; the number and kind of securities subject to, and, if applicable, the exercise price of, outstanding or subsequently granted awards; and any other provisions affected by such event.

Clawback. The administrator may provide in any case that any outstanding award, the proceeds from the exercise or disposition of any award, and any other amounts received in respect of any award will be subject to forfeiture and disgorgement to the Company if the participant to whom the award was granted is not in compliance with any provision of the 2021 Plan, any award, or any restrictive covenant with the Company. Each award is subject to any policy of the Company that relates to trading on non-public information and permitted transactions with respect to shares of stock. In addition, each award will be subject to any policy of the Company that provides for forfeiture, disgorgement, or clawback with respect to incentive compensation that includes awards under the 2021 Plan and will be further subject to forfeiture and disgorgement to the extent required by law or applicable stock exchange listing standards.

Effective Date, Amendments and Termination. If the 2021 Plan is approved by our stockholders, the 2021 Plan will become effective as of the date of such approval. No awards will be granted after the tenth anniversary of such approval. The administrator may at any time amend the 2021 Plan or any outstanding award and may at any time terminate the 2021 Plan as to future grants of awards. However, except as expressly provided in the 2021 Plan or applicable award, the administrator may not alter the terms of an award so as to materially and adversely affect a participant's rights without the participant's consent (unless the administrator expressly reserved the right to do so at the time the award was granted). Any amendments to the 2021 Plan will be conditioned on stockholder approval to the extent required by law or applicable stock exchange requirements.

Director Compensation

Under our bylaws, the board of directors establishes the fees for non-executive directors based on recommendations of the Remuneration and Nomination Committee. The board of director's policy is to compensate non-executive directors at competitive market rates to attract and retain individuals of high caliber and quality, having regard to fees paid and/or options granted for comparable companies and the size, complexity, and spread of our operations.

We have entered into an individual appointment letter or agreement with each of our non-executive directors. Unless otherwise provided in such letter or agreement, our compensation structure for non-executive directors is to provide annual compensation in an amount equal to $41,379 for serving as a member of the board of directors, $13,793 for serving as either the Chair of the Remuneration and Nomination Committee or the Chair of the Audit and Risk Committee, and $6,897 for serving as a member of the Remuneration and Nomination Committee or the Audit and Risk Committee (using a conversion rate of A$1.45 to $1.00). Annual fees may be paid in cash or through grants of stock options, at the discretion of the non-executive director. Pursuant to his individual director agreement, Mr. Purcell received a restricted stock grant in respect of 350,000 shares in 2019 and therefore was not entitled to receive the $41,379 annual fee for serving as a member of the board of directors in 2020.

The fees earned by the non-executive directors for the year ended December 31, 2020 are as set forth below:

Director Compensation

Name (a)	Fees earned or paid in cash ($)(1)	Stock awards ($)	Option awards ($)(2)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Mike Cutter	55,172	-	-	-	-	-	55,172
Paul Lahiff	68,966	-	-	-	-	-	68,966
Kathleen Pierce-Gilmore	55,172	-	-	-	-	-	55,172
Paul Purcell	13,793	-	-	-	-	-	13,793

(1) Amounts converted from AUD to U.S. Dollars using a conversion rate of A$1.45 to $1.00, representing the average exchange rate during the year ended December 31, 2020.

(2) As of December 31, 2020, our non-executive directors had stock options (or, in the case of Mr. Purcell, restricted stock) outstanding with respect to the following number of shares: Mr. Cutter – 250,000; Mr. Lahiff – 250,000; Ms. Pierce-Gilmore – 350,000; and Mr. Purcell – 350,000.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Party Transactions

Other than the current employment agreements between us and each of our executive officers described in the "Executive Compensation" section of this registration statement there are no existing agreements or arrangements and there are no currently proposed transactions in which we were, or will be, a participant, in which the amount involved exceeded or will exceed $120,000 and in which any current director, executive officer, beneficial owner of more than 5% of our common stock, or entities affiliated with them, had or will have a material interest.

Policies and Procedures for Review and Approval of Related Party Transactions

The charter of our board of directors includes a written policy and procedure for related party transactions, which requires prompt disclosure of any circumstances giving rise to a reasonable possibility of conflict between a director's personal or business interests, the interests of any person associated with them, or their duties to any other company on the one hand, and our interests or their duties to us on the other hand. Our Audit and Risk Committee is responsible for reviewing and approving all transactions in which we are a participant and in which any parties related to us, including our executive officers, directors, beneficial owners of more than 5% of our common stock, immediate family members of the foregoing persons and any other persons whom the board of directors determines may be considered related parties of us, has or will have a direct or indirect material interest. Transactions with related parties will also be subject to shareholder approval to the extent required by the ASX listing rules and any U.S. Securities exchange on which our common stock may be listed.

Corporate Governance

Our board currently consists of six members: Mr. Youakim, Mr. Paradis, Mr. Lahiff, Ms. Pierce-Gilmore, Mr. Purcell and Mr. Cutter. Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning her or his background, employment, and affiliations, our board of directors has determined that each of each of Mr. Cutter, Mr. Lahiff, Ms. Pierce-Gilmore and Mr. Purcell does not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent." We have assessed the independence of our directors with respect to the definition of independence prescribed by Nasdaq and the SEC. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our common stock by each non-employee director.

Board Committees

Our board of directors has established a remuneration and nominating committee and an audit and risk committee, each of which operate pursuant to a committee charter. Both committees are comprised of Mr. Lahiff, Ms. Pierce-Gilmore, Mr. Purcell and Mr. Cutter, each of whom the board has determined is independent under the definitions of independence prescribed by Nasdaq and the SEC. Further, our board of directors has determined that each member of our audit and risk committee can read and understand fundamental financial statements in accordance with Nasdaq audit committee requirements.

ITEM 8. LEGAL PROCEEDINGS.

We are not currently involved in any material legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of their property is subject.

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

Our CDIs, each representing one share of our common stock, have been listed on the Australian Securities Exchange ("ASX") under the trading symbol "SZL" since July 30, 2019. Prior to such time there was no public market for our securities. There is no principal market in the United States for our CDIs or shares of our common stock. The following table sets forth the high and low sales prices for our CDIs as reported on the ASX for the periods indicated since the common began public trading and are reported in Australian dollars and as converted into U.S. Dollars. All currency conversions are based on the prevailing Australian dollar to U.S. Dollar rate on the last day of each respective quarter.

	Common Stock			
	Low (A$)	High (A$)	Low (US$)	High (US$)
Fiscal 2021				
Second Quarter (through June 8, 2021)	A$8.88	A$9.08	US$6.89	US$7.04
First Quarter	A$6.15	A$11.63	US$4.68	US$8.86
Fiscal 2020				
Fourth Quarter	A$5.38	A$8.39	US$4.15	US$6.47
Third Quarter	A$4.07	A$11.34	US$2.92	US$8.13
Second Quarter	A$0.80	A$4.28	US$0.55	US$2.95
First Quarter	A$0.37	A$2.01	US$0.23	US$1.23
Fiscal 2019				
Fourth Quarter	A$2.07	A$2.72	US$1.46	US$1.91
Third Quarter (starting July 30, 2019)	A$2.03	A$2.73	US$1.37	US$1.84

In addition, we have been advised that our common stock has been quoted on the OTC Pink Market under the ticker symbol "SEZNL" since June 12, 2020. We did not initiate, request or grant permission for the quotation of our securities on that market, nor did we facilitate or participate in any of the trading that has occurred on the OTC Pink Market. The OTC Pink Market is not an established public trading market. We believe there has not been significant trading volume for our common stock in the United States. The following are the high and low bid prices, respectively, for our common stock as reported on OTC Pink for the following periods: quarter ended March 31, 2021, $10.00 and $5.10; quarter ended December 31, 2020, $5.50 and $4.30; quarter ended September 30, 2020, $5.80 and $3.55; and period from June 12 through June 30, 2020, $2.00 and $2.00. Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. Our common stock will no longer trade on the OTC Pink Market in the event we list our common stock to a U.S. securities exchange.

Rule 144

Under applicable U.S. securities laws, all of the shares of our outstanding common stock are "restricted securities" as that term is defined in Rule 144 under the Securities Act. Restricted securities may be resold in the public market to U.S. persons as defined in Regulation S only if registered or if they qualify for an exemption from registration under the Securities Act, each as described in more detail below. We have not agreed to register any of our common stock for resale by security holders.

Because there is no public trading market for the shares in the United States, no sales in the United States under Rule 144 other than Rule 144(b)(1)(i) are likely to occur. Under Rule 144(b)(1)(i)), a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least one year, is entitled to sell the shares without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144.

We believe that 158,231,529 shares of our common stock outstanding were eligible for resale under Rule 144 as of March 31, 2021, subject to applicable volume and manner of sale restrictions. Of these shares, 94,016,911 shares are held in escrow in connection with the initial public offering of our shares in Australia and quotation of our shares in the form of CDIs on the ASX and will be released on July 30, 2021, at which time they will be eligible for resale under Rule 144.

Holders

As of March 17, 2021, the Company had 16,636 record holders of its common stock (including shares of common stock represented by CDIs).

Dividend Policy

We have no current intent to pay cash dividends in the foreseeable future, and expect to retain all future earnings for use in the operation and expansion of our business. Payment of dividends is at the discretion of the board of directors, and the board of directors does not provide any assurance of the future amounts of dividends. In determining whether to declare future dividends, the directors will consider the general business environment, our operating results and financial condition, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends and any other factors the directors may consider relevant. Our credit facilities have covenants that limit our ability to pay dividends during the term of the agreement to November 14, 2021 to no more than 50% of retained earnings at the end of the previous December 31, provided retained earnings is a positive number.

No dividends on common stock were declared or issued during the year ended December 31, 2020. On June 23, 2019, the board of directors declared and issued a 15% stock dividend resulting in the issue of 909,451 Series A preferred stock to the existing holders of Series A-1 through A-5 preferred stock, valued at $0.8 million. All preferred stock was converted into common stock on July 24, 2019 in conjunction with our listing on the ASX.

Equity Compensation Plan Information

The Company maintains stock compensation plans which provide the offering of incentive and non-statutory stock options and restricted stock to employees, directors, and advisors of the Company. Equity-based compensation expense reflects the fair value of awards measured at the grant date and recognized over the relevant vesting period. The Company estimates the fair value of each stock option on the measurement date during Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate and dividend yield. Equity-based compensation recorded totaled $7,010,844 and $1,167,265 for the years ended December 31, 2020 and 2019, respectively.

2016 Employee Stock Option Plan

The Company adopted the 2016 Employee Stock Option plan on January 16, 2016 (the "2016 Stock Option Plan"). The purpose of the plan is to encourage stock ownership among employees, Directors and consultants of the Company, to provide additional incentives for such individuals, and to assist Sezzle in attracting and retaining the best personnel. The number of shares authorized for issuance under the 2016 Stock Option Plan is 10,000,000 shares. The Company had 6,844,170 shares subject to options issued and outstanding as of December 31, 2020. Additionally, the Company had 156,556 shares of restricted stock awards issued and outstanding as of December 31, 2020. The weighted-average exercise price of the outstanding options was $0.05.

The 2016 Stock Option Plan was superseded upon the adoption of the 2019 Incentive Plan (discussed below) by the Company, although the terms of the 2016 Stock Option Plan continue to apply to awards granted under that plan.

2019 Equity Incentive Plan

The Company adopted the 2019 Equity Incentive Plan on June 25, 2019 (the "2019 Incentive Plan") and the 2019 Incentive Plan was amended by the shareholders on June 1, 2020 to increase the number of shares authorized for issuance to 26,000,000 shares. The Company had 17,671,374 shares subject to options and 2,680,259 shares of restricted stock issued and outstanding as of December 31, 2020. The weighted-average exercise price of the outstanding options was $1.85.

The purpose of the 2019 Incentive Plan is to help the Company (a) attract and retain the best available personnel for positions of substantial responsibility; (b) to provide additional incentive to key employees, prospective employees and consultants; (c) to align the interests of such persons with the shareholders; and (d) promote the success of the Company's business. The 2019 Incentive Plan is further intended to provide Sezzle with flexibility in its ability to motivate, attract, and retain the services of members of the board of directors, key employees, prospective employees and consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent. The 2019 Incentive Plan is administered by the Remuneration and Nomination Committee. Subject to the provisions of the 2019 Incentive Plan, the administrator generally has the power to:

- determine who will receive awards under the 2019 Incentive Plan;
- the number of securities to be covered by each award;
- the terms and conditions (not inconsistent with the terms of the 2019 Incentive Plan) or any award granted under the 2019 Incentive Plan, including, without limitation, the exercise or purchase price (if any) applicable to the award, the time or times when awards may be granted, may vest, may be exercised, and/or may be terminated or forfeited and any restriction or limitation regarding any award or the shares underlying any award;
- specifically in the case of options: (i) the exercise price of any options granted, which will generally not be less than fair market value of the Company's shares on the date the option is granted; (ii) the number of shares into which an option is exercisable, provided that such options may not be exercisable over a percentage of the Company's share capital; (iii) the terms on which the options will become exercisable, and (iv) the termination or cancellation provisions application to the options which are granted, provided that the expiry date is, in most cases, not more than 10 years from the date the option was granted; and
- to construe and interpret the terms of the 2019 Incentive Plan and any award agreement.

Employees and consultants of the Company and its subsidiaries and Directors of the Company are eligible to receive awards under the 2019 Incentive Plan. As of March 17, 2021, the Company had approximately 138 employees, 3 non-employee directors, and a limited number of outside consultants were eligible to participate in the 2019 Incentive Plan.

26,000,000 shares are reserved for issuance under awards granted under the plan. Awards under the 2019 Incentive Plan are subject to the following additional limits:

- the aggregate dollar value of awards granted to any non-employee director (based on the fair market value of each award on the grant date) in any calendar year will not exceed US $250,000; and
- the aggregate fair market value (determined as of the time of grant) of the shares with respect to which an incentive stock option ("ISO") is exercisable for the first time by an eligible employee in any calendar year will not exceed $100,000.

The 2019 Incentive Plan provides for a grant of stock options, ISOs and nonqualified stock options ("NSOs") restricted stock, dividend equivalents, restricted stock units ("RSUs"), performance-based award, other incentive awards and stock appreciation rights ("SARs"). Certain awards under the plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto (the "Code"), which may impose additional requirements on the terms and conditions of such awards. All awards under the 2019 Incentive Plan will be set forth an award agreement, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards may be settled in shares, cash, CDIs, other securities, other awards, or other property.

A brief description of each award type follows:

- Stock options, including ISOs, as defined under Section 422 of the Code, and NSOs, may be granted pursuant to the 2019 Incentive Plan. Stock options provide for the purchase of shares or CDIs in the future at an exercise price set on the grant date; provided, however, that ISOs shall only be issued with respect to shares (not CDIs). ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding periods and other requirements of the Code are satisfied. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant (or 110% in the case of ISOs granted to certain significant shareholders), except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years (or five years in the case of ISOs granted to certain significant shareholders). Vesting conditions determined by the plan administrator and set forth in the award agreement may apply to stock options and may include continued service, performance and/or other conditions.

- SARS may be granted pursuant to the plan. SARs entitle their holder, upon exercise, to receive from the Company an amount equal to the appreciation of the shares or CDIs subject to the award between the grant date and the exercise date. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share or CDI, as applicable, on the date of grant and the term of a SAR may not be longer than ten years. Vesting conditions determined by the plan administrator and set forth in the award agreement may apply to SARs and may include continued service, performance and/or other conditions.

- Restricted shares, restricted CDIs, RSUs, and performance-based awards may be granted pursuant to the 2019 Incentive Plan. Restricted shares and CDIs is an award of non-transferable shares of CDIs, as applicable, that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs represent the right to receive CDIs, shares, cash or other securities or property in the future, at such times, and subject to such conditions as the plan administrator shall determine. Performance-based awards are contractual rights to receive and equity-based, equity-related or cash-based awards in the future based on the attainment of specified performance goals, in addition to other conditions which may apply to these awards. Stock options, SARs, restricted shares, restricted CDIs and RSUs may constitute performance-based awards. Conditions applicable to restricted shares, restricted CDIs, RSUs and performance-based awards may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine. In addition, with respect to a share of restricted stock or a restricted CDI, dividends which are paid prior to vesting shall only be paid out to the holder upon the release of restrictions on such share or CDI and, if such share or CDI is forfeited, the grantee shall have no right to dividends.

- Dividend equivalents may be granted pursuant to the 2019 Incentive Plan. Dividend equivalents represent the right to receive the equivalent value of dividends that would be paid on shares or CDIs covered by such award if such shares or CDIs had been delivered pursuant to such award. The grantee of a dividend equivalent right will have only the rights of a general unsecured creditor of the Company until payments of such amounts are made as specified in the applicable award agreement.

All awards are subject to the provisions of any claw-back policy implemented by the Company to the extent set forth in the 2019 Incentive Plan and/or in the applicable award agreement. Other than by will or the laws of descent and distribution, awards under the 2019 Incentive Plan are generally non-transferable, and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the plan, the plan administrator may, in its discretion, accept cash, check, or any other form of consideration approved by the Company and permitted by applicable law including a deduction or withholding from any payment or distribution to a grantee.

In the event of a sale of substantially all of the Company's assets, merger or other change in control, as defined under the 2019 Incentive Plan, unless otherwise set forth in the applicable award agreement, each outstanding award will be treated as the administrator determines, including, but not limited to, settling the awards for an amount of cash or securities, providing for the adoption or substitution of the outstanding award, modifying the terms of such awards to add events, conditions, or circumstances upon which the vesting of such awards, or lapse of restrictions, will accelerate, deem and performance conditions satisfied at target, maximum or actual performance through closing or provide for the performance conditions to continue, accelerate the vesting of awards in full or on a pro-rata basis, the cancellation of the outstanding award if not exercised prior to the change in control on such terms and conditions as it deems appropriate, including providing for the cancellation of such outstanding award for no consideration.

Subject to compliance with applicable law or ASX listing rules, the Board may from time to time suspend, discontinue, revise, or amend the plan in any respect whatsoever provided no such amendment shall materially adversely impair the rights of any participant under any outstanding award, without his or her consent. Pursuant to the ASX listing rules and the Code, certain amendments may require the approval of our stockholders. The 2019 Incentive Plan will automatically terminate in 2029, unless terminated prior to such date.

The 2016 Stock Option Plan has not been approved by the Company's stockholders. In June 2020, the Company's stockholders approved an increase in the number of shares to be issued under the 2019 Incentive Plan from 10,000,000 to 26,000,000.

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES.

For the years ended December 31, 2018 and 2017, the Company entered into various Simple Agreement for Future Equity (SAFE) agreements with investors in exchange for proceeds of $30,000 and $2,316,000, respectively. The SAFE agreements have no maturity date and bear no interest. The agreements provide the rights of the investors to preferred stock in the Company upon an equity financing event as defined in the agreements. The agreements are subject to valuation caps ranging from $8,000,000 to $12,000,000 and have conversion discount rates ranging from 15% to 25%. Based on the terms of the SAFE agreements, if there is a liquidity event before the termination of the SAFE agreements, the investors will, at their option, either: 1) receive a cash payment equal to the purchase amount or 2) automatically receive from the Company a number of shares of common stock equal to the purchase amount divided by the liquidity price. In a dissolution event, the SAFE agreement holders will be paid out of remaining assets prior to holders of the Company's common stock.

On April 10, 2018, the Company issued 19,655,605 shares of A-1 through A-3 preferred stock in exchange for converted SAFE agreements issued in prior years. The exchange of the SAFE agreements resulted in issuance of preferred stock valued at $2,794,247.

During 2018 the Company issued 49,881,235 of A-4 and A-5 preferred shares in exchange for cash proceeds of $8,368,386, net of costs to issue.

From 2018 through 2021, the Company granted 33,409,761 equity securities in the form of stock options, restricted stock units and restricted stock awards under its equity incentive plans. The stock option exercise prices range from $0.0065 and $6.20 per share, and the restricted stock units and restricted stock awards are to be settled in shares of our common stock. In July 2020, the Company sold CDIs yielding gross proceeds of $55,316,546 to institutional investors at a per-CDI price of A$5.30 per share. In August 2020, the Company sold CDIs to its existing CDI holders yielding gross proceeds of $5,192,310. The costs of the offer were $2,484,504, resulting in overall net proceeds of $57,972,752. Ord Minnett Limited acted as sole lead manager, bookrunner and underwriter for the placement of the CDIs.

We believe the foregoing transactions were exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act, or Regulation D promulgated thereunder, or Regulation S under the Securities Act, in each case as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation in accordance with Rule 701 promulgated under Section 3(b) of the Securities Act.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED.

General

On May 19, 2021, the Company's board of directors approved the Amended Charter, which will be submitted to the Company's stockholders for approval at its annual stockholder meeting to be held on June 11, 2021 in Australia. The following description includes the rights set forth in the Amended Charter. The following description summarizes certain important terms of our equity securities consisting of common stock, common prime stock, preferred stock and chess depository interests. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this section, you should refer to our Amended Charter and Amended Bylaws, which are included as exhibits to this registration statement, and to the applicable provisions of Delaware law, including the Delaware General Corporation Law (the "DGCL").

Common Stock

Voting Rights

At a meeting of the Company, every holder of common stock present in person or by proxy, is entitled to one vote for each share of common stock held on the record date for the meeting on all matters submitted to a vote of our stockholders. Holders of our common stock do not have cumulative voting rights, and our preferred stock may have voting rights that permit its holders to vote with our common stockholders on an as-converted to common stock basis.

Except as otherwise required under the DGCL or provided for in our Amended Charter, all matters other than the election of directors will be determined by a majority of the votes cast on the matter and all elections of directors will be determined by a plurality of the votes cast. Any director may resign at any time upon notice given in writing, including by electronic transmission, to the Company. Vacancies and newly-created directorships shall be filled exclusively by vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director, except that any vacancy created by the removal of a director by the stockholders for cause shall be filled by vote of a majority of the outstanding shares of our common stock. No decrease in the number of directors constituting the board of directors shall shorten the term of any incumbent director.

Dividend Rights

Holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for dividend payments.

Rights Attaching to Common Stock

Other than existing stockholders who are subject to mandatory escrow agreements whose common stock will be subject to conversion into common prime stock upon breach of applicable restrictions, our common stockholders have no preferences or rights of conversion, exchange, pre-emption or other subscriptions rights. There are no redemption or sinking fund provisions applicable to the common stock.

Removal of directors — Our Amended Bylaws provide that any director may be removed either with or without cause at a special meeting of stockholders duly called and held for such purpose.

Amendment — Our Amended Bylaws provide that the bylaws may be adopted, amended or repealed by the stockholders entitled to vote, but we may confer the power to adopt, amend or repeal our bylaws upon our directors in our certificate of incorporation. Our Amended Charter provides that our board of directors is expressly authorized to adopt, amend, alter, or repeal our bylaws.

Size of the Board and Board vacancies — Our Amended Bylaws provide that the number of directors shall consist of not less than one and not more than seven directors affixed from time to time by resolution or vote of the board of directors. Any vacancy in the office of a director occurring for any reason including any newly created directorships resulting from any increase in the authorized number of directors, may be filled by a majority of the directors then in office or by a sole remaining director. Directors so chosen or elected shall hold office until the next annual meeting of stockholders or until their respective successors are duly elected and qualified.

Special stockholder meetings — Our Amended Bylaws provide that special meetings of our stockholders may be called, according to the applicable law, by the board, the Chairperson of the board, the Chief Executive Officer, or the President.

Requirements for advance notification of stockholder nominations and proposals — Our Amended Bylaws establish advance notice procedures with respect to nomination of candidates for election as directors and other business to be properly brought before an annual stockholder meeting.

No cumulative voting — The DGCL provides that stockholders are denied the right to cumulative votes in the election of directors unless the company's certificate of incorporation providers otherwise. Our certificate of incorporation does not provide for cumulative voting.

Authorized but unissued shares — Subject to the limitation on the issue of securities under the ASX listing rules, the Nasdaq and the DGCL, our authorized but unissued shares will be available for future issue without stockholder approval. We may use additional shares of common stock for a variety of purposes, including future offerings to raise additional capital, to fund acquisitions and as employee compensation.

Conversion — Pursuant to Article V of our Amended Charter, there may be circumstances when certain common stock may be converted into common prime stock.

Common Prime Stock

Our Amended Charter provides that any holders of common prime stock shall not be entitled to share in any dividends or other distributions of cash, property or shares of the Company as may be declared by the board of directors on the common stock. The common prime stock is not redeemable, and except as otherwise provided by law, the holders of common prime stock shall not be entitled to any voting rights. Upon liquidation, dissolution or winding up of the Company, holders of common stock and common prime stock are entitled to share equally, on a per-share basis, in all assets of the Company in whatever kind is available for distribution to the holders of the Company's capital stock. Common prime stock may be converted to common stock consistent with our Amended Charter.

Preferred Stock

Our Amended Charter authorizes our board of directors to establish one or more series of preferred stock (including convertible preferred stock). Once effective, our board of directors may, without further action by our stockholders, from time to time, direct the issuance of shares of preferred stock in series and may, at the time of issuance, determine the designations, powers, preferences, privileges, and relative participating, optional or special rights as well as the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the common stock. Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of our common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of our liquidation before any payment is made to the holders of shares of our common stock. Under certain circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Upon the affirmative vote of a majority of the total number of directors then in office, our board of directors, without stockholder approval, may issue shares of preferred stock with voting and conversion rights which could adversely affect the holders of shares of our common stock and the market value of our common stock.

Chess Depository Interests

In order for our shares of common stock in the form of Chess Depository Interests, or CDIs, to trade electronically on the ASX, we participate in the electronic transfer system known as the Clearing House Electronic Subregister System, or CHESS, operated by ASX Settlement Pty Limited, or ASX Settlement. ASX Settlement provides settlement services for ASX markets to assist participants and issuers to understand the operation of the rules and procedures governing settlement facilities. The ASX Settlement Operating Rules form part of the overall listing and market rules which we are required to comply with as an entity listed on ASX.

CHESS is an electronic system which manages the settlement of transactions executed on ASX and facilitates the paperless transfer of legal title to ASX quoted securities. CHESS cannot be used directly for the transfer of securities of companies domiciled in certain jurisdictions outside of Australia, such as the United States. Accordingly, to enable our shares of common stock to be cleared and settled electronically through CHESS, we have made arrangements for the issue of depositary interests called CDIs. No share certificates are issued in respect of shareholdings that are quoted on ASX and settled on CHESS, nor is it a requirement for transfer forms to be executed in relation to transfers that occur on CHESS.

CDIs confer the beneficial ownership in the shares of common stock on the CDI holder, with the legal title to such shares held by CHESS Depositary Nominees Pty Ltd, a wholly-owned subsidiary of ASX, to act as our Australian depositary and issue CDIs. Every 1 CDI represents beneficial ownership of one share of our common stock.

A holder of CDIs who does not wish to have their trades settled in CDIs may request that their CDIs be converted into shares of common stock, in which case legal title to the shares of common stock will be transferred to the holder of CDIs and a book entry for the shares of common stock will be made on the records of our transfer agent. If thereafter the holder wishes to sell their investment on ASX, it will be necessary for them to convert their shares of common stock back into CDIs.

Anti-Takeover Provisions

Provisions of the DGCL, our Amended Charter and our Amended Bylaws could make it more difficult to acquire us by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, could discourage certain types of coercive takeover practices and takeover bids that the board may consider inadequate, and encourage persons seeking to acquire control of the Company to first negotiate with our board. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

These provisions include:

Special Meetings of Stockholders — Our Amended Charter and Amended Bylaws provide that, except as otherwise required by law, special meetings of the stockholders may be called only by our board of directors, the Chairman of the board of directors, the Chief Executive Officer or the President.

Elimination of Stockholder Action by Written Consent. — Our Amended Charter eliminates the right of stockholders to act by written consent without a meeting.

Advance Notice Procedures. — Our Amended Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our Secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although the Amended Bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the Amended Bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the company.

Authorized but Unissued Shares — Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise.

Business Combinations with Interested Stockholders — The DGCL prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested shareholder" for a period of three years following the time the person became an interested shareholder, unless the business combination or the acquisition of shares meets an exception under Delaware law. Such exceptions include the receipt of board of directors or stockholder approval of the business combination in a manner prescribed by the DGCL. A "business combination" can include a merger, asset or share sale or other transaction resulting in financial benefit to an interested shareholder. Generally, an interested shareholder is: (i) a person who beneficially owns, has the right to acquire, or right to control, 15% or more of a corporation's voting shares; or (ii) is an affiliate or association of the corporation and owned 15% or more of a corporation's voting shares any time within the three-year period prior to the determination of interested shareholder status. The existence of this provision would be expected to have an anti-takeover effect with respect to transaction not approved in advance by the board.

Choice of Forum — Our Amended Charter provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware (or, if, and only if, the Court of Chancery of the State of Delaware dismisses a Covered Claim (as defined below) for lack of subject matter jurisdiction, any other state or federal court in the State of Delaware that does have subject matter jurisdiction) will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for the following types of claims: (i) any derivative claim brought in the right of the Company, (ii) any claim asserting a breach of a fiduciary duty to the Company or the Company's stockholders owed by any current or former director, officer or other employee or stockholder of the Company, (iii) any claim against the Company arising pursuant to any provision of the DGCL, our Amended Charter or Amended Bylaws, (iv) any claim to interpret, apply, enforce or determine the validity of our Amended Charter or our Amended Bylaws, (v) any claim against the Company governed by the internal affairs doctrine, and (vi) any other claim, not subject to exclusive federal jurisdiction and not asserting a cause of action arising under the Securities Act, as amended, brought in any action asserting one or more of the claims specified in clauses (a)(i) through (v) herein above (each a "Covered Claim"). This provision would not apply to claims brought to enforce a duty or liability created by the Exchange Act.

Our Amended Charter further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. In addition, our Amended Charter provides that any person or entity purchasing or otherwise acquiring any interest in the shares of capital stock of the Company will be deemed to have notice of and consented to these choice-of-forum provisions and waived any argument relating to the inconvenience of the forums in connection with any Covered Claim.

The choice of forum provisions contained in our Amended Charter may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. While the Delaware courts have determined that such choice of forum provisions are facially valid, it is possible that a court of law in another jurisdiction could rule that the choice of forum provisions contained in our Amended Charter are inapplicable or unenforceable if they are challenged in a proceeding or otherwise, which could cause us to incur additional costs associated with resolving such action in other jurisdictions.

The provisions of Delaware law, our Amended Charter and our Amended Bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Corporate Opportunities

Our Amended Charter provides that we renounce any interest or expectancy of the Company in, or being offered an opportunity to participate in, any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of (i) any director of the Company who is not an employee of the Company or any of its subsidiaries, or (ii) any holder of preferred stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is any employee of the Company or any of it subsidiaries (collectively, "Covered Persons"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Company.

Limitations on Liability and Indemnification of Officers and Directors

Our Amended Charter limits the liability of our directors to the fullest extent permitted by the DGCL or any other law of the state of Delaware and our Amended Bylaws provide that we may indemnify our directors and our officers that are appointed by the board of directors to the fullest extent permitted by applicable law. See "Item 12. Indemnification of Directors and Officers" for additional details on our arrangements with directors and officers.

Rights on Liquidation or Winding Up

In the event of any liquidation, dissolution or winding-up of our affairs, holders of our common stock and common prime stock will be entitled to share ratably in our assets that are remaining after payment or provision for payment of all of our debts and obligations, including any rights of the preferred stockholder.

Public Benefit Corporation Status

We are incorporated in Delaware as a PBC as a demonstration of our long-standing commitment to financial education and helping young adults with their approach to personal finances, as well as creating alternative means for consumers to purchase items they need without incurring high-interest finance charges. Our status as a PBC compels our leadership to manage against the aligned goals of creating a positive impact on the community at large and serving the public good in addition to maximizing profit for stockholders. PBCs are a relatively new class of corporations that are intended to produce a public benefit and to operate in a responsible and sustainable manner. Under Delaware law, PBCs are required to identify in their certificate of incorporation the public benefit or benefits they will promote and their directors have a duty to manage the affairs of the PBC in a manner that balances the pecuniary interests of its stockholders, the best interests of those materially affected by the PBC's conduct, and the specific public benefit or public benefits identified in the PBC's certificate of incorporation. PBCs are also required to publicly disclose at least biennially a report that assesses their public benefit performance and may elect in their certificate of incorporation to measure that performance against an objective third-party standard. We did not elect to measure performance against an objective third-party standard, and we instead expect that our board of directors will measure our benefit performance against the objectives and standards determined appropriate by our board of directors.

When determining the objectives and standards by which our board of directors will measure our public benefit performance, our board of directors may consider, among other factors, whether the objectives and standards:

(i) adequately assess the effect of our operations upon the interests of our employees, customers, merchants, local communities in which our offices are located, and the local and global environment;

(ii) are comparable to the objectives and standards created by independent third parties who evaluate the public benefit performance of other PBCs; and

(iii) are appropriately transparent for public disclosure, including disclosing the process by which revisions to the objectives and standards are made and whether such objectives and standards present real or potential conflicts of interests.

We do not believe that an investment in a PBC differs materially from an investment in a corporation that is not designated as a PBC. Holders of our common stock will have voting, dividend, and other economic rights that are the same as the rights of stockholders of a corporation that is not designated as a PBC.

Our public benefit, as provided in our Amended Charter, is, "in pursuing any business, trade, or activity which may lawfully be conducted by Sezzle, Sezzle shall promote a specific public benefit of having a material positive effect (or reduction of negative effects) on consumer empowerment, education, and transparency in Sezzle's local, national, and global communities." Delaware law provides that the holders of at least two-thirds of our outstanding stock entitled to vote must approve any amendment of our certificate of incorporation to delete or amend the requirements of our public benefit purpose; or any merger or consolidation with an entity that would result in us losing our status as a PBC or with an entity that does not contain identical provisions identifying our public benefits.

Stockholders owning individually or collectively, as of the date of instituting a derivative suit, at least 2% of our outstanding shares may maintain a derivative lawsuit to enforce the requirements that the board of directors will manage or direct our business and affairs in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by our conduct, and the specific public benefits identified in our certificate of incorporation. Delaware law provides that stockholders owning at least 2% of our outstanding shares or $2 million in market value on the date of instituting a derivative suit may institute such a claim.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock in Australia is Computershare Investor Services PTY Limited.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's Amended Charter and Amended Bylaws provide for the indemnification of its directors, officers, employees, and other agents to the maximum extent permitted by the DGCL. The Company has entered into indemnification agreements with each director, a form of which has been filed as an exhibit to this registration statement. Under these indemnification agreements, the Company has agreed to indemnify, to the extent permitted by the law, each director in respect of certain liabilities that the director may incur as a result of, or by reason of, being or acting as a director of the Company.

These liabilities included losses or liabilities incurred by the director to any other person as a director of the Company, including legal expenses to the extent such losses or liabilities relate to actions taken in good faith by the director and in a manner the director reasonably believed to be in, or not opposed to, the best interests of the Company and in the case of criminal proceedings where the director has no reasonable cause to believe that his conduct was unlawful. To the extent that the Company maintains a directors and officers policy of insurance, it must ensure that the directors are covered for the period that they are directors.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our audited and unaudited consolidated financial statements, together with the report of our independent registered public accounting firm, appear on pages F-2 through F-36 of this registration statement.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Sezzle has no disclosable events relating to changes in its auditors during the two most recent fiscal years or any subsequent interim period, disagreements with the auditors about any of its accounting or financial disclosure.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements

Our consolidated financial statements appear at the end of this Form 10. Please see the index to the consolidated financial statements on page F-1.

(b) Exhibits

Exhibit	Description
3.1	Third Amended and Restated Certificate of Incorporation*
3.2	Form of Fourth Amended and Restated Certificate of Incorporation
3.3	Second Amended and Restated Bylaws*
3.4	Third Amended and Restated Bylaws
10.1	Form of Indemnification Agreement between Company and Directors*
10.2	Form of Director Agreement*
10.3	Lease Agreement by and between McKesson Building, LLC and Sezzle, Inc. for McKesson Building, LLC, Suite 200, dated November 30, 2019*
10.4	Sezzle 2016 Employee Stock Option Plan
10.5	Sezzle 2019 Equity Incentive Plan*
10.6	Sezzle 2021 Equity Incentive Plan
10.7	Form of Option Agreement under Sezzle 2019 Equity Incentive Plan*
10.8	Form of Proprietary Information, Inventions, Non-Competition and Non-Solicitation Agreement*
10.9	Form of Sezzle Equity Incentive Plan Notice of Award for RSUs*
10.10	Common Stock Purchase Agreement, dated December 22, 2017, by and between Sezzle, Inc. and Paul Paradis*
10.11	Common Stock Purchase Agreement, dated October 13, 2016, by and between Sezzle, Inc. and Paul Paradis*
10.12	Common Stock Purchase Agreement, dated May 25, 2016, by and between Sezzle, Inc. and Paul Paradis*
10.13	Revolving Credit and Security Agreement dated as of February 10, 2021 among Sezzle Funding SPE II, LLC, lenders party thereto and Goldman Sachs Bank USA.*
10.14	Limited Guaranty and Indemnity Agreement dated as of February 10, 2021 by Sezzle Inc. for the benefit of Goldman Sachs Bank USA., in its capacity as administrative agent.*
10.15	Pledge and Guaranty Agreement dated as of February 10, 2021 by and between Sezzle Funding SPE II Parent, LLC, and Goldman Sachs Bank USA, in its capacity as administrative agent.*
10.16	Agreement for B Corporation Certification dated as of March 22, 2021 by and between Sezzle Inc. and B Lab Company
10.17	Employment Agreement between Sezzle Inc. and Charles Youakim, dated June 20, 2019
10.18	Employment Agreement between Sezzle Inc. and Paul Paradis, dated June 20, 2019
10.19	Employment Agreement between Sezzle Inc. and Karen Hartje, dated June 20, 2019
14	Sezzle Code of Conduct*
21.1	Subsidiaries of Registrant*

* Previously filed.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

SEZZLE INC.
(Registrant)

By: /s/ Charles Youakim
Name: Charles Youakim
Title: Chief Executive Officer

Date: June 10, 2021

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of Sezzle Inc. and Subsidiaries:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sezzle Inc. and Subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2019.

Minneapolis, Minnesota

March 31, 2021

Sezzle Inc. and Subsidiaries
Consolidated Balance Sheets

US$	As of December 31, 2020	As of December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 84,285,383	$ 34,965,069
Restricted cash, current	4,798,520	1,639,549
Notes receivable, net	80,807,300	25,189,135
Other receivables, net	1,403,306	315,502
Prepaid expenses and other current assets	1,705,919	882,939
Total current assets	173,000,428	62,992,194
Non-Current Assets		
Internally developed intangible assets, net	537,046	480,098
Property and equipment, net	375,186	134,400
Right-of-use assets	145,576	867,272
Restricted cash	20,000	20,000
Other assets	32,537	49,171
Total Assets	**$ 174,110,773**	**$ 64,543,135**
Liabilities and Stockholders' Equity		
Current Liabilities		
Merchant accounts payable	$ 60,933,272	$ 13,284,544
Lease liabilities	142,743	389,257
Accrued liabilities	6,680,870	1,677,780
Other payables	615,839	267,934
Total current liabilities	68,372,724	15,619,515
Long Term Liabilities		
Long term debt	1,470,332	250,000
Lease liabilities	—	500,131
Line of credit, net of unamortized debt issuance costs of $173,773 and $590,827, respectively	39,826,227	20,859,173
Other non-current liabilities	4,483,073	—
Total Liabilities	**114,152,356**	**37,228,819**
Stockholders' Equity		
Common stock, $0.00001 par value; 300,000,000 shares authorized; 197,078,709 and 178,931,312 shares issued, respectively; 196,926,674 and 178,931,312 shares outstanding, respectively	1,970	1,789
Additional paid-in capital	112,640,974	47,154,147
Stock subscriptions; 64,000 and no shares subscribed, respectively	(69,440)	—
Treasury stock, at cost; 152,035 and no shares, respectively	(875,232)	—
Accumulated other comprehensive income	494,505	—
Accumulated deficit	(52,234,360)	(19,841,620)
Total Stockholders' Equity	**59,958,417**	**27,314,316**
Total Liabilities and Stockholders' Equity	**$ 174,110,773**	**$ 64,543,135**

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

Sezzle Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss

US$	For the years ended December 31, 2020	December 31, 2019
Income		
Sezzle income	$ 49,659,042	$ 13,319,218
Account reactivation fee income	9,129,231	2,481,893
Total income	58,788,273	15,801,111
Cost of Income	22,489,626	7,660,276
Gross Profit	**36,298,647**	**8,140,835**
Operating Expenses		
Selling, general, and administrative expenses	44,643,039	13,156,891
Provision for uncollectible accounts	19,587,918	6,235,820
Total operating expenses	64,230,957	19,392,711
Operating Loss	**(27,932,310)**	**(11,251,876)**
Other Income (Expense)		
Net interest expense	(4,303,175)	(1,307,143)
Interest expense on beneficial conversion feature	—	(470,268)
Other income and expense, net	(126,291)	(20,085)
Loss before taxes	(32,361,776)	(13,049,372)
Income tax expense	30,964	11,981
Net Loss	**(32,392,740)**	**(13,061,353)**
Other Comprehensive Income		
Foreign currency translation adjustment	494,505	—
Total Comprehensive Loss	**$ (31,898,235)**	**$ (13,061,353)**
Net losses per share:		
Basic and diluted net loss per common share	$ (0.17)	$ (0.12)
Basic and diluted weighted average shares outstanding	186,842,646	111,576,824

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

Sezzle Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

US$	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Stock Subscriptions	Treasury Stock, At Cost	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance at January 1, 2019	**59,416,666**	**$ 594**	**$ 143,713**	**$ —**	**$ —**	**$ —**	**$ (6,016,328)**	**$ (5,872,021)**
Equity based compensation	—	—	1,034,578	—	—	—	—	1,034,578
Stock option exercises	882,914	8	37,099	—	—	—	—	37,107
Restricted stock issuances and vesting of awards	407,000	4	132,683	—	—	—	—	132,687
Preferred stock dividend	—	—	—	—	—	—	(763,939)	(763,939)
Conversion of preferred stock to common stock	70,446,291	705	11,925,866	—	—	—	—	11,926,571
Conversion of notes to common stock	12,064,155	121	6,370,877	—	—	—	—	6,370,998
Proceeds of initial public offering, net of issuance costs	35,714,286	357	27,509,331	—	—	—	—	27,509,688
Net loss	—	—	—	—	—	—	(13,061,353)	(13,061,353)
Balance at December 31, 2019	178,931,312	1,789	47,154,147	—	—	—	(19,841,620)	27,314,316
Equity based compensation	—	—	6,528,356	—	—	—	—	6,528,356
Stock option exercises	1,672,476	16	436,190	—	—	—	—	436,206
Restricted stock issuances and vesting of awards	464,736	5	482,483	—	—	—	—	482,488
Stock subscriptions receivable related to stock option exercises	64,000	1	69,439	(69,440)	—	—	—	—
Repurchase of common stock	(152,035)	—	—	—	(875,232)	—	—	(875,232)
Retirement of common stock	(343,750)	(3)	(2,231)	—	—	—	—	(2,234)
Proceeds from issuance of common stock, net of issuance costs	16,289,935	162	57,972,590	—	—	—	—	57,972,752
Foreign currency translation adjustment	—	—	—	—	—	494,505	—	494,505
Net loss	—	—	—	—	—	—	(32,392,740)	(32,392,740)
Balance at December 31, 2020	**196,926,674**	**$ 1,970**	**$112,640,974**	**$ (69,440)**	**$ (875,232)**	**$ 494,505**	**$ (52,234,360)**	**$ 59,958,417**

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

Sezzle Inc. and Subsidiaries
Consolidated Statements of Cash Flows

US$	For the years ended December 31, 2020	December 31, 2019
Operating Activities:		
Net loss	$ (32,392,740)	$ (13,061,353)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	428,374	245,496
Provision for uncollectible notes receivable	19,587,918	6,235,820
Provision for uncollectible other receivables	2,723,853	1,188,201
Equity based compensation and restricted stock vested	7,010,844	1,167,265
Amortization of debt issuance costs	417,054	72,379
Impairment losses on long-lived assets	7,850	15,623
Loss and accrued interest on conversion of convertible notes	—	579,216
Changes in operating assets and liabilities:		
Notes receivable	(74,983,119)	(26,494,339)
Other receivables	(3,810,392)	(1,470,923)
Prepaid expenses and other assets	(795,884)	(788,428)
Merchant accounts payable	47,467,731	11,007,664
Other payables	84,962	171,682
Accrued liabilities	9,469,738	1,190,018
Operating leases	(25,050)	22,116
Net Cash Used for Operating Activities	**(24,808,861)**	**(19,919,563)**
Investing Activities:		
Purchase of property and equipment	(410,896)	(125,885)
Internally developed intangible asset additions	(322,015)	(406,333)
Net Cash Used for Investing Activities	**(732,911)**	**(532,218)**
Financing Activities:		
Proceeds from issuance of long term debt	1,220,332	5,812,500
Costs incurred for convertible note issuance	—	(25,000)
Proceeds from line of credit	85,650,000	24,200,000
Payments to line of credit	(67,100,000)	(6,950,000)
Proceeds from stock option exercises	436,206	37,107
Payments of debt issuance costs	—	(592,750)
Proceeds from initial public offering	—	30,286,785
Costs incurred for initial public offering	—	(2,777,097)
Retirement of common stock	(2,234)	—
Proceeds from issuance of common stock	60,457,256	—
Costs incurred from issuance of common stock	(2,484,504)	—
Repurchase of common stock	(611,215)	—
Net Cash Provided from Financing Activities	**77,565,841**	**49,991,545**
Effect of exchange rate changes on cash	455,216	—
Net increase in cash, cash equivalents, and restricted cash	52,024,069	29,539,764
Cash, cash equivalents, and restricted cash, beginning of year	36,624,618	7,084,854
Cash, cash equivalents, and restricted cash, end of year	**$ 89,103,903**	**$ 36,624,618**
Noncash investing and financing activities:		
Withholding of restricted stock units to cover employee tax withholding	$ 264,017	$ —
Conversion of notes to common stock	—	6,370,998
Conversion of preferred stock to common stock	—	11,926,571
Issuance of preferred stock dividend	—	763,939
Noncash lease liabilities arising from obtaining right-of-use assets	—	872,210
Supplementary disclosures:		
Interest paid	3,770,838	1,153,730
Income taxes paid	8,326	—

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

NOTE 1 – PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

Sezzle Inc. (the "Company" or "Sezzle") is a technology-enabled payments company based in the United States with operations in the United States, Canada, and startup operations in India and Europe. The Company is a Delaware Public Benefit Corporation formed on January 4, 2016. The Company offers its payment solution at online stores and a select number of brick-and-mortar retail locations, connecting consumers with merchants via a proprietary payments solution that instantly extends credit at point-of-sale, allowing consumers to purchase and receive the items that they need now while paying over time in interest-free installments.

Merchants turn to Sezzle to increase sales by tapping into Sezzle's existing user base, increase conversion rates, increase spend per transaction, increase purchase frequency, and reduce return rates, all without bearing any credit risk. Sezzle is a high-growth, networked platform that benefits from a symbiotic and mutually beneficial relationship between merchants and consumers.

The Company's core product allows consumers to make online purchases and split the payment for the purchase over four equal, interest-free payments over six weeks. The consumer makes the first payment at the time of checkout and makes the subsequent payments every two weeks thereafter. The purchase price, less processing fees, is paid to merchants by Sezzle in advance of the collection of the purchase price installments by Sezzle from the consumer.

The Company is headquartered in Minneapolis, Minnesota.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements are prepared and presented under accounting principles generally accepted in the United States of America (U.S. GAAP). All amounts are reported in U.S. dollars, unless otherwise noted. It is the Company's policy to consolidate the accounts of subsidiaries for which it has a controlling financial interest. The accompanying consolidated financial statements include all the accounts and activity of Sezzle Inc. and Sezzle's wholly-owned subsidiaries: Sezzle Canada Corp; Sezzle Funding SPE, LLC; Sezzle Holdings I, Inc.; Sezzle Holdings II, Inc.; Sezzle Holdings III B.V.; Sezzle Payments Private Limited; Sezzle FinTech Private Limited; Sezzle Germany GmbH; and Sezzle Lithuania UAB. All significant intercompany balances and transactions have been eliminated in consolidation.

Concentrations of Credit Risk

Cash and Cash Equivalents

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash in depository accounts that, at times, may exceed limits established by the Federal Deposit Insurance Corporation (FDIC) and equivalent foreign institutions. As of the date of this report, the Company has experienced no losses on such accounts.

Foreign Currency Risk

The Company holds funds and settles payments that are denominated in currencies other than US dollars. Changes in foreign currency exchange rates expose the Company to fluctuations on its consolidated balance sheets and statements of operations and comprehensive loss. Currency risk is managed through limits set on total foreign deposits on hand that the Company routinely monitors.

Notes Receivable

The Company is exposed to the risk of credit losses as a result of extending credit to consumers. Changes in economic conditions may result in higher credit losses. The Company has a policy for establishing credit lines for individual consumers that helps mitigate credit risk. The allowance for uncollectible accounts is adequate for covering any potential losses on outstanding notes receivable.

Cash and Cash Equivalents

The Company had cash and cash equivalents of US$84,285,383 and US$34,965,069 as of December 31, 2020 and 2019, respectively. The Company considers all money market funds and other highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Company accepts debit and credit cards from consumers as a method to settle its receivables, and these transactions are generally transmitted through third parties. The payments due from the third parties for debit and credit card transactions are generally settled within three days. The Company considers all bank, debit, and credit card transactions initiated before the end of the period to be cash and cash equivalents.

Restricted Cash

The Company is required to maintain cash balances in a bank account in accordance with the lending agreement executed on November 29, 2019 between Sezzle Funding SPE, LLC, Sezzle Inc., and their third party line of credit providers Bastion Consumer Funding II, LLC, Atalaya Asset Income Fund IV LP, and Hudson Cove Credit Opportunity Master Fund, LP ("the Syndicate"). The bank account is the property of Sezzle Funding SPE, LLC, but access to consumer payments is controlled by the Syndicate. On a regular basis, cash received from consumers is deposited to the bank account and subsequently made available to Sezzle through daily settlement reporting with the Syndicate. Cash deposits to the bank account represent cash received from consumers not yet made available to Sezzle, as well as a minimum balance consisting of the sum of US$20,000, accrued interest on the drawn credit facility, and accrued management fees charged by the Syndicate. The Company is also required to maintain a minimum balance of US$25,000 in a deposit account with a third-party service provider to fund notes receivable. The Company has funds on deposit with foreign banking institutions as part of their respective local licensing processes that are restricted until the processes are completed. The amount on deposit within the current restricted bank accounts totaled US$4,798,520 and US$1,639,549 as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Company was required to maintain a US$20,000 cash balance held in a reserve account to cover Automated Clearing House (ACH) transactions. The cash balance within this account is classified as non-current restricted cash on the consolidated balance sheets.

Receivables and Credit Policy

Notes receivable represent amounts from uncollateralized consumer receivables generated from the purchase of merchandise. The original terms of the notes for the Company's core product are to be paid back in equal installments every two weeks over a six-week period. The Company does not charge interest on the notes to consumers. Sezzle defers direct note origination costs over the average life of the notes receivable using the effective interest rate method. These net deferred costs are recorded within notes receivable, net on the consolidated balance sheets. Notes receivable are recorded at net realizable value and are recorded as current assets. The Company evaluates the collectability of the balances based on historical performance, current economic conditions, and specific circumstances of individual notes, with an allowance for uncollectible accounts being provided as necessary.

Other receivables represents the net realizable value of consumer account reactivation fees receivable, merchant accounts receivable, and merchant processing fees receivable. Consumer account reactivation fees receivable, less an allowance for uncollectible accounts, represents the amount of account reactivation fees the Company reasonably expects to receive from consumers. Receivables from merchants represent amounts merchants owe Sezzle relating to transactions placed by consumers on their sites.

All notes receivable from consumers, as well as related fees, outstanding greater than 90 days past due are charged off as uncollectible. It is the Company's practice to continue collection efforts after the charge-off date. Refer to Note 4 and Note 5 for further information about receivable balances, allowances, and charge-off amounts.

Sezzle Income

Sezzle receives its income primarily from fees paid by merchants in exchange for Sezzle's payment processing services. These fees are applied to the underlying sales to consumers passing through the Company's platform and are predominantly based on a percentage of the consumer order value plus a fixed fee per transaction. Consumer installment payment plans typically consist of four installments, with the first payment made at the time of purchase and subsequent payments coming due every two weeks thereafter. Additionally, consumers may reschedule their initial installment plan by delaying payment for up to two weeks, for which Sezzle generally earns a rescheduled payment fee. The total of merchant fees and rescheduled payment fees, less note origination costs, are collectively referred to as Sezzle income within the consolidated statements of operations and comprehensive loss.

Sezzle income is initially recorded as a reduction to notes receivable, net within the consolidated balance sheets. Sezzle income is then recognized over the average duration of the note using the effective interest rate method. Total Sezzle income to be recognized over the duration of existing notes receivable outstanding was US$3,458,222 and US$1,049,626 as of December 31, 2020 and 2019, respectively. Total Sezzle income recognized was US$49,659,042 and US$13,319,218 for the years ended December 31, 2020 and 2019, respectively.

Account Reactivation Fee Income

Sezzle also earns income from consumers in the form of account reactivation fees. These fees are generally assessed to consumers who fail to make a timely payment. Sezzle allows a 48-hour waiver period where fees are dismissed if the installment is paid by the consumer. Account reactivation fees are recognized at the time the fee is charged to the consumer, less an allowance for uncollectible amounts. Account reactivation fee income recognized totaled US$9,129,231 and US$2,481,893 for the years ended December 31, 2020 and 2019, respectively.

Debt Issuance Costs

Costs incurred in connection with originating debt have been capitalized and are classified in the consolidated balance sheets as a reduction of the notes payable or line of credit balance to which those costs relate. Debt issuance costs are amortized over the life of the underlying debt obligation utilizing the straight-line method, which approximates the effective interest method. Amortization of debt issuance costs is included within interest expense in the consolidated statements of operations and comprehensive loss.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using either the straight-line or double-declining balance method, based on the useful lives of the assets:

	Years	Method
Computers and computer equipment	3	Double-declining balance
Office equipment	5	Double-declining balance
Furniture and fixtures	7	Straight-line

Maintenance and repairs are expensed as incurred. See Note 2 for further information.

Internally Developed Intangible Assets

The Company capitalizes costs incurred for web development and software developed for internal use. The costs capitalized primarily relate to direct labor costs for employees and contractors working directly on software development and implementation. Projects are eligible for capitalization once it is determined that the project is being designed or modified to meet internal business needs; the project is ready for its intended use; the total estimated costs to be capitalized exceed US$1,000; and there are no plans to market, sell, or lease the project.

Amortization is provided using the straight-line method, based on the useful lives of the intangible assets as follows:

	Years	Method
Internal use software	3	Straight-line
Website development costs	3	Straight-line

See Note 3 for further information.

Research and Development Costs

Research expenditures that relate to the development of new processes, including internally developed software, are expensed as incurred. Such costs were approximately US$490,000 and US$517,000 for the years ended December 31, 2020 and 2019, respectively. Research expenditures are recorded within selling, general, and administrative expenses within the consolidated statements of operations and comprehensive loss.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets, which includes property, equipment, and internally developed intangible assets, for impairment whenever events and circumstances indicate that the assets' carrying value may not be recoverable from the future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects; the manner in which the asset is used; and the effects of obsolescence, demand, competition, and other economic factors. Impairment losses for the years ended December 31, 2020 and 2019 totaled US$7,850 and US$15,623, respectively.

As of December 31, 2020 and 2019, the Company had not renewed or extended the initial determined life for any of its recognized internally developed intangible assets.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, property and equipment, and accrued liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. A full valuation allowance is recorded against the Company's deferred tax assets as of December 31, 2020 and 2019.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2020 and 2019, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. Refer to Note 8 for more information.

Advertising Costs

Advertising costs are expensed as incurred and consist of traditional marketing, digital marketing, sponsorships, and promotional product expenses. Such costs were US$3,883,936 and US$368,235 for the years ended December 31, 2020 and 2019, respectively.

Equity Based Compensation

The Company maintains stock compensation plans that offer incentives in the form of non-statutory stock options and restricted stock to employees, directors, and advisors of the Company. Equity based compensation expense reflects the fair value of awards measured at the grant date and recognized over the relevant vesting period. The Company estimates the fair value of stock options without a market condition on the measurement date using the Black-Scholes option valuation model. The fair value of stock options with a market condition is estimated, at the date of grant, using the Monte Carlo Simulation model. The Black-Scholes and Monte Carlo Simulation models incorporate assumptions about stock price volatility, the expected life of the options, risk-free interest rate, and dividend yield. For valuing the Company's stock option grants, significant judgment is required for determining the expected volatility of the Company's common stock and is based on the historical volatility of both its common stock and its defined peer group. The fair value of restricted stock awards and restricted stock units is based on the fair market value of the Company's common stock on the date of grant. The expense associated with equity based compensation is recognized over the requisite service period using the straight-line method. The Company issues new shares upon the exercise of stock options and vesting of restricted stock units. Refer to Note 14 and Note 16 for further information around the Company's equity based compensation plans.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The Company's estimates and judgments are based on historical experience and various other assumptions that it believes are reasonable under the circumstances. The amount of assets and liabilities reported on the Company's consolidated balance sheets and the amounts of income and expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, determining the allowance for uncollectible accounts recorded against outstanding receivables, the useful life of property and equipment and internally developed intangible assets, determining impairment of property and equipment and internally developed intangible assets, valuation of equity based compensation, leases, and income taxes.

Fair Value

Fair values are based on 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 (i.e. an exit price). The accounting guidance includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 — Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 — Unobservable inputs for the asset or liability, which include management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

The Company measures the value of its money market securities on a regular basis. The fair value of its money market securities was US$9,996,155 and US$7,282,946 as of December 31, 2020 and 2019, respectively, and are Level 1 on the fair value hierarchy. The cost of these securities equate to their fair values.

Cost of Income and Selling, General, and Administrative Expenses

The primary costs classified in each major expense category are:

Cost of Income:

- Payment processing costs

- Consumer communication expenses
- Merchant affiliate program fees
- International payment processing costs
- Partner revenue share fees

Selling, general, and administrative expenses:

- All compensation related costs for employees and contractors
- Third-party service provider costs
- Depreciation and amortization
- Advertising costs
- Rent expense
- Legal and regulatory compliance costs

Segments

The Company's operations consist primarily of lending to consumers located in the United States who purchase goods from its affiliated merchants. During the year ended December 31, 2019, the Company began operations in Canada. Additionally, during the year ended December 31, 2020, Sezzle began operations in India. While distinct geographic locations, the operations in both countries are still in an early growth stage. As of December 31, 2020, management has not found any significant difference in the economic performance of each operating segment; therefore, management has concluded that the Company has one reportable segment on a consolidated basis.

Foreign Currency Exchange Gains (Losses)

Sezzle works with international merchants, creating exposure to gains and losses from foreign currency exchanges. Sezzle's income and cash can be affected by movements in the Canadian Dollar, Euro, and Indian Rupee. Sezzle has transactional currency exposures arising from merchant fees and payouts to Canadian and Indian merchant partners. Gains (losses) from foreign exchange rate fluctuations that affect Sezzle's net gain (loss) totaled (US$125,292) and US$20,729 for the years ended December 31, 2020 and 2019, respectively. Foreign currency exchange gains and losses are recorded within other income and expenses on the consolidated statements of operations and comprehensive loss.

The financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars in accordance with ASC 830, "Foreign Currency Matters". Under ASC 830, if the assets and liabilities of the Company are recorded in certain non-U.S. functional currencies other than the U.S. dollar, they are translated at current rates of exchange. Revenue and expense items are translated at the average monthly exchange rates. The resulting translation adjustments are recorded directly into accumulated other comprehensive income.

Reclassifications

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform with the 2020 presentation format. These classifications had no effect on operating loss or net loss.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-13, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments" which requires reporting entities estimate credit losses expected to occur over the life of the asset. Expected losses will be recorded in current period earnings and recorded through an allowance for credit losses on the consolidated balance sheet. During November 2018, April 2019, May 2019, October 2019 and November 2019, the FASB also issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; ASU No. 2019-05 "Targeted Transition Relief"; ASU No. 2019-10 "Financial Instruments—Credit Losses (Topic 326): Effective Dates"; and ASU No. 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses." ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASUs Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, ASU No.2019-10 delayed the effective date for applying this standard and ASU No. 2019-11 amends ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. Sezzle plans to adopt this standard beginning January 1, 2023 and is currently evaluating the impact of the standard on its consolidated financial statements.

During August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. Sezzle adopted this standard beginning January 1, 2020 with no material impact to the consolidated financial statements for the year ended December 31, 2020.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40)" which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal use software license. Sezzle adopted this standard beginning January 1, 2020 with no impact to the consolidated financial statements for the year ended December 31, 2020.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" which requires franchise taxes calculated based on income are included in income tax expense. To the extent that the franchise taxes not based on income exceed the franchise taxes based on income, the excess is recorded outside of income tax expense. ASU No. 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 for public entities. Sezzle plans to adopt this standard beginning January 1, 2021 and does not expect adoption to have a material impact on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" which provides optional expedients and exceptions if certain criteria are met when accounting for contracts or other transactions that reference LIBOR. Application of the guidance is optional until December 31, 2022 and varies based on the practical expedients elected. The Company has not elected any expedients to date and is currently evaluating any potential future impacts on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" which simplifies the accounting for convertible debt by eliminating the beneficial conversion feature and cash conversion feature models from the guidance and instead requires entities to record convertible debt at amortized cost. Application of the guidance is optional starting in fiscal years beginning after December 15, 2020 and required for public entities after December 15, 2021. The Company is not expecting this standard to have any potential future impacts on the Company's consolidated financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

As of December 31, property and equipment, net, consists of the following:

US$	2020	2019
Computer and office equipment	$ 636,950	$ 225,186
Furniture and fixtures	28,393	28,394
Property and equipment, gross	665,343	253,580
Less accumulated depreciation	(290,157)	(119,180)
Property and equipment, net	**$ 375,186**	**$ 134,400**

Depreciation expense relating to property and equipment was US$170,949 and US$74,151 for the years ended December 31, 2020 and 2019, respectively, and is recorded within selling, general, and administrative expenses on the consolidated statements of operations and comprehensive loss.

NOTE 3 – INTERNALLY DEVELOPED INTANGIBLE ASSETS

As of December 31, internally developed intangible assets, net, consists of the following:

US$	2020	2019
Internal use software and website development costs	$ 825,018	$ 682,848
Works in process	109,155	13,672
Internally developed intangible assets, gross	934,173	696,520
Less accumulated amortization	(397,127)	(216,422)
Internally developed intangible assets, net	**$ 537,046**	**$ 480,098**

Amortization expense relating to internally developed intangible assets was US$257,425 and US$171,345 for the years ended December 31, 2020 and 2019, respectively, and is recorded within selling, general, and administrative expenses on the consolidated statements of operations and comprehensive loss.

NOTE 4 – NOTES RECEIVABLE

As of December 31, Sezzle's notes receivable, related allowance for uncollectible accounts, and deferred net origination fees are recorded within the consolidated balance sheets as follows:

US$	2020	2019
Notes receivable, gross	$ 95,398,668	$ 29,700,598
Less allowance for uncollectible accounts:		
Balance at start of period	(3,461,837)	(645,332)
Provision	(19,587,918)	(6,235,820)
Charge-offs, net of recoveries	11,916,609	3,419,315
Total allowance for uncollectible accounts	(11,133,146)	(3,461,837)
Notes receivable, net of allowance	84,265,522	26,238,761
Deferred origination fees, net of costs	(3,458,222)	(1,049,626)
Notes receivable, net	**$ 80,807,300**	**$ 25,189,135**

Sezzle maintains an allowance for uncollectible accounts at a level necessary to absorb estimated probable losses on principal and reschedule fee receivables from consumers. Any amounts delinquent after 90 days are charged-off with an offsetting reversal of the allowance for doubtful accounts through the provision for uncollectible accounts. Additionally, amounts identified as no longer collectible—such as when a consumer becomes deceased or bankrupt—are charged off immediately. Included in charge-offs, net of recoveries, are recoveries of US$648,799 and US$170,231 for the years ended December 31, 2020 and 2019, respectively.

Sezzle uses its judgment to evaluate the allowance for uncollectible accounts based on current economic conditions and historical performance of consumer payments. The historical vintages are grouped into monthly populations for purposes of the allowance assessment. The balances of historical cumulative charge-offs by vintage support the calculation for estimating the allowance for uncollectible accounts for vintages outstanding less than 90 days.

Deferred origination fees, net of costs are comprised of unrecognized merchant fees and consumer reschedule fees net of direct note origination costs, which are recognized over the duration of the note with the consumer and are recorded as an offset to Sezzle income on the consolidated statements of operations and comprehensive loss.

Sezzle estimates the allowance for uncollectible accounts by segmenting consumer accounts receivable by the number of days balances are delinquent. Balances that are at least one day past the initial due date are considered delinquent. Balances that are not delinquent are considered current. Consumer notes receivable are charged-off following the passage of 90 days without receiving a qualifying payment, upon notice of bankruptcy, or death. Consumers are allowed to reschedule a payment one time without incurring a reschedule fee and the principal of a rescheduled payment is not considered to be delinquent. If consumers reschedule a payment more than once in the same order cycle they are subject to a reschedule fee. Alternatively, account reactivation fees are applied to any missed payments for which an consumer did not reschedule within 48 hours of the original payment date. Any account reactivation fees associated with a delinquent payment are considered to be the same number of days delinquent as the principal payment.

The following table summarizes Sezzle's gross notes receivable and related allowance for uncollectible accounts as of December 31, 2020 and 2019:

	2020			2019		
	Gross Receivables US$	**Less Allowance US$**	**Net Receivables US$**	**Gross Receivables US$**	**Less Allowance US$**	**Net Receivables US$**
Current	$ 79,673,073	$ (2,692,254)	$ 76,980,819	$ 25,695,723	$ (1,014,888)	$ 24,680,835
Days past due:						
1–28	9,574,902	(3,616,327)	5,958,575	2,251,591	(923,396)	1,328,195
29–56	3,576,255	(2,646,627)	929,628	919,177	(719,910)	199,267
57–90	2,574,438	(2,177,938)	396,500	834,107	(803,643)	30,464
Total	**$ 95,398,668**	**$ (11,133,146)**	**$ 84,265,522**	**$ 29,700,598**	**$ (3,461,837)**	**$ 26,238,761**

Principal payments recovered after the 90 day charge-off period are recognized as a reduction to the allowance for uncollectible accounts in the period the receivable is recovered.

NOTE 5 – OTHER RECEIVABLES

As of December 31, the balance of other receivables, net, on the consolidated balance sheets is comprised of the following:

US$	**2020**	**2019**
Account reactivation fees receivable, net	804,060	307,334
Receivables from merchants	599,246	8,168
Other receivables, net	$ 1,403,306	$ 315,502

As of December 31, Sezzle's account reactivation fees receivable and related allowance for uncollectible accounts are recorded within the consolidated balance sheets as follows:

US$	2020	2019
Account reactivation fees receivable, gross	1,875,648	790,852
Less allowance for uncollectible accounts:		
Balance at start of period	(483,518)	(62,430)
Provision	(2,347,733)	(945,320)
Charge-offs, net of recoveries	1,759,663	524,232
Total allowance for uncollectible accounts	(1,071,588)	(483,518)
Account reactivation fees receivable, net	$ 804,060	$ 307,334

Sezzle maintains the allowance at a level necessary to absorb estimated probable losses on consumer account reactivation fee receivables. Any amounts delinquent after 90 days are charged-off with an offsetting reversal of the allowance for doubtful accounts through the provision for uncollectible accounts. Additionally, amounts identified as no longer collectible—such as when a consumer becomes deceased or bankrupt—are charged off immediately. Included in charge-offs, net of recoveries, are recoveries of US$71,110 and US$14,965 for the years ended December 31, 2020 and 2019, respectively.

Receivables from merchants primarily represent merchant fees charged, not yet paid to the Company as of year end. Additionally, during the years ended December 31, 2020 and 2019, the Company recorded direct write-downs of US$376,120 and US$242,881 for uncollectible receivables from merchants against the provision for uncollectible other receivables.

NOTE 6 – LEASES

The Company holds operating leases for its corporate office spaces in the United States and Canada. Total lease expense incurred for the years ended December 31, 2020 and 2019 was US$513,248 and US$348,246, respectively. Lease expense is recognized within selling, general and administrative expenses on the consolidated statements of operations and comprehensive loss. Additionally, total cash paid for rent was US$558,631 and US$350,722 for the years ended December 31, 2020 and 2019, respectively.

Right-of-use assets and lease liabilities are recognized as of the commencement date based on the present value of the remaining lease payments over the lease term which include renewal periods that the Company is reasonably certain to exercise. Right-of-use assets and lease liabilities are recorded within current assets and current liabilities, respectively, on the consolidated balance sheets.

The expected maturity of the Company's operating leases as of December 31, 2020 is as follows:

	US$
2021	$ 144,584
Less interest	(1,841)
Present value of lease liabilities	**$ 142,743**

The weighted average remaining term of the Company's operating leases is 0.49 years. During the year ended December 31, 2020, the Company revised the estimated lease term for its corporate headquarters and terminated two other leases, resulting in a reduction in the Company's right-of-use asset and lease liability. The weighted average discount rate of all operating leases is 4.75%. As of December 31, 2020, Sezzle has not entered into any lease agreements that contain residual value guarantees or financial covenants.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Company has entered into several agreements with third-parties in which Sezzle will reimburse the third-parties for co-branded marketing and advertising costs. For the years ended December 31, 2020 and 2019, the Company entered into agreements that stipulate that Sezzle will commit to spend up to US$2,906,500 and US$1,085,000 in marketing and advertising spend. Absent a termination of the noted agreements, the Company is committed to spend up to an additional US$500,000 on an annual basis in future years. Sezzle had approximately US$211,000 and US$495,000 recorded as a prepaid expense in the consolidated balance sheets as of December 31, 2020 and 2019, respectively.

Expenses incurred relating to these agreements totaled US$3,220,959 and US$34,760 for the years ended December 31, 2020 and 2019, respectively. These expenses are included within selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss.

NOTE 8 – INCOME TAXES

The income tax expense components for the years ended December 31, 2020 and 2019 are as follows:

US$	2020	2019
Current tax expense		
Federal	—	—
Foreign	—	—
State	30,964	11,981
Deferred tax expense		
Federal	—	—
Foreign	—	—
State	—	—
Income tax expense	$ 30,964	$ 11,981

A reconciliation of the Company's provision for income taxes at the federal statutory rate to the reported income tax provision for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Computed "expected" tax benefit	(21.0)%	(21.0)%
State income tax benefit, net of federal tax effect	(1.7)	—
Nondeductible equity-based compensation	0.1	1.6
Nondeductible interest expense on beneficial conversion feature	—	0.8
Other permanent differences	—	0.7
Change in valuation allowance	23.4	19.1
Foreign rate differentials and other	(0.7)	(1.1)
Income tax expense (benefit)	0.1%	0.1%

The components of the net deferred tax assets and liabilities as of December 31, 2020 and December 31, 2019 are as follows:

US$	**2020**	**2019**
Deferred tax assets:		
Net operating loss carryforwards	$ 5,849,989	$ 2,686,878
Allowance for uncollectible accounts	2,822,803	861,239
Equity based compensation	773,546	42,384
Depreciation and amortization	—	7,482
Lease liability	31,855	184,788
Startup costs	10,857	11,488
Accruals	1,722,143	45,421
Other	144,194	539
Total net deferred tax assets:	11,355,387	3,840,219
Valuation allowance	(11,227,262)	(3,660,295)
Deferred tax liabilities:		
Depreciation and amortization	(93,439)	—
Equity based compensation	(1,664)	—
Right-of-use asset	(33,022)	(179,924)
Total net deferred tax liabilities:	(128,125)	(179,924)
Net deferred tax asset/(liability):	$ —	$ —

As of December 31, 2020, the Company has federal, state and foreign net operating loss carryforwards of approximately US$23,303,218, US$5,790,498, and US$2,047,797 respectively. The federal net operating loss carryforwards that originated after 2017 have an indefinite life and may be used to offset 80% of a future year's taxable income. The federal net operating loss carryforwards that originated prior to 2018 have expiration dates between 2036 and 2037. The state net operating losses will carryforward for between 15-20 years and begin to expire in 2031.

The Company's ability to utilize a portion of its net operating loss carryforwards to offset future taxable income is subject to certain limitations under Section 382 of the Internal Revenue Code due to changes in the equity ownership of the Company. An ownership change under Section 382 has not been determined at this time.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2020. Such objective evidence limits the ability to consider other subjective evidence, such as the Company's projections for future growth.

On the basis of this evaluation, as of December 31, 2020, a valuation allowance of US$11,227,262 has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth. The change in valuation allowance was approximately US$7,567,000 and US$2,495,000 for the years ended December 31, 2020 and 2019, respectively.

The Tax Cuts and Jobs Act, signed into U.S. legislation on December 22, 2017, introduced a new Global Intangible Low-Taxed Income ("GILTI") provision. Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either 1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period cost when incurred, or 2) factoring such amounts into the Company's measurement of its deferred taxes. GILTI depends not only on the Company's current structure and estimated future income, but also on intent and ability to modify the structure or business. The Company has chosen to treat GILTI as a current-period cost when incurred.

In November 2018, US Treasury issued proposed regulations for the new section 163(j), which generally limits business interest deductions to 30% of adjusted taxable income ("ATI"). Any disallowed business interest can be carried forward on an indefinite basis. The March 2020 Coronavirus Aid, Relief and Economic Security Act ("CARES Act") increased the limitation to 50% of adjusted taxable income. For the year ended December 31, 2020, the Company was not subject to the business interest limitation.

Management's intention is to reinvest foreign earnings into the Company's foreign operations. To date, Sezzle's various foreign subsidiaries do not have any earnings.

NOTE 9 – STOCKHOLDERS' EQUITY

Preferred Stock Dividend

On June 23, 2019, the board of directors declared and issued a preferred stock dividend of 909,451 shares of Series A preferred shares to existing to preferred stockholders, valued at US$763,939. The preferred stock dividend was subject to the same rights as all other series of preferred stock. All preferred stock converted to common stock in July 2019 in conjunction with the Company's initial public offering on the Australian Securities Exchange (ASX).

Conversion of Preferred Stock to Common Stock

On July 24, 2019, the Company restructured its share capital in anticipation of listing on the ASX. Each share of Series A preferred stock was converted into common stock. The Company issued 70,446,291 common shares upon conversion of 70,446,291 Series A preferred stock, converted on a 1:1 basis in accordance with the terms of the preferred stock agreements.

Conversion of Convertible Notes to Common Stock

On July 24, 2019, the Company issued 12,064,155 common shares following the conversion of the US$5,812,500 of convertible notes outstanding, along with accrued interest, at a conversion price of US$0.49 per common share. Refer to Note 13 for further information on the convertible note issuance.

Initial Public Offering of Common Stock

On July 29, 2019, the Company listed on the ASX. The initial public offer of 35,714,286 CHESS Depository Interests (CDIs) over shares of common stock (one CDI equates to one common share) were offered at an issuance price of A$1.22 (approximately US$0.84) per CDI to raise approximately A$43.6 million (US$30,286,785) Total costs of the offer incurred during the year ended December 31, 2019 totaled US$2,777,097, resulting in overall net proceeds of US$27,509,688.

Repurchase and Retirement of Common Stock

On June 3, 2020, the Company repurchased 343,750 common shares from an existing stockholder. The purchase was made at the original cost basis, totaling US$2,234, and is recorded as a reduction in common stock and additional paid-in capital within the consolidated statements of stockholders' equity as of December 31, 2020. The repurchased shares were retired upon purchase by the Company.

Sezzle retains a portion of vested restricted stock units to cover withholding taxes for employees. For the year ended December 31, 2020, Sezzle withheld 152,035 shares at a value of US$875,232. Sezzle recognizes this amount as treasury stock, reported within the consolidated balance sheets at cost as a reduction to stockholders' equity.

Issuance of Common Stock

On July 15, 2020, Sezzle raised US$55,316,546 of proceeds via an institutional placement. On August 10, 2020, the Company raised an additional US$5,140,710 of proceeds via a Securities Purchase Plan offered to existing investors. In exchange for the capital raise, Sezzle issued 16,289,935 Chess Depository Interests (CDIs) at a price of A$5.30 (approximately US$3.82) per CDI. The issued CDIs are equivalent to common shares on a 1:1 basis. The total costs of the capital raise were US$2,484,504, resulting in overall net proceeds of US$57,972,752.

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Company sponsors a defined contribution 401(k) plan for eligible U.S. employees. Plan assets are held separately from those of the Company in funds under the control of a third-party trustee. Participants in the plan may elect to defer a portion of their eligible compensation, on a pre- or post-tax basis, subject to annual statutory contribution limits. The Company does not offer matching contributions. There have been no Company contributions made to the plan through December 31, 2020.

NOTE 11 – REVOLVING LINE OF CREDIT

On November 14, 2018, Sezzle Funding SPE, LLC and Sezzle Inc. entered into an agreement with Bastion Consumer Funding II, LLC ("Bastion") that provided for a credit facility of US$30,000,000. On November 29, 2019, Sezzle Funding SPE, LLC, Sezzle Inc. and Bastion amended and restated the original agreement and entered into a new Loan and Security Agreement (the "Loan Agreement") with Bastion, Atalaya Asset Income Fund IV LP, and Hudson Cove Credit Opportunity Master Fund, LP (the "Syndicate") for a credit facility of US$100,000,000 with a maturity date of May 29, 2022.

The Company had an outstanding revolving line of credit balance of US$40,000,000 and US$21,450,000 as of December 31, 2020 and 2019, respectively, recorded within line of credit, net as a non-current liability on the consolidated balance sheets. The new line of credit agreement bears interest at a floating per annum rate equal to the 3-month LIBOR + 7.75% (minimum 9.50%) on the US$100,000,000 (9.50% as of December 31, 2020). Beginning May 27, 2020, any daily unused amounts incur a facility fee due to the Syndicate from Sezzle at a rate of .50% per annum.

Under the Loan Agreement, interest on borrowings is due monthly and all borrowings are due at maturity. Borrowings subsequent to May 1, 2019 are based on 90% of eligible notes receivable from both the United States and Canada, defined as past due balances outstanding less than 30 days originating from the United States. For the years ended December 31, 2020 and 2019, interest expense relating to the utilization of the line of credit was US$2,238,740 and US$908,309, respectively. As of December 31, 2020 and 2019, Sezzle had pledged US$70,989,536 and US$23,757,188, respectively, of its notes receivable to Sezzle Funding SPE, LLC.

The Company's obligations under the Loan Agreement are secured by its consumer notes receivable. The collateral does not include the Company's intellectual property, but the Company has agreed not to encumber its intellectual property without the consent of the Syndicate.

The Company must maintain a drawdown from the credit facility of at least US$20,000,000 beginning November 29, 2019 and of at least US$40,000,000 beginning November 29, 2020. Sezzle will pay a termination fee and make-whole fee to the Syndicate in the event of early termination. Fees differ based on termination timing differences.

For the years ended December 31, 2020 and 2019, amortization expense recorded for debt issuance costs on the line of credit totaled US$417,054 and US$68,098, respectively. Total cumulative cash payments to date for debt issuance costs were US$663,649 as of December 31, 2020 and 2019.

NOTE 12 – LONG TERM DEBT

Minnesota Department of Employment and Economic Development Loan

On July 26, 2018, the Minnesota Department of Employment and Economic Development (DEED) funded a US$250,000 seven-year interest-free loan due in June 2025 to Sezzle under the State Small Business Credit Initiative Act of 2010 (the Act). The Act was created for additional funds to be allocated and dispersed by states that have created programs to increase the amount of capital made available by private lenders to small businesses. The loan proceeds are used for business purposes, primarily start-up costs and working capital needs. The loan may be prepaid in whole or in part at any time without penalty. If more than fifty percent of the ownership interest in Sezzle is transferred during the term of the loan, the loan will be required to be paid in full, along with a penalty in the amount of thirty percent of the original loan amount.

Paycheck Protection Program Loan

On April 14, 2020, the Company received loan proceeds in the amount of US$1,220,332 under the U.S. Small Business Administration's Paycheck Protection Program (PPP). The PPP, established as part of the CARES Act, provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. PPP loans are uncollateralized and guaranteed by the SBA, and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, the PPP loan terms do not include prepayment penalties.

The Company met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness as of December 31, 2020. When legal release is received, the Company will record the amount forgiven as forgiveness income within the other income (expense) section of its consolidated statements of operations and comprehensive loss. If any portion of the Company's PPP loan is not forgiven, the Company will be required to repay that portion, plus unpaid interest, on April 14, 2022. Additionally, the Company will be required to make semiannual payments of all accrued, unpaid interest, with the repayment term beginning at the time that the SBA remits the amount forgiven to the Company's lender. The Company has not received legal release from the SBA to date. As of December 31, 2020, the Company has accrued US$8,526 of interest expense for this note.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

NOTE 13 – CONVERTIBLE NOTES

On March 29, 2019, the Company issued US$5,662,500 of convertible notes to a group of investors. The promissory notes had a stated maturity date of March 29, 2021 and paid an annual interest rate of 4% on the unpaid principal balance through June 30, 2019. Subsequent to June 30, 2019, the notes paid an annual interest rate of 8% on the unpaid principal balance. The notes were issued at a US$25,000 discount, comprising of debt issuance costs, which is amortized over the life of the convertible notes. Any unamortized discount is expensed upon the conversion of the notes. Amortization of the discount totaled US$25,000 for the year ended December 31, 2019 and is recorded within interest expense within the consolidated statements of operations and comprehensive loss.

Additionally, the notes carried a conversion feature whereby they would automatically convert upon either (a) a change in control of the Company; (b) a reorganization, merger, or consolidation of the Company; (c) the sale of the Company's assets; or (d) an initial public offering of the Company's common stock. The notes also would have converted in the event the Company consummated an equity financing arrangement with an aggregate sales price of no less than US$10,000,000. Upon the occurrence of one of the aforementioned events, the notes would have converted into 80% of the price per share value of common stock applicable at the time of the event. The notes also carried an optional conversion feature whereby the notes may convert into common stock.

On June 6, 2019, the Company issued two separate convertible notes totaling US$150,000. The promissory notes had a stated maturity date of June 6, 2021 with the option of individual 1-year renewable periods for up to 5 years should no conversion event occur. The notes paid an annual interest rate of 10% on the unpaid principal balance through June 6, 2021.

The first convertible note of US$75,000 carried a conversion feature where it would automatically convert upon either (a) a change in control of the Company; (b) a reorganization, merger, or consolidation of the Company; (c) the sale of the Company's assets; or (d) an initial public offering of the Company's common stock (or a security representing common stock). The note also would have converted in the event the Company consummated an equity financing arrangement with an aggregate sales price of no less than US$500,000. Upon the occurrence of one of the aforementioned events, the note would convert into 80% of the price per share value of common stock applicable at the time of the event. The note also carried an optional conversion feature whereby the note may convert into common stock.

The second convertible note of US$75,000 carried a conversion feature where it would automatically convert upon either (a) a change in control of the Company; (b) a reorganization, merger, or consolidation of the Company; (c) the sale of the Company's assets; or (d) an initial public offering of the Company's common stock (or a security representing common stock). The note also would have converted in the event the Company consummated an equity financing arrangement with an aggregate sales price of no less than US$500,000. Upon the occurrence of one of the aforementioned events, the note would convert into 80% of the price per share value of common stock applicable at the time of the event. The note also carried an optional conversion feature whereby the note may convert into common stock.

The contingent conversion features of the notes issued on March 29, 2019 and June 6, 2019 were triggered on July 24, 2019 as a result of the Company's initial public offering of common stock on the ASX. The total non-cash impact of the beneficial conversion feature was US$579,216, comprised of US$470,268 of expense incurred on the date of conversion, and accumulated interest incurred on the convertible notes of US$88,229. The impacts of the conversion are recorded within interest expense on beneficial conversion feature and interest expense, respectively, in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2019.

NOTE 14 – EQUITY BASED COMPENSATION

The Company issues incentive and non-qualified stock options, restricted stock units, and restricted stock awards to employees and non-employees with vesting requirements varying from six months to four years (the typical vesting is a one-year cliff vesting and monthly vesting after the first year of service). The Company utilizes the Black-Scholes model for valuing stock option issuances and the grant date fair value for valuing the restricted stock issuances.

Equity based compensation expense, including vesting of restricted stock units, totaled US$7,010,844 and US$1,167,265 for the years ended December 31, 2020 and 2019, respectively. Equity based compensation expense is recorded within selling, general, and administrative expenses within the consolidated statements of operations and comprehensive loss.

2016 Employee Stock Option Plan

The Company adopted the 2016 Employee Stock-Option Plan on January 16, 2016. The number of options authorized for issuance under the plan is 10,000,000. The Company had 6,844,170 and 8,336,253 options issued and outstanding under the plan as of December 31, 2020 and 2019, respectively. Additionally, the Company had 155,556 and 350,000 of restricted stock awards issued and outstanding as of December 31, 2020 and 2019. During the years ended December 31, 2020 and 2019, 1,344,145 and 882,914 options were exercised into 1,344,145 and 882,914 shares of common stock, respectively.

2019 Equity Incentive Plan

The Company adopted the 2019 Equity Incentive Plan on June 25, 2019. The number of options authorized for issuance under the plan is 26,000,000. The Company had 17,671,374 and 8,716,250 options issued and outstanding as of December 31, 2020 and 2019, respectively; and 2,680,259 and 557,000 restricted stock units issued and outstanding as of December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, 392,331 options were exercised into 392,331 shares of common stock.

The following tables summarize the options issued, outstanding, and exercisable as of December 31, 2020 and 2019:

	For the year ended December 31, 2020			
	Number of Options	Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Life
Outstanding, beginning of year	17,052,503	$ 0.624	$ 14,895,996	—
Granted	10,105,163	0.826	—	—
Exercised	(1,736,476)	0.305	5,917,834	—
Canceled	(905,646)	0.096	—	—
Outstanding, end of year	24,515,544	1.343	84,731,639	8.65
Exercisable, end of year	7,064,077	0.522	29,883,424	8.04
Expected to vest, end of year	17,451,467	$ 1.675	$ 54,848,215	8.90

	For the year ended December 31, 2019			
	Number of Options	Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Life
Outstanding, beginning of year	7,430,000	$ 0.044	$ 1,307,849	—
Granted	11,971,250	0.891	—	—
Exercised	(882,914)	0.042	1,108,483	—
Canceled	(1,465,833)	0.215	—	—
Outstanding, end of year	17,052,503	0.624	14,895,996	9.18
Exercisable, end of year	3,396,325	0.071	4,731,629	8.40
Expected to vest, end of year	13,656,178	$ 0.762	$ 10,164,367	9.37

The following table represents the assumptions used for estimating the fair values of stock options granted to employees, contractors, and non-employees of the Company under the Black-Scholes method. The risk-free interest rate is based on the U.S. Treasury yield curve in effect on the grant date:

	2020	2019
Risk-free interest rate	0.37% – 0.56%	1.59% – 2.61%
Expected volatility	91.30% – 93.83%	65.00% – 82.88%
Expected life (in years)	6.00	6.00
Weighted average estimated fair value of options granted	$ 2.23	$ 0.66

The following table represents the assumptions used for estimating the fair values of stock options granted to executives under the Long Term Incentive Plan (LTIP) of the Company under the Monte Carlo Simulation valuation model. Refer to Note 16 for further information around the Company's LTIP plan. The risk-free interest rate is based on the U.S. Treasury yield curve in effect on the grant date:

	2020	2019
Risk-free interest rate	0.68%	—
Expected volatility	93.0%	—
Expected life (in years)	6.1	—
Weighted average estimated fair value of options granted	$ 0.64	—

Restricted stock award and restricted stock unit transactions during the years ended December 31, 2020 and 2019, respectively, are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value US$
Unvested shares, January 1, 2020	772,222	$ 1.12
Granted	2,659,094	3.48
Vested	(581,402)	1.02
Forfeited or surrendered	(16,171)	1.35
Unvested shares, December 31, 2020	**2,833,743**	**$ 3.37**

	Number of Shares	Weighted Average Grant Date Fair Value US$
Unvested shares, January 1, 2019	—	$ —
Granted	907,000	1.15
Vested	(134,778)	0.95
Forfeited or surrendered	—	—
Unvested shares, December 31, 2019	**772,222**	**$ 1.13**

During the year ended December 31, 2020, employees and non-employees received restricted stock units totaling 2,659,094. Vesting of restricted stock units and restricted stock awards totaled 464,736 and 116,666, respectively. The shares underlying the restricted stock units granted in 2020 were assigned a weighted average fair value of US$3.48 per share, for a total value of US$9,250,511. The restricted stock issuances are scheduled to vest over a range of one to four years.

For the year ended December 31, 2019, employees and non-employees received restricted stock grants totaling 907,000 shares, inclusive of 557,000 restricted stock units and 350,000 restricted stock awards. Vesting of restricted stock units and restricted stock awards are totaled 57,000 and 77,778, respectively. The shares underlying the awards were assigned a weighted average fair value of US$1.15 per share, for a total value of US$1,043,050. The restricted stock issuances are scheduled to vest over a range of three to four years.

As of December 31, 2020, the total compensation cost related to non-vested awards not yet recognized is US$23,912,268 and is expected to be recognized over the weighted average remaining recognition period of approximately 3.1 years.

As of December 31, 2019, the total compensation cost related to non-vested awards not yet recognized is US$8,160,309 and is expected to be recognized over the weighted average remaining recognition period of approximately 3.6 years.

NOTE 15 – MERCHANT INTEREST PROGRAM

Sezzle offers its merchants an interest bearing program whereby merchants may defer payment from the Company in exchange for interest. Merchant accounts payable in total were US$60,933,272 and US$13,284,544 as of December 31, 2020 and 2019, respectively, as disclosed on the consolidated balance sheets. Of these amounts, US$53,528,501 and US$10,053,570 were recorded within the merchant interest program balance as of December 31, 2020 and 2019, respectively.

Deferred payments retained in the program bear interest at the LIBOR daily (3 month) rate plus three percent (3.0%) on an annual basis, compounding daily. The weighted average annual percentage yield for the year ended December 31, 2020 was 5.43%. Interest expense associated with the program totaled US$1,475,554 and US$293,461 for the years ended December 31, 2020 and 2019, respectively.

Deferred payments are due on demand (up to US$250,000 during any seven day period) at the request of the merchant; however, Sezzle reserves the right to impose additional limits on the program and make changes to the program without notice or limits. These limits and changes to the program can include but are not limited to: maximum balances, withdrawal amount limits, and withdrawal frequency.

NOTE 16 – SHORT AND LONG TERM INCENTIVE PLANS

In May 2020, the Company adopted a short term incentive compensation program for its employees and executives. The program is based on achievements where individuals will be compensated for Company-wide and individual and/or team performance for the fiscal year. Measurement of compensable amounts is determined at the end of the year and payouts to individuals will be made in the form of restricted stock units in the following year. As of December 31, 2020, the Company has accrued a total of US$2,133,806 for this program, which is recorded in accrued liabilities on the consolidated balance sheets and offset by an expense recognized in selling, general, and administrative expenses within the consolidated statements of operations and comprehensive loss.

The Company also adopted the LTIP plan for its executive team in May 2020. The LTIP comprises grants of market priced stock options under the 2019 Equity Incentive Plan, with vesting subject to required levels of Comparative Total Shareholder Return (TSR) tested over three years, and subject to continued employment for a three-year period ending January 1, 2023. Both the market and service vesting conditions must be met in order for the grantee to vest at the end of the three year measurement period.

Each of the executive and designated senior officers of the Company was awarded a long term incentive stock option grant to purchase shares on May 22, 2020. The stock options have an exercise price of A$2.10 per share, based on the closing sale price of CDIs on the ASX on May 21, 2020, the trading day prior to the date of grant. The amount of each award is equal to 300% of the individual's salary in effect as of May 22, 2020 (100% for each of the three years in the performance period and pro-rated for start date).

The Company's stock price performance will be measured based on its volume weighted average price relative to other companies included within the S&P/ASX All Technology Index. The number of long term incentive stock option grants were calculated based on a fair value of US$0.64 per option, determined under the Monte Carlo Simulation valuation method.

Total expense recognized related to compensation under the LTIP program was US$5,939,644 for the year ended December 31, 2020. The compensable amounts under the LTIP to executive board members are subject to shareholder approval. Due to the pending approval, as of December 31, 2020, the Company has remeasured the fair value of the awards issued to executive board members utilizing the Monte Carlo Simulation valuation method and accrued US$4,483,073 within other non-current liabilities in the consolidated balance sheets, and offset by an expense recognized in selling, general, and administrative expenses within the consolidated statements of operations and comprehensive loss. The increase in value is primarily driven by the positive performance of the Company's share price during the year. Awards to non-board member executives are included within the stock compensation amounts detailed within Note 14.

NOTE 17 – LOSSES PER SHARE

The computation for basic loss per share is established by dividing net losses for the period by the weighted average shares outstanding during the reporting period, including repurchases carried as treasury stock. Diluted loss per share is computed in a similar manner, with weighted average shares increasing from the assumed exercise of employee stock options (including options classified as liabilities) and assumed vesting of restricted stock units (if dilutive). Given the Company is in a loss position, the impact of including assumed exercises of stock options and vesting of restricted stock units would have an anti-dilutive impact on the calculation of diluted loss per share and, accordingly, diluted and basic loss per share were equal for the years ended December 31, 2020 and 2019.

NOTE 18 – SUBSEQUENT EVENTS

Receivable Funding Facility

On February 10, 2021, Sezzle entered into an agreement with Goldman Sachs Bank USA (the 'Class A' senior lender) and Bastion Funding IV LLC (the 'Class B' mezzanine lender) for a US$250,000,000 receivables funding facility. The funding facility has a maturity date of June 12, 2023 (a 28-month term from the agreement date). The agreement is secured by the Company's consumer notes receivable it chooses to pledge and is subject to covenants. Fifty percent of the total available funding facility (US$125,000,000) is committed while the remaining fifty percent is available to the Company for expanding its funding capacity. The funding facility carries an interest rate of LIBOR+3.375% and LIBOR+10.689% (the LIBOR floor rate is set at 0.25%) for funds borrowed from the Class A and Class B lender, respectively. In the event of a prepayment due to a broadly marketed and distributed securitization transaction with a party external to the agreement, an exit fee of 0.75% of such prepaid balance will be due to the lender upon such transaction. Additionally, the Company paid a US$1,000,000 termination fee to exit the previous Loan Agreement with the Syndicate.

Other Subsequent Events

The Company has evaluated subsequent events through the date of the audit report and determined that there have been no events, other than those disclosed above, that have occurred that would require adjustment to the disclosures in the consolidated financial statements.

Consolidated Balance Sheets (unaudited)

	March 31, 2021	As of December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	$ 41,605,562	$ 84,285,383
Restricted cash, current	25,752,519	4,798,520
Notes receivable, net	97,806,739	80,807,300
Other receivables, net	1,472,919	1,403,306
Prepaid expenses and other current assets	1,998,796	1,705,919
Total current assets	168,636,535	173,000,428
Non-Current Assets		
Internally developed intangible assets, net	660,650	537,046
Property and equipment, net	476,774	375,186
Operating right-of-use assets	229,619	145,576
Restricted cash	20,000	20,000
Other assets	33,247	32,537
Total Assets	**$170,056,825**	**$ 174,110,773**
Liabilities and Stockholders' Equity		
Current Liabilities		
Merchant accounts payable	$ 76,578,515	$ 60,933,272
Lease liabilities	175,037	142,743
Accrued liabilities	8,043,470	6,680,870
Other payables	1,052,679	615,839
Total current liabilities	85,849,701	68,372,724
Long Term Liabilities		
Long term debt	1,470,332	1,470,332
Lease liabilities	34,918	—
Line of credit, net of unamortized debt issuance costs of $1,568,357 and $173,773, respectively	25,431,643	39,826,227
Other non-current liabilities	6,140,950	4,483,073
Total Liabilities	**118,927,544**	**114,152,356**
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $0.00001 par value; 300,000,000 shares authorized; 197,628,298 and 197,078,709 shares issued, respectively; 197,392,208 and 196,926,674 shares outstanding, respectively	1,972	1,970
Additional paid-in capital	115,430,181	112,640,974
Stock subscriptions: 56,250 and 64,000 shares subscribed, respectively	(61,925)	(69,440)
Treasury stock, at cost: 236,090 and 152,035 shares, respectively	(1,282,666)	(875,232)
Accumulated other comprehensive income	629,436	494,505
Accumulated deficit	(63,587,717)	(52,234,360)
Total Stockholders' Equity	**51,129,281**	**59,958,417**
Total Liabilities and Stockholders' Equity	**$170,056,825**	**$ 174,110,773**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Loss (unaudited)

	For the three months ended	
	March 31, 2021	March 31, 2020
Income		
Sezzle income	$ 22,252,390	$ 7,038,200
Account reactivation fee income	3,778,368	1,130,691
Total income	26,030,758	8,168,891
Cost of Income	8,924,927	3,501,491
Gross Profit	**17,105,831**	**4,667,400**
Operating Expenses		
Selling, general, and administrative expenses	17,360,651	5,326,980
Provision for uncollectible accounts	8,576,978	2,833,613
Total operating expenses	25,937,629	8,160,593
Operating Loss	**(8,831,798)**	**(3,493,193)**
Other Income (Expense)		
Net interest expense	(1,353,619)	(806,906)
Other income and expense, net	(57,039)	(57,485)
Loss on extinguishment of line of credit	(1,092,678)	—
Loss before taxes	(11,335,134)	(4,357,584)
Income tax expense	18,223	—
Net Loss	**(11,353,357)**	**(4,357,584)**
Other Comprehensive Income		
Foreign currency translation adjustment	134,931	6,010
Total Comprehensive Loss	**$ (11,218,426)**	**$ (4,351,574)**
Net Losses per Share:		
Basic and diluted loss per common share	$ (0.06)	$ (0.02)
Basic and diluted weighted average shares outstanding	197,088,869	178,934,423

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity (unaudited)

	Common Stock		Additional Paid-in	Stock	Treasury Stock,	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Subscriptions	At Cost	Income	Deficit	Total
Balance at January 1, 2020	**178,931,312**	**$ 1,789**	**$47,154,147**	**$ —**	**$ —**	**$ —**	**$ (19,841,620)**	**$27,314,316**
Equity based compensation	—	—	608,523	—	—	—	—	608,523
Stock subscriptions receivable related to stock option exercises	180,416	2	8,473	(8,475)	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	6,010	—	6,010
Net loss	—	—	—	—	—	—	(4,357,584)	(4,357,584)
Balance at March 31, 2020	**179,111,728**	**$ 1,791**	**$47,771,143**	**$ (8,475)**	**$ —**	**$ 6,010**	**$ (24,199,204)**	**$23,571,265**

	Common Stock		Additional Paid-in	Stock	Treasury Stock,	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Subscriptions	At Cost	Income	Deficit	Total
Balance at January 1, 2021	**196,926,674**	$ 1,970	**$112,640,974**	**$ (69,440)**	**$ (875,232)**	**$ 494,505**	**$ (52,234,360)**	**$ 59,958,417**
Equity based compensation	—	—	2,183,589	—	—	—	—	2,183,589
Stock option exercises	202,350	2	70,582	—	—	—	—	70,584
Restricted stock issuances and vesting of awards	290,989	—	473,111	—	—	—	—	473,111
Stock subscriptions receivable related to stock option exercises	56,250	—	61,925	(61,925)	—	—	—	—
Stock subscriptions collected related to stock option exercises	—	—	—	69,440	—	—	—	69,440
Repurchase of common stock	(84,055)	—	—	—	(407,434)	—	—	(407,434)
Foreign currency translation adjustment	—	—	—	—	—	134,931	—	134,931
Net loss	—	—	—	—	—	—	(11,353,357)	(11,353,357)
Balance at March 31, 2021	**197,392,208**	**$ 1,972**	**$115,430,181**	**$ (61,925)**	**$(1,282,666)**	**$ 629,436**	**$ (63,587,717)**	**$ 51,129,281**

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows (unaudited)

	For the three months ended	
	March 31, 2021	March 31, 2020
Operating Activities:		
Net loss	$(11,353,357)	$ (4,357,584)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	163,401	81,856
Provision for uncollectible accounts	8,576,978	2,833,613
Provision for other uncollectible receivables	1,319,290	543,468
Equity based compensation and restricted stock vested	2,656,700	608,523
Amortization of debt issuance costs	130,457	104,264
Loss on extinguishment of line of credit	1,092,679	—
Changes in operating assets and liabilities:		
Notes receivable	(25,514,031)	(8,116,850)
Other receivables	(1,388,618)	(305,157)
Prepaid expenses and other assets	(294,996)	(130,474)
Merchant accounts payable	15,588,578	6,735,135
Other payables	611,611	79,176
Accrued liabilities	3,016,748	159,613
Operating leases	(14,440)	(24,808)
Net Cash Used for Operating Activities	**(5,409,000)**	**(1,789,225)**
Investing Activities:		
Purchase of property and equipment	(189,838)	(36,595)
Internally developed intangible asset additions	(199,465)	(78,161)
Net Cash Used for Investing Activities	**(389,303)**	**(114,756)**
Financing Activities:		
Proceeds from line of credit	26,666,667	5,650,000
Payments to line of credit	(39,666,667)	(1,450,000)
Payments of debt issuance costs	(1,617,720)	—
Payment of debt extinguishment costs	(1,000,000)	—
Proceeds from stock option exercises	70,584	—
Stock subscriptions collected related to stock option exercises	69,440	—
Repurchase of common stock	(579,212)	—
Net Cash (Used for) Provided from Financing Activities	**(16,056,908)**	**4,200,000**
Effect of exchange rate changes on cash	129,389	22,697
Net (decrease) increase in cash, cash equivalents, and restricted cash	(21,855,211)	2,296,019
Cash, cash equivalents, and restricted cash, beginning of year	89,103,903	36,624,618
Cash, cash equivalents, and restricted cash, end of period	**$ 67,378,081**	**$38,943,334**
Noncash investing and finance activities:		
Lease liabilities arising from obtaining right-of-use assets	139,676	—
Supplementary disclosures:		
Interest paid	1,488,369	743,375
Income taxes paid	—	—

See the accompanying Notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements (unaudited)

Note 1. Significant Accounting Policies

These unaudited consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) applicable to interim financial statements. While these consolidated financial statements and the accompanying notes thereof reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. These consolidated financial statements and their accompanying notes should be read in conjunction with the consolidated financial statement disclosures in our 2020 annual consolidated financial statements. Operating results reported for the three months ended March 31, 2021 might not be indicative of the results for any subsequent period or the entire year ending December 31, 2021.

Sezzle Inc. (the "Company" or "Sezzle") uses the same accounting policies in preparing quarterly and annual consolidated financial statements. The consolidated financial statements include all the accounts and activities of Sezzle Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions are eliminated during consolidation.

Sezzle operates as a single segment that consists primarily of lending to consumers located in the United States and Canada who purchase goods from its affiliated merchants. During 2020, the Company began startup operations in India and Europe. While distinct geographic locations, the operations in both counties are still in an early growth stage. Sezzle's income and assets are primarily related to operations in North America.

None of the recent accounting pronouncements issued by the Financial Accounting Standards Board during the three months ended March 31, 2021 are within scope for the Company; therefore, it does not expect any of the recent accounting pronouncements issued to have a material effect on the Company's consolidated financial statements.

The Company has evaluated events and transactions occurring subsequent to the statement of financial condition as of March 31, 2021 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

Note 2. Fair Value

Fair values are based on 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 (i.e. an exit price). Fair value measurements are reported in one of three levels reflecting the valuation techniques used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 - Unobservable inputs for the asset or liability, which include management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

The Company measures the value of its money market securities on a regular basis. The fair value of its money market securities, totaling $3,001,324 and $9,996,155 as of March 31, 2021 and December 31, 2020, respectively, are based on Level 1 inputs and are included within cash and cash equivalents on the consolidated balance sheets.

Note 3. Total Income

Sezzle Income

Sezzle receives its income primarily from fees paid by retail merchant clients in exchange for Sezzle's payment processing services. These fees are applied to the underlying sales to end-customers passing through the Company's platform and are predominantly based on a percentage of the consumer order value plus a fixed fee per transaction. Consumer installment payment plans typically consist of four installments, with the first payment made at the time of purchase and subsequent payments coming due every two weeks thereafter. Additionally, consumers may reschedule their initial installment plan by delaying payment for up to two weeks, for which Sezzle earns a rescheduled payment fee. The total of merchant fees and rescheduled payment fees, less note origination costs, are collectively referred to as Sezzle income within the consolidated statements of operations and comprehensive loss.

Sezzle income is initially recorded as a reduction to notes receivable, net, within the consolidated balance sheets. Sezzle income is then recognized over the average duration of the note using the effective interest rate method. Total Sezzle income to be recognized over the duration of existing notes receivable outstanding was $4,184,342 and $3,458,222 as of March 31, 2021 and December 31, 2020, respectively. Total Sezzle income recognized was $22,252,390 and $7,038,200 for the three months ended March 31, 2021 and 2020, respectively.

Account Reactivation Fee Income

Sezzle also earns income from consumers in the form of account reactivation fees. These fees are assessed to consumers who fail to make a timely payment. Sezzle allows a 48-hour waiver period where fees are dismissed if the installment is paid by the consumer. Account reactivation fees are recognized at the time the fee is charged to the consumer, less an allowance for uncollectible amounts. Total account reactivation fee income recognized totaled $3,778,368 and $1,130,691 for the three months ended March 31, 2021 and 2020, respectively.

Note 4. Notes Receivable

Sezzle's notes receivables comprise outstanding consumer principal and account reschedule fees that Sezzle reasonably expects to collect from its consumers. As of March 31, 2021 and December 31, 2020, Sezzle's notes receivable, related allowance for uncollectible accounts, and deferred net origination fees are recorded within the consolidated balance sheets as follows:

As of	March 31, 2021	December 31, 2020
Notes receivable, gross	$113,622,843	$ 95,398,668
Less allowance for uncollectible accounts:		
Balance at beginning of year	(11,133,146)	(3,461,837)
Provision	(8,576,978)	(19,587,918)
Charge-offs, net of recoveries totaling $403,245 and $648,799, respectively	8,078,362	11,916,609
Total allowance for uncollectible accounts	(11,631,762)	(11,133,146)
Notes receivable, net of allowance	101,991,081	84,265,522
Deferred origination fees, net of costs	(4,184,342)	(3,458,222)
Notes receivable, net	**$ 97,806,739**	**$ 80,807,300**

Sezzle maintains an allowance for uncollectible accounts at a level necessary to absorb estimated probable losses on principal and reschedule fee receivables from consumers. Any amounts delinquent after 90 days are charged-off with an offsetting reversal of the allowance for doubtful accounts through the provision for uncollectible accounts. Additionally, amounts identified as no longer collectible—such as when a consumer becomes deceased or bankrupt—are charged off immediately. Principal payments recovered after the 90 day charge-off period are recognized as a reduction to the allowance for uncollectible accounts in the period the receivable is recovered. Sezzle has not changed the methodology for estimating its allowance for uncollectible accounts during the three months ended March 31, 2021.

The following table summarizes Sezzle's gross notes receivable and related allowance for uncollectible accounts as of March 31, 2021 and December 31, 2020:

As of	March 31, 2021			December 31, 2020		
	Gross Receivables	Less Allowance	Net Receivables	Gross Receivables	Less Allowance	Net Receivables
Current	$ 99,203,487	$ (2,886,152)	$ 96,317,335	$79,673,073	$ (2,692,254)	$76,980,819
Days past due:						
1–28	6,360,084	(2,312,398)	4,047,686	9,574,902	(3,616,327)	5,958,575
29–56	3,762,436	(2,568,822)	1,193,614	3,576,255	(2,646,627)	929,628
57–90	4,296,836	(3,864,390)	432,446	2,574,438	(2,177,938)	396,500
Total	**$113,622,843**	**$(11,631,762)**	**$101,991,081**	**$95,398,668**	**$(11,133,146)**	**$84,265,522**

Deferred origination fees, net of costs are comprised of unrecognized merchant fees and consumer reschedule fees net of direct note origination costs, which are recognized over the duration of the note with the consumer and are recorded as an offset to Sezzle income on the consolidated statements of operations and comprehensive loss. Sezzle's notes receivable had a weighted average days outstanding of 34 days, consistent with the prior year's duration.

Note 5. Other Receivables

As of March 31, 2021 and December 31, 2020, the balance of other receivables, net, on the consolidated balance sheets is comprised of the following:

As of	March 31, 2021	December 31, 2020
Account reactivation fees receivable, net	$ 515,792	$ 804,060
Receivables from merchants	957,127	599,246
Other receivables, net	**$ 1,472,919**	**$ 1,403,306**

Account reactivation fees receivable, net, is comprised of outstanding account reactivation fees that Sezzle reasonably expects to collect from its consumers. As of March 31, 2021 and December 31, 2020, Sezzle's account reactivation fees receivable and related allowance for uncollectible accounts are recorded within the consolidated balance sheets as follows:

As of	March 31, 2021	December 31, 2020
Account reactivation fees receivable, gross	$ 1,661,973	$ 1,875,648
Less allowance for uncollectible accounts:		
Balance at start of period	(1,071,588)	(483,518)
Provision	(974,654)	(2,347,733)
Charge-offs, net of recoveries totaling $126,184 and $71,110, respectively	900,061	1,759,663
Total allowance for uncollectible accounts	(1,146,181)	(1,071,588)
Account reactivation fees receivable, net	**$ 515,792**	**$ 804,060**

Sezzle maintains the allowance at a level necessary to absorb estimated probable losses on consumer account reactivation fee receivables. Any amounts delinquent after 90 days are charged-off with an offsetting reversal of the allowance for doubtful accounts through the provision for uncollectible accounts. Additionally, amounts identified as no longer collectible—such as when a consumer becomes deceased or bankrupt—are charged off immediately. Payments recovered after the 90 day charge-off period are recognized as a reduction to the allowance for uncollectible accounts in the period the receivable is recovered. Sezzle has not changed the methodology for estimating its allowance for uncollectible accounts during the three months ended March 31, 2021.

Receivables from merchants primarily represent merchant fees charged, but not yet paid, to the Company. Additionally, during the three months ended March 31, 2021, the Company recorded direct write-downs of $344,636 for uncollectible receivables from merchants, which is included in the provision for uncollectible other receivables.

Note 6. Leases

Sezzle is currently entered into operating leases for its corporate office spaces in the United States and Canada. Total lease expense incurred for the three months ended March 31, 2021 and 2020 was $137,180 and $98,776, respectively. Lease expense is recognized within selling, general, and administrative expenses on the consolidated statements of operations and comprehensive loss.

During the three months ended March 31, 2021, Sezzle renewed a portion of its operating leases in the United States and Canada, which it had previously determined it was unlikely to renew. As a result, Sezzle recorded an increase in its operating right-of-use assets and its corresponding lease liabilities of $139,676.

The expected maturity of the Company's operating leases as of March 31, 2021 is as follows:

2021	$ 146,099
2022	70,388
Interest	(6,532)
Present value of lease liabilities	$ 209,955

The weighted average remaining term of the Company's operating leases is 1.2 years and its weighted average discount rate for all operating leases is 4.75%. As of March 31, 2021, Sezzle has not entered into any lease agreements that contain residual value guarantees or financial covenants.

Note 7. Internally Developed Intangible Assets, Property, and Equipment

The Company reviews the carrying value of long-lived assets, which includes property, equipment, and internally developed intangible assets, for impairment whenever events and circumstances indicate that the assets' carrying value may not be recoverable from the future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects; the manner in which the asset is used; and the effects of obsolescence, demand, competition, and other economic factors. No such impairment losses were incurred during the three months ended March 31, 2021 and 2020.

Note 8. Merchant Accounts Payable

Sezzle offers its merchants an interest bearing program in which merchants may defer payment from the Company in exchange for interest. Merchant accounts payable in total were $76,578,515 and $60,933,272 as of March 31, 2021 and December 31, 2020, respectively, as disclosed in the consolidated balance sheets. Of these amounts, $66,883,577 and $53,528,501 were recorded within the merchant interest program balance as of March 31, 2021 and December 31, 2020, respectively.

Deferred payments retained in the program bear interest at the LIBOR daily (3 month) rate plus three percent (3.0%) on an annual basis, compounding daily. The weighted average annual percentage yield was 3.27% and 7.44% for the three months ended March 31, 2021 and 2020, respectively. Interest expense associated with the program totaled $462,735 and $241,734 for the three months ended March 31, 2021 and 2020, respectively.

Deferred payments are due on demand, up to $250,000 during any seven day period, at the request of the merchant. Any request larger than $250,000 is honored after 7 days. Sezzle reserves the right to impose additional limits on the program and make changes to the program without notice or limits. These limits and changes to the program can include but are not limited to: maximum balances, withdrawal amount limits, and withdrawal frequency.

Note 9. Line of Credit

On February 10, 2021, Sezzle entered into an agreement with Goldman Sachs Bank USA (the 'Class A' senior lender) and Bastion Funding IV LLC (the 'Class B' mezzanine lender) for a $250,000,000 receivables funding facility. The funding facility has a maturity date of June 12, 2023 (a 28-month term from the agreement date). Fifty percent of the total available funding facility ($125,000,000) is committed while the remaining fifty percent is available to the Company for expanding its funding capacity. The loan agreement is subject to both affirmative and negative covenants. The Company had an outstanding line of credit balance of $27,000,000 as of March 31, 2021 and is recorded within line of credit, net, as a non-current liability on the consolidated balance sheets.

The agreement is secured by the Company's consumer notes receivable it chooses to pledge. Borrowings are generally based on 90% of eligible notes receivable pledged, or 85% if the weighted average FICO scores of the pledged receivables falls below 580. Eligible notes receivables are defined as notes receivables from consumers in the United States or Canada that are less than 15 days past due. As of March 31, 2021, Sezzle had pledged $97,747,215 of its notes receivable. Sezzle had an unused borrowing capacity of $46,612,706 as of March 31, 2021.

The funding facility carries an interest rate of 3-month LIBOR+3.375% and 3-month LIBOR+10.689% (the LIBOR floor rate is set at 0.25%) for funds borrowed from the Class A and Class B lender, respectively. As of March 31, 2021, the weighted average interest rate was 5.250%. Interest on borrowings is due on collection dates as specified in the loan agreement, typically fortnightly. For the three months ended March 31, 2021, interest expense relating to the utilization of the line of credit was $669,248.

Additionally, any unused daily amounts incur a facility fee at a rate of .50% per annum until May 11, 2021. Beginning May 11, 2021, the facility fee rate becomes variable, dependent on the percentage of the line of credit utilized. If less than one-third of the facility is used, the rate is .65% per annum; if between one-third and two-thirds of the facility is used, the rate is .50% per annum; and if more than two-thirds of the facility is used, the rate is .35% per annum.

In the event of a prepayment due to a broadly marketed and distributed securitization transaction with a party external to the agreement, an exit fee of 0.75% of such prepaid balance will be due to the lender upon such transaction. Additionally, the Company paid a $1,000,000 termination fee to exit its previous loan agreement.

For the three months ended March 31, 2021, amortization expense recorded for debt issuance costs on the line of credit totaled $130,457. Total cash payments for debt issuance costs relating to the new line of credit were $1,617,720 as of March 31, 2021.

Note 10. Commitments and Contingencies

Merchant Contract Obligations

The Company has entered into several agreements with third-parties in which Sezzle will reimburse the third-parties for co-branded marketing and advertising costs. For the three months ended March 31, 2021, the Company entered into agreements that stipulate that Sezzle will commit to spend up to $290,000 in marketing and advertising spend. Sezzle had approximately $198,000 and $211,000 recorded as a prepaid expense in the consolidated balance sheets as of March 31, 2021 and December 31, 2020, respectively.

Expenses incurred relating to these agreements totaled $1,105,936 and $7,823 for the three months ended March 31, 2021 and 2020, respectively. These expenses are included within selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss.

In December 2020, the Company entered into an agreement with a merchant subject to certain contract performance obligations. These contractual performance obligations are measured every six months, and failure to meet such obligations would result in payment to the merchant based on a formula defined in the contact. In the first quarter of 2021, Sezzle determined it was probable that it would not meet the contractual performance obligation for its first measurement period in June 2021. As a result, Sezzle recorded an expense within selling, general, and administrative expenses, offset with a liability recorded within accrued liabilities, relating to the estimated payment to the merchant based on activity during the three months ended March 31, 2021.

Note 11. Short and Long–Term Incentive Plans

In May 2020, the Company adopted a short-term incentive compensation program for its employees and executives. The program is based on achievements where individuals will be compensated for Company-wide and individual and/or team performance for the fiscal year. Measurement of compensable amounts is determined at the end of the year and payouts to individuals will be made in the form of restricted stock units in the following year. As of March 31, 2021, the Company has accrued a total of $3,067,432 for this program, compared to $2,133,806 as of December 31, 2020, which is recorded in accrued liabilities on the consolidated balance sheets.

The Company also adopted a long-term incentive plan (LTIP) for its executive team in May 2020. The LTIP comprises grants of market priced stock options under the 2019 Equity Incentive Plan, with vesting subject to required levels of Comparative Total Shareholder Return (TSR) tested over three years, and subject to continued employment for a three-year period ending January 1, 2023. Both the market and service vesting conditions must be met in order for the grantee to vest at the end of the three year measurement period.

Each of the executive and designated senior officers of the Company was awarded a long term incentive stock option grant to purchase shares on May 22, 2020. The stock options have an exercise price of A$2.10 per share, based on the closing sale price of CDIs on the ASX on May 21, 2020, the trading day prior to the date of grant. The amount of each award is equal to 300% of the individual's salary in effect as of May 22, 2020 (100% for each of the three years in the performance period and pro-rated for start date).

The Company's stock price performance will be measured based on its volume weighted average price relative to other companies included within the S&P/ASX All Technology Index. The number of long term incentive stock option grants were calculated based on a fair value of US$0.64 per option, determined under the Monte Carlo Simulation valuation method.

Total expense recognized related to compensation under the LTIP program was $1,830,794 for the three months ended March 31, 2021. The compensable amounts under the LTIP to executive board members are subject to shareholder approval. Due to the pending approval, as of March 31, 2021, the Company has remeasured the fair value of the awards issued to executive board members utilizing the Monte Carlo Simulation valuation method and accrued $6,140,950, compared to $4,483,073 as of December 31, 2020, within other non-current liabilities in the consolidated balance sheets. The increase in value is primarily driven by the positive performance of the Company's share price during the year.

Note 12. Net Loss Per Share

The computation for basic net loss per share is established by dividing net losses for the period by the weighted average shares outstanding during the reporting period, including repurchases carried as treasury stock. Diluted net loss per share is computed in a similar manner, with the weighted average shares outstanding increasing from the assumed exercise of employee stock options (including options classified as liabilities) and assumed vesting of restricted stock units (if dilutive). Given the Company is in a loss position, the impact of including assumed exercises of stock options and vesting of restricted stock units would have an anti-dilutive impact on the calculation of diluted net loss per share and, accordingly, diluted and basic net loss per share were equal for the three months ended March 31, 2021 and 2020.

Note 13. Subsequent Events

During the second quarter of 2021, Sezzle entered into various agreements with merchants whereby Sezzle will make marketing, incentive, or other payments to the merchant over the terms of the agreements, ranging from one to three years. Sezzle is committed to reimburse up to approximately $35 million to various merchants throughout the term of these agreements for co-marketing related activities. Certain agreements also contain provisions that may require payments by the Company and are contingent on Sezzle and/or the third party meeting specified criteria, such as achieving volume targets and implementation benchmarks.

Exhibit 3.2

FOURTH RESTATED
CERTIFICATE OF INCORPORATION OF
SEZZLE INC., A PUBLIC BENEFIT CORPORATION

(Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware)

Sezzle Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "**General Corporation Law**"),

DOES HEREBY CERTIFY:

1. That the name of this corporation is Sezzle Inc.

2. This corporation was incorporated pursuant to an original Certificate of Incorporation filed with the Secretary of State of the State of Delaware on January 4, 2016.

3. This Fourth Restated Certificate of Incorporation ("**Certificate of Incorporation**") amends, restates and integrates the provisions of the Certificate of Incorporation of said corporation and has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law and was approved by the holders of the requisite number of shares of this corporation in accordance with Sections 228 and 363 of the General Corporation Law.

RESOLVED, that the Certificate of Incorporation of this corporation be amended and restated in its entirety to read as follows:

ARTICLE I

The name of this corporation is Sezzle Inc. (the **"Corporation**").

ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is 8 The Green, Ste A, in the City of Dover, County of Kent, 19901. The name of its registered agent at such address is A Registered Agent, Inc.

ARTICLE III

In pursuing any business, trade, or activity which may lawfully be conducted by the Corporation, the Corporation shall promote a specific public benefit of having a material positive effect (or reduction of negative effects) on consumer empowerment, education, and transparency in the Corporation's local, national, and global communities. This Article may be amended or deleted only pursuant to the requisite stockholder approval required by Subchapter XV of the General Corporation Law.

ARTICLE IV

The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 750,000,000 shares of Common Stock, US$0.00001 par value per share ("**Common Stock**"), (ii) 300,000,000 shares of Common Prime Stock, US$0.00001 par value per share ("**Common Prime Stock**") and (iii) 750,000,000 shares of Preferred Stock, US$0.00001 par value per share ("**Preferred Stock**").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation or pursuant to the General Corporation Law. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of this Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

3. Conversion. Common Stock issued pursuant to the terms of Article V may be converted into Common Prime Stock pursuant to the terms of Article V.

B. COMMON PRIME STOCK

1. General. The rights, preferences, privileges and restrictions granted to and imposed on the Common Prime Stock are subject to and qualified by the rights, powers and preferences of the holders of the Common Prime Stock set forth herein.

2. Dividend Rights. The holders of Common Prime Stock shall not be entitled to share in any dividends or other distributions of cash, property or shares of the Corporation as may be declared by the Board of Directors on the Common Stock.

3. Redemption. The Common Prime Stock is not redeemable.

4. Voting Rights. Except as otherwise provided by law, the holders of Common Prime Stock shall not be entitled to any voting rights.

5. Liquidation Rights. In the event of the voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, the holders of Common Stock and Common Prime Stock shall be entitled to share equally, on a per-share basis, in all assets of the Corporation of whatever kind available for distribution to the holders of the Corporation's capital stock.

6. Conversion. Common Prime Stock may convert into Common Stock as set forth in Article V.

C. PREFERRED STOCK

Shares of Preferred Stock may be issued in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers relative to other classes or series of Preferred Stock, if any, or Common Stock, full or limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors, and the Board of Directors is hereby expressly vested with the authority, to the full extent now or hereafter provided by applicable law, to adopt any such resolution or resolutions. Except as otherwise provided in this Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation. Any shares of Preferred Stock that are redeemed, purchased or acquired by the Corporation shall be returned to the authorized but undesignated shares of Preferred Stock and may be reissued except as otherwise provided by law or this Certificate of Incorporation. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors.

ARTICLE V

In connection with the Corporation's initial public offering (the "**Offering**") of CHESS Depository Interests ("**CDIs**") (with each CDI representing an interest in one share of Common Stock), certain stockholders entered into an escrow agreement (the "**Escrow Agreement**") with the Corporation under which the stockholder agreed, among other things, to certain restrictions and prohibitions from engaging in transactions in the shares of Common Stock (including Common Stock in the form of CDIs) held or acquired by the stockholder (including shares of Common Stock that may be acquired upon exercise of a sock option, warrant or other right) or Common Stock which attach to or arise from such Common Stock (collectively, the "**Restricted Securities**") for a period of time identified in the Escrow Agreement (the "**Lock-Up Period**"). The Restricted Securities shall automatically and without further action be converted into shares of Common Prime Stock, on a one-for-one basis, if the Corporation determines, in its sole discretion, that the stockholder breached or violated any term of such stockholder's Escrow Agreement or breached the Official Listing rules of the Australian Stock Exchange relating to the Restricted Securities (the "**Listing Rules**"). Any shares of Common Stock converted to Common Prime Stock pursuant to this Article V shall automatically and without further action be converted back into shares of Common Stock, on a one-for-one basis upon the earlier to occur of the Lock-Up Period in the applicable Escrow Agreement pursuant to which the shares of Common Stock were originally converted to Common Prime Stock or the breach of the Listing Rules being remedied. Upon conversion of Common Stock or Common Prime Stock pursuant to this Article V, the Company shall, within ten (10) Business Days notify the holder of the converted securities of such conversion. Any notice required or permitted by the provisions of this Article V to be given to a holder of shares of Common Stock or Common Prime Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

ARTICLE VI

In furtherance of and not in limitation of powers conferred by statute, it is further provided:

1. The business and affairs of this Corporation shall be managed by or under the direction of the Board of Directors;

2. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide;

3. The Board of Directors is expressly authorized to adopt, amend, alter or repeal the Bylaws of this Corporation; and

4. The number of directors of this Corporation shall be determined in the manner set forth in the Bylaws of this Corporation.

ARTICLE VII

To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article VII to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article VII by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

Any disinterested failure to satisfy Section 365 of the General Corporation Law shall not, for the purposes of Sections 102(b)(7) or 145 of the General Corporation Law, constitute an act or omission not in good faith, or a breach of the duty of loyalty.

ARTICLE VIII

The following indemnification provisions shall apply to the persons enumerated below.

1. Right to Indemnification of Directors and Officers. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "**Indemnified Person**") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Indemnified Person in such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 3 of this Article VIII the Corporation shall be required to indemnify an Indemnified Person in connection with a Proceeding (or part thereof) commenced by such Indemnified Person only if the commencement of such Proceeding (or part thereof) by the Indemnified Person was authorized in advance by the Board of Directors.

2. Prepayment of Expenses of Directors and Officers. The Corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnified Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Indemnified Person to repay all amounts advanced if it should be ultimately determined that the Indemnified Person is not entitled to be indemnified under this Article VIII or otherwise.

3. Claims by Directors and Officers. If a claim for indemnification or advancement of expenses under this Article VIII is not paid in full within thirty (30) days after a written claim therefor by the Indemnified Person has been received by the Corporation, the Indemnified Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Indemnified Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

4. Indemnification of Employees and Agents. The Corporation may indemnify and advance expenses to any person who was or is made or is threatened to be made or is otherwise involved in any Proceeding by reason of the fact that such person, or a person for whom such person is the legal representative, is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person in connection with such Proceeding. The ultimate determination of entitlement to indemnification of persons who are non-director or officer employees or agents shall be made in such manner as is determined by the Board of Directors in its sole discretion. Notwithstanding the foregoing sentence, the Corporation shall not be required to indemnify a person in connection with a Proceeding initiated by such person if the Proceeding was not authorized in advance by the Board of Directors.

5. Advancement of Expenses of Employees and Agents. The Corporation may pay the expenses (including attorneys' fees) incurred by an employee or agent in defending any Proceeding in advance of its final disposition on such terms and conditions as may be determined by the Board of Directors.

6. Non-Exclusivity of Rights. The rights conferred on any person by this Article VIII shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the Bylaws of the Corporation, or any agreement, or pursuant to any vote of stockholders or disinterested directors or otherwise.

7. Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer or employee of another Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise shall be reduced by any amount such person may collect as indemnification from such other Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise.

8. Insurance. The Board of Directors may, to the full extent permitted by applicable law as it presently exists, or may hereafter be amended from time to time, authorize an appropriate officer or officers to purchase and maintain at the Corporation's expense insurance; (a) to indemnify the Corporation for any obligation which it incurs as a result of the indemnification of directors, officers and employees under the provisions of this Article VIII; and (b) to indemnify or insure directors, officers and employees against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article VIII.

9. Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article VIII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification. The rights provided hereunder shall inure to the benefit of any Indemnified Person and such person's heirs, executors and administrators.

ARTICLE IX

1. No Action by Written Consent. Any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

2. Meetings of Stockholders. Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE X

Subject to any additional vote required by this Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

ARTICLE XI

The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "**Excluded Opportunity**" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, "Covered Persons"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation.

ARTICLE XII

1. Exclusive Forum. Unless the Board of Directors or one of its committees otherwise approves the selection of an alternate forum, the Court of Chancery of the State of Delaware (or, if, and only if, the Court of Chancery of the State of Delaware dismisses a Covered Claim (as defined below) for lack of subject matter jurisdiction, any other state or federal court in the State of Delaware that does have subject matter jurisdiction) shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for any (i) derivative claim brought in the right of the Corporation, (ii) claim asserting a breach of a fiduciary duty to the Corporation or the Corporation's stockholders owed by any current or former director, officer or other employee or stockholder of the Corporation, (iii) claim against the Corporation arising pursuant to any provision of the DGCL, this Fourth Restated Certificate of Incorporation or the Bylaws of the Corporation, (iv) claim to interpret, apply, enforce or determine the validity of this Fourth Restated Certificate of Incorporation or the Bylaws of the Corporation, (v) claim against the Corporation governed by the internal affairs doctrine, or (vi) other claim, not subject to exclusive federal jurisdiction and not subject to paragraph (4) below, brought in any action asserting one or more of the claims specified in clauses (1)(i) through (v) herein above (each a "Covered Claim"); provided, however, that the provisions of this Article XII(1) will not apply to claims brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended.

2. Personal Jurisdiction. If any person or entity (a "Claiming Party") files an action asserting a Covered Claim in a court other than one determined in accordance with paragraph (1) above (each a "Foreign Action") without the prior approval of the Board of Directors or one of its committees, such Claiming Party shall be deemed to have consented to (i) the personal jurisdiction of the court determined in accordance with paragraph (1) in connection with any such action brought in any such court to enforce paragraph (1) (an "Enforcement Action") and (ii) having service of process made upon such Claiming Party in any such Enforcement Action by service upon such Claiming Party's counsel in the Foreign Action as agent for such Claiming Party.

3. Notice and Consent. Any person or entity purchasing or otherwise acquiring any interest in the shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII and waived any argument relating to the inconvenience of the forums referenced above in connection with any Covered Claim.

4. Federal Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Any person or entity purchasing or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and consented to this provision.

IN WITNESS WHEREOF, this Fourth Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this [●] day of [●], 2021.

Charles G. Youakim
President and Chief Executive Officer

SEZZLE BYLAWS
THIRD AMENDED AND RESTATED BYLAWS
OF SEZZLE INC.

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THIRD AMENDED AND RESTATED BYLAWS
OF SEZZLE INC.
a Delaware public benefit corporation

ARTICLE I
CORPORATE OFFICES

In addition to SEZZLE INC.'s (the "**Corporation**") registered office set forth in the Certificate of Incorporation of the Corporation, as amended (the "**Certificate of Incorporation**"), the board of directors of the Corporation (the "**Board of Directors**") may at any time establish other offices at any place or places where the business or the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

2.1 Place of Meetings

Meetings of stockholders shall be held at any place, within or outside the state of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the Corporation. The Board of Directors may, in its sole discretion and subject to such guidelines and procedures as the Board of Directors may from time to time adopt, determine that the meeting shall not be held at any specific place, but may instead be held solely by means of remote communication.

2.2 Annual Meeting

The annual meeting of stockholders shall be held on such date, time and place, either within or without the state of Delaware, as may be designated by resolution of the Board of Directors each year. At the meeting, directors shall be elected and such other business as may properly come before the meeting in accordance with these Bylaws may be transacted.

2.3 Special Meeting

A special meeting of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called at any time only by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or the President.

No business may be transacted at such special meeting other than the business specified in the notice of such meeting. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

2.4 Advance Notice of Nominations and Proposals of Business

(a) Nominations of persons for election to the Board of Directors and proposals for other business to be transacted by the stockholders at an annual meeting of stockholders may be made (i) pursuant to the Corporation's notice with respect to such meeting (or any supplement thereto), (ii) by or at the direction of the Board of Directors or any committee thereof or (iii) by any stockholder of record of the Corporation who (A) was a stockholder of record at the time of the giving of the notice contemplated in Section 2.4(b), (B) is entitled to vote at such meeting and (C) has complied with the notice procedures set forth in this Section 2.4. Subject to Section 2.4(i) and except as otherwise required by law, clause (iii) of this Section 2.4(a) shall be the exclusive means for a stockholder to make nominations or propose other business (other than nominations and proposals properly brought pursuant to applicable provisions of federal law, including the Securities Exchange Act of 1934 (as amended from time to time, the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission thereunder) before an annual meeting of stockholders.

(b) Except as otherwise required by law, for nominations or proposals to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 2.4(a), (i) the stockholder must have given timely notice thereof in writing to the Secretary with the information contemplated by Section 2.4(c) including, where applicable, delivery to the Corporation of timely and completed questionnaires as contemplated by Section 2.4(c), and (ii) the business must be a proper matter for stockholder action under the General Corporation Law of the State of Delaware (the "General Corporation Law"). The notice requirements of this Section 2.4 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement prepared by the Corporation to solicit proxies for such annual meeting.

(c) To be timely for purposes of Section 2.4(b), a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation on a date (i) not later than the close of business on the ninetieth (90^{th}) day nor earlier than the close of business on the one hundred twentieth (120^{th}) day prior to the anniversary date of the prior year's annual meeting or (ii) if there was no annual meeting in the prior year or if the date of the current year's annual meeting is more than thirty (30) days before or after the anniversary date of the prior year's annual meeting, on or before ten (10) days after the day on which the date of the current year's annual meeting is first disclosed in a public announcement. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the delivery of such notice. Such notice from a stockholder must state (i) as to each nominee that the stockholder proposes for election or reelection as a director, (A) all information relating to such nominee that would be required to be disclosed in solicitations of proxies for the election of such nominee as a director pursuant to Regulation 14A under the Exchange Act and such nominee's written consent to serve as a director if elected, and (B) a description of all direct and indirect compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between or concerning such stockholder, any Stockholder Associated Person (as defined below) or any of their respective affiliates or associates, on the one hand, and the proposed nominee or any of his or her affiliates or associates, on the other hand; (ii) as to each proposal that the stockholder seeks to bring before the meeting, a brief description of such proposal, the reasons for making the proposal at the meeting, the text of the proposal (including the text of any resolutions proposed for consideration and in the event that it includes a proposal to amend these Bylaws, the language of the proposed amendment) and any material interest that the stockholder has in the proposal; and (iii) (A) the name and address of the stockholder giving the notice and the Stockholder Associated Persons, if any, on whose behalf the nomination or proposal is made, (B) the class (and, if applicable, series) and number of shares of stock of the Corporation that are, directly or indirectly, owned beneficially or of record by the stockholder or any Stockholder Associated Person, (C) any option, warrant, convertible security, stock appreciation right or similar instrument, right, agreement, arrangement or understanding with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class (or, if applicable, series) of shares of stock of the Corporation or with a value derived in whole or in part from the value of any class (or, if applicable, series) of shares of stock of the Corporation, whether or not such instrument, right, agreement, arrangement or understanding shall be subject to settlement in the underlying class or series of stock of the Corporation or otherwise, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of stock of the Corporation (each, a "Derivative Instrument"), in each case that is directly or indirectly owned beneficially or of record by such stockholder or any Stockholder Associated Person, (D) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any securities of the Corporation, (E) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or beneficially owns, directly or indirectly, an interest in a general partner, (F) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of the shares of stock of the Corporation or Derivative Instruments, (G) any other information relating to such stockholder or any Stockholder Associated Person, if any, required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations of the Securities and Exchange Commission thereunder, (H) a representation that the stockholder is a holder of record of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (I) a certification as to whether or not the stockholder and all Stockholder Associated Persons have complied with all applicable federal, state and other legal requirements in connection with the stockholder's and each Stockholder Associated Person's acquisition of shares of stock or other securities of the Corporation and the stockholder's and each Stockholder Associated Person's acts or omissions as a stockholder (or beneficial owner of securities) of the Corporation, and (J) whether the stockholder intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares reasonably believed by such stockholder to be sufficient to elect such nominee or nominees or otherwise to solicit proxies or votes from stockholders in support of such proposal or nomination. For purposes of these Bylaws, a "Stockholder Associated Person" of any stockholder means (i) any "affiliate" or "associate" (as those terms are defined in Rule 12b-2 under the Exchange Act) of such stockholder, (ii) any beneficial owner of any stock or other securities of the Corporation owned of record or beneficially by such stockholder, (iii) any person directly or indirectly controlling, controlled by or under common control with any such Stockholder Associated Person referred to in clause (i) or (ii) above, and (iv) any person acting in concert in respect of any matter involving the Corporation or its securities with either such stockholder or any beneficial owner of any stock or other securities of the Corporation owned of record or beneficially by such stockholder. In addition, in order for a nomination to be properly brought before an annual or special meeting by a stockholder pursuant to clause (iii) of Section 2.4(a), any nominee proposed by a stockholder shall complete a questionnaire, in a form provided by the Corporation, and deliver a signed copy of such completed questionnaire to the Corporation within ten (10) days of the date that the Corporation makes available to the stockholder seeking to make such nomination or such nominee the form of such questionnaire. The Corporation may require any proposed nominee to furnish such other information as may be reasonably requested by the Corporation to determine the eligibility of the proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of the nominee. The information required to be included in a notice pursuant to this Section 2.4(c) shall be provided as of the date of such notice and shall be supplemented by the stockholder not later than ten (10) days after the record date for the determination of stockholders entitled to notice of the meeting to disclose any changes to such information as of the record date. The information required to be included in a notice pursuant to this Section 2.4(c) shall not include any ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is directed to prepare and submit the notice required by this Section 2.4(c) on behalf of a beneficial owner of the shares held of record by such broker, dealer, commercial bank, trust company or other nominee and who is not otherwise affiliated or associated with such beneficial owner.

(d) Subject to the Certificate of Incorporation, Section 2.4(i) and applicable law, only persons nominated in accordance with procedures stated in this Section 2.4 shall be eligible for election as and to serve as members of the Board of Directors and the only business that shall be conducted at an annual meeting of stockholders is the business that has been brought before the meeting in accordance with the procedures set forth in this Section 2.4. The chairperson of the meeting shall have the power and the duty to determine whether a nomination or any proposal has been made according to the procedures stated in this Section 2.4 and, if any nomination or proposal does not comply with this Section 2.4, unless otherwise required by law, the nomination or proposal shall be disregarded.

(e) For purposes of this Section 2.4, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable news service or in a document publicly filed or furnished by the Corporation with or to the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(f) Notwithstanding the foregoing provisions of this Section 2.4, a stockholder shall also comply with applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.4, including, but not limited to any proper proposal in accordance with Rule 14a-8 under the Exchange Act. Nothing in this Section 2.4 shall affect any rights, if any, of stockholders to request inclusion of nominations or proposals in the Corporation's proxy statement pursuant to applicable provisions of federal law, including the Exchange Act.

(g) Notwithstanding the foregoing provisions of this Section 2.4, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business or does not provide the information required by Section 2.4(c), including any required supplement thereto, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.4,to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(h) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or any committee thereof or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.4 is delivered to the Secretary, who is entitled to vote at the meeting upon such election and who complies with the notice procedures set forth in this Section 2.4. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (b) of this Section 2.4 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(i) All provisions of this Section 2.4 are subject to, and nothing in this Section 2.4 shall in any way limit the exercise, or the method or timing of the exercise of, the rights of any person granted by the Corporation to nominate directors, which rights may be exercised without compliance with the provisions of this Section 2.4.

2.5 Quorum

The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, shall have power to adjourn the meeting to another place (if any), date or time.

2.6 Voting

When a quorum is present at any meeting of the stockholders, the vote of the holders of a majority of the shares entitled to vote on the subject matter and present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of applicable statutes, of the Certificate of Incorporation or of these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Except as otherwise provided in the Certificate of Incorporation, each stockholder entitled to vote at any meeting of the stockholders shall be entitled to one vote for each share of capital stock held by the stockholder

2.7 Proxies

Each stockholder entitled to vote at a meeting of the stockholders may authorize, by an instrument in writing subscribed by such stockholder, bearing a date not more than three (3) years prior to voting, unless such instrument provides for a longer period, and filed with the Secretary of the Corporation before, or at the time of the meeting, another person or persons to act for him by proxy.

2.8 Voting of Stock of Certain Holders

Shares of the Corporation's capital stock standing in the name of another business entity, domestic or foreign, may be voted by such officer, agent or proxy as these Bylaws or applicable governance document of such business entity may prescribe, or in the absence of such provision, as the Board of Directors or applicable managers of such business entity may determine. Shares standing in the name of a deceased person may be voted by the executor or administrator of such deceased person, either in person or by proxy. Shares standing in the name of a guardian, conservator or trustee may be voted by such fiduciary, either in person or by proxy, but no such fiduciary shall be entitled to vote shares held in such fiduciary capacity without a transfer of such shares into the name of such fiduciary. Shares standing in the name of a receiver may be voted by such receiver, either in person or by proxy. A stockholder whose shares are pledged shall be entitled to vote such shares, unless in the transfer by the pledgor on the books of the Corporation, such stockholder has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or its proxy, may represent the stock and vote thereon.

2.9 Fixing Record Date

The Board of Directors may fix in advance a date, which shall not be more than sixty(60) days nor less than ten (10) days preceding the date of any meeting of stockholders, nor more than sixty (60) days preceding the date for payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change, or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining a consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to such notice of, and to vote at, any such meeting and any adjournment thereof, or to receive payment of such dividend or distribution, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

2.10 Adjourned Meeting; Notice

When a meeting is adjourned to another place (if any), date or time, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place (if any), thereof and the means of remote communications (if any) by which stockholders and proxyholders may be deemed to be present and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed by the Board of Directors for the adjourned meeting, notice of the place (if any), date and time of the adjourned meeting and the means of remote communications (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.11 Organization; Conduct of Business

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chief Executive Officer, or in his or her absence, the President or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the Secretary of the meeting shall be such person as the chairman of the meeting appoints.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business. The date and time of opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

2.12 Waiver of Notice

Whenever notice is required to be given under any provision of the General Corporation Law or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice, or any waiver of notice by electronic transmission, unless so required by the Certificate of Incorporation or these Bylaws.

2.13 List of Stockholders

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in each such stockholder's name, shall be open to the examination of any such stockholder for a period of at least ten (10) days prior to the meeting in the manner provided by law. The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.14 Inspector at Meetings of Stockholders

In advance of any meeting of the stockholders, the Board of Directors shall appoint one or more inspectors, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and make a written report thereof. The Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors may appoint or retain other persons or entities to assist the inspector or inspectors in the performance of their duties. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders, the inspector or inspectors may consider such information as is permitted by applicable law. No person who is a candidate for office at an election may serve as an inspector at such election. When executing the duties of inspector, the inspector or inspectors shall: (a) ascertain the number of shares outstanding and the voting power of each; (b) determine the shares represented at the meeting and the validity of proxies and ballots; (c) count all votes and ballots; (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots.

ARTICLE III
BOARD OF DIRECTORS

3.1 Powers

Subject to the provisions of the General Corporation Law and any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board of Directors may adopt such rules and procedures, not inconsistent with the Certificate of Incorporation, these Bylaws or applicable law, as it may deem proper for the conduct of its meetings and the management of the Corporation. Pursuant to Subchapter XV of the General Corporation Law, the Board of Directors shall manage the Corporation in a manner that balances the stockholders' pecuniary interests, the best interests of those materially affected by the Corporation's conduct, and the public benefits identified in the Certificate of Incorporation.

3.2 Number of Directors

The number of directors that shall constitute the whole Board of Directors shall consist of not less than one (1) and not more than 7 directors as fixed from time to time by resolution of the Board of Directors. The directors shall be elected at the annual meeting of stockholders, except as provided in Section 3.4, and each director elected shall hold office until his or her successor has been elected and qualified or, if earlier, his or her death, resignation, retirement, disqualification or removal. The vote of any stockholder on an election of directors may be taken in any manner and no such vote shall be required to be taken by written ballot or by electronic transmission unless otherwise required by law. Directors need not be residents of the state of Delaware, citizens of the United States of America or stockholders of the Corporation.

3.3 Election, Qualification and Term of Office of Directors

Except as provided in Section 3.4 of these Bylaws, and unless otherwise provided in the Certificate of Incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Unless otherwise specified in the Certificate of Incorporation, elections of directors need not be by written ballot.

3.4 Resignation and Vacancies

Any director may resign at any time upon written notice to the attention of the Secretary of the Corporation. Notwithstanding the provisions of Section 223(a)(l) and 223(a)(2) of the General Corporation Law, any vacancy, including newly created directorships resulting from any increase in the authorized number of directors or amendment of the Certificate of Incorporation, and vacancies created by removal or resignation of a director, may be filled by a majority of the directors then in office (including any directors that have tendered a resignation effective at a future date), though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; provided, however, that where such vacancy occurs among the directors elected by the holders of a class or series of stock, the holders of shares of such class or series may override the Board of Directors' action to fill such vacancy by (i) voting for their own designee to fill such vacancy at a meeting of the Corporation's stockholders or (ii) in writing, if the consenting stockholders hold a sufficient number of shares to elect their designee at a meeting of the stockholders.

If at any time, by reason of death or resignation or other cause, the Corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law as far as applicable.

3.5 Place of Meetings; Meetings by Telephone

The Board of Directors may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 Regular Meetings

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 Special Meetings; Notice

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail, facsimile, electronic transmission or telegram, charges prepaid, addressed to each director at that director' s address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by facsimile, electronic transmission, telephone or telegram, it shall be delivered at least twenty-four (24) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting. The notice need not specify the place of the meeting, if the meeting is to be held at the principal executive office of the Corporation. The business transacted at a special meeting shall be limited solely to such business as is specified in the notice of meeting thereof.

3.8 Quorum

At all meetings of the Board of Directors, a majority of the total number of duly elected directors then in office (but in no case less than one-third (1/3) of the total number of the authorized directors) shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 Waiver of Notice

Whenever notice is required to be given under any provision of the General Corporation Law or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

3.10 Board Action by Written Consent Without a Meeting

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee thereof, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors, or committee thereof, respectfully. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

3.11 Fees and Compensation of Directors

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. In addition, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors. Nothing herein shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings or serving on such committees.

3.12 Removal of Directors

Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series of stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to written consent; provided, however, that if the stockholders of the Corporation are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.13 Chairman of The Board of Directors

The Board of Directors shall annually elect one of its members to be its chair (the "**Chairman**" or "**Chairman of the Board of Directors**") and shall fill any vacancy in the position of Chairman at such time and in such manner as the Board of Directors shall determine. Except as otherwise provided in these Bylaws, the Chairman shall preside at all meetings of the Board of Directors and of stockholders. The Chairman shall perform such other duties and services as shall be assigned to or required of the Chairman.

ARTICLE IV
COMMITTEES

4.1 Committees of Directors

The Board of Directors may designate one or more committees, each committee to consist of one or more of the members of the Board of Directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law to be submitted to stockholders for approval or (ii) adopting, amending or repealing any Bylaw of the Corporation.

4.2 Committee Minutes

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 Meetings and Action of Committees

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.5 (regular meetings), Section 3.7 (special meetings; notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (board action by written consent without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V
NOTICE

5.1 Notice

Except as otherwise provided in these Bylaws or permitted by applicable law, notices to members of the Board of Directors and stockholders shall be in writing and delivered personally or mailed to members of the Board of Directors or stockholders at their addresses appearing on the books of the Corporation. If mailed, notice to a stockholder of the Corporation shall be deemed given when deposited in the mail, postage prepaid, directed to a stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders of the Corporation may be given by electronic transmission in the manner provided in Section 232 of the DGCL.

5.2 Waiver

Whenever any notice is required to be given under the provisions of an applicable statute, the Certificate of Incorporation, or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, or a waiver by electronic transmission by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VI
OFFICERS

6.1 Officers

The officers of the Corporation shall be a President and a Secretary. The Corporation may also have, at the discretion of the Board of Directors, a Chief Executive Officer, a Chief Financial Officer, a Treasurer, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 6.3 of these Bylaws. Any number of offices may be held by the same person.

6.2 Appointment of Officers

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 6.3 of these Bylaws, shall be appointed by the Board of Directors, subject to the rights (if any) of an officer under any contract of employment.

6.3 Subordinate Officers

The Board of Directors may appoint, or empower the Chief Executive Officer or the President to appoint, such other officers and agents as the business of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

6.4 Salaries

The compensation of all officers and agents of the Corporation shall be fixed by the Board of Directors or a committee thereof, or pursuant to the direction of the Board of Directors; and no officer shall be prevented from receiving such salary by reason of his or her also being a director.

6.5 Removal and Resignation of Officers

Subject to the rights (if any) of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the Board of Directors or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom the power of removal is conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights (if any) of the Corporation under any contract to which the officer is a party.

6.6 Vacancies in Offices

Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors, except such officers as may be appointed in accordance with the provisions of Section 6.3 of these Bylaws.

6.7 Chief Executive Officer

Subject to such supervisory powers (if any) as may be given by the Board of Directors to the Chairman of the Board of Directors (if any), the Chief Executive Officer of the Corporation (if such an officer is appointed) shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. The person serving as Chief Executive Officer shall also be the acting president of the Corporation whenever no other person is then serving in such capacity.

6.8 President

Subject to such supervisory powers (if any) as may be given by the Board of Directors to the Chairman of the Board of Directors (if any) or the Chief Executive Officer, the President shall have general supervision, direction and control of the business and other officers of the Corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. The person serving as President shall also be the acting Chief Executive Officer, Secretary or Treasurer of the Corporation, as applicable, whenever no other person is then serving in such capacity.

6.9 Vice Presidents

In the absence or disability of the Chief Executive Officer and President, the Vice Presidents (if any) in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the President or the Chairman of the Board of Directors.

6.10 Secretary

The Secretary shall keep or cause to be kept, at the principal executive office of the Corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates (if any) evidencing such shares, and the number and date of cancellation of every certificate (if any) surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these Bylaws. He or she shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

6.11 Chief Financial Officer

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The Chief Financial Officer shall render to the Chief Executive Officer, the President, or the Board of Directors, upon request, an account of all his or her transactions as Chief Financial Officer and of the financial condition of the Corporation. He or she shall have the general powers and duties usually vested in the office of chief financial officer of a Corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

The person serving as the Chief Financial Officer shall also be the acting Treasurer of the Corporation whenever no other person is then serving in such capacity. Subject to such supervisory powers (if any) as may be given by the Board of Directors to another officer of the Corporation, the Chief Financial Officer shall supervise and direct the responsibilities of the Treasurer whenever someone other than the Chief Financial Officer is serving as Treasurer of the Corporation.

6.12 Treasurer

The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records with respect to all bank accounts, deposit accounts, cash management accounts and other investment accounts of the Corporation. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The Treasurer shall deposit, or cause to be deposited, all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors and shall render to the Chief Financial Officer, the Chief Executive Officer, the President or the Board of Directors, upon request, an account of all his or her transactions as Treasurer. He or she shall have the general powers and duties usually vested in the office of treasurer of a corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

The person serving as the Treasurer shall also be the acting Chief Financial Officer of the Corporation whenever no other person is then serving in such capacity.

6.13 Representation of Shares of Other Corporations

The Chairman of the Board of Directors, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Secretary or Assistant Secretary of the Corporation or any other person authorized by the Board of Directors or the Chief Executive Officer or the President or a Vice President, is authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

6.14 Authority and Duties of Officers

In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board of Directors or the stockholders. In case any officer is absent, or for any other reason that the Board of Directors may deem sufficient, the Chief Executive Officer or the President or the Board of Directors may delegate for the time being the powers or duties of such officer to any other officer or to any director.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

7.1 Indemnification of Directors and Officers

The Corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 7.1, a "director" or "officer" of the Corporation includes any person (a) who is or was a director or officer of the Corporation, (b) who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

7.2 Indemnification of Others

The Corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 7.2, an "employee" or "agent" of the Corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the Corporation, (b) who is or was serving at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

7.3 Payment of Expenses in Advance

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 7.1 or for which indemnification is permitted pursuant to Section 7.2 following authorization thereof by the Board of Directors shall be paid by the Corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the indemnified party is not entitled to be indemnified as authorized in this Article VII.

7.4 Indemnity Not Exclusive

The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the Certificate of Incorporation.

7.5 Insurance

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law.

7.6 Conflicts

No indemnification or advance shall be made under this Article VII, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears: (a) That it would be inconsistent with a provision of the Certificate of Incorporation, these Bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or (b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

7.7 Repeal, Amendment or Modification

Any amendment, repeal or modification of this Article VII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE VIII
RECORDS AND REPORTS

8.1 Maintenance and Inspection of Records

The Corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal place of business.

8.2 Inspection by Directors

Any director shall have the right to examine the Corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the Corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE IX
GENERAL MATTERS

9.1 Checks, Notes, Drafts, Etc.

From time to time, the Board of Directors shall designate by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments, or such officer or officers authorized by the Board of Directors to make such designation.

9.2 Deposits

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Treasurer may select.

9.3 Execution of Corporate Contracts and Instruments

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.4 Stock Certificates and Notices; Uncertificated Stock; Partly Paid Shares

The shares of the Corporation may be certificated or uncertificated, as provided under Delaware law, and shall be entered in the books of the Corporation and recorded as they are issued. Any or all of the signatures on any certificate may be a facsimile or electronic signature. In case any officer, transfer agent or registrar who has signed or whose facsimile or electronic signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Within a reasonable time after the issuance or transfer of uncertificated stock and upon the request of a stockholder, the Corporation shall send to the record owner thereof a written notice that shall set forth the name of the Corporation, that the Corporation is organized under the laws of Delaware, the name of the stockholder, the number and class (and the designation of the series, if any) of the shares, and any restrictions on the transfer or registration of such shares of stock imposed by the Certificate of Incorporation, these Bylaws, any agreement among stockholders or any agreement between stockholders and the Corporation.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate (if any) issued to represent any such partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

9.5 Special Designation on Certificates and Notices of lssuance

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock or the notice of issuance to the record owner of uncertificated stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock or the notice of issuance to the record owner of uncertificated stock, or the purchase agreement for such stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

9.6 Transfer Agents and Registrars

The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

9.7 Lost, Stolen or Destroyed Certificates

Except as provided in this Section 9.7, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or notice of uncertificated stock in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

9.8 Construction; Definitions

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

9.9 Dividends

The Board of Directors, subject to any restrictions contained in (a) the General Corporation Law or (b) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

The Board of Directors may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

9.10 Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

9.11 Transfer of Stock

Upon receipt by the Corporation or the transfer agent of the Corporation of proper transfer instructions from the record holder of uncertificated shares or upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate or, in the case of uncertificated securities and upon request, a notice of issuance of shares, to the person entitled thereto, cancel the old certificate (if any) and record the transaction in its books.

9.12 Stock Transfer Agreements

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law.

9.13 Stockholders of Record

The Corporation shall be entitled to recognize the exclusive right of a person recorded on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person recorded on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

9.14 Facsimile or Electronic Signature

In addition to the provisions for use of facsimile or electronic signatures elsewhere specifically authorized in these Bylaws, facsimile or electronic signatures of any stockholder, director or officer of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

9.15 Seal

The corporate seal, if one is authorized by the Board of Directors, shall have inscribed thereon the name of the Corporation, and the words “Corporate Seal, Delaware.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

9.16 Books

The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the state of Delaware at the offices of the Corporation, or at such other place or places as may be designated from time to time by the Board of Directors.

9.17 Conflict with Applicable Law or Certificate of Incorporation

These Bylaws are adopted subject to any applicable law and the Certificate of Incorporation. Whenever these Bylaws may conflict with applicable law or the Certificate of Incorporation, such conflict shall be resolved in favor of such law or the Certificate of Incorporation.

9.18 Forum for Adjudication of Disputes

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for:

(a) any derivative action or proceeding brought on behalf of the Corporation;

(b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee, or agent of the Corporation to the Corporation or the Corporation's stockholders;

(c) any action asserting a claim arising pursuant to any provision of the General Corporation Law, the Certificate of Incorporation or these Bylaws; or

(d) any action asserting a claim governed by the internal affairs doctrine;

In each case, subject to said court having personal jurisdiction over the indispensable parties named as defendants therein. If any action the subject matter of which is within the scope of this Section 9.18 is filed in a court other than a court located within the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to: (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce this Section 9.18 (an "Enforcement Action"); and (ii) having service of process made upon such stockholder in any such Enforcement Action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 9.18.

ARTICLE X
SECTION HEADINGS

The headings contained in these Bylaws are for reference purposes only and shall not be construed to be part of and shall not affect in any way the meaning or interpretation of these Bylaws.

ARTICLE XI
AMENDMENTS

The Bylaws of the Corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the Corporation may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

ARTICLE XII
PUBLIC BENEFIT CORPORATION PROVISIONS

12.1 Required Statement in Stockholder Meeting Notice.

The Corporation shall include in every notice of a meeting of stockholders a statement to the effect that it is a public benefit corporation under Subsection XV of the General Corporation Law.

12.2 Periodic Statements.

The Corporation shall no less than biennially provide the stockholders with a statement as to the Corporation's promotion of the public benefit or public benefits identified in the Certificate of Incorporation and of the best interests of those materially affected by the Corporation's conduct. The statement shall include:

(a) the objectives the Board of Directors has established to promote such public benefit or public benefits and interests;

(b) the standards the Board of Directors has adopted to measure the Corporation's progress in promoting such public benefit or public benefits and interests;

(c) objective factual information based on those standards regarding the Corporation's success in meeting the objectives for promoting such public benefit or public benefits and interests; and

(d) an assessment of the Corporation's success in meeting the objectives and promoting such public benefit or public benefits and interests.

ARTICLE XIII
ASX LISTING COMPLIANCE

For such time as the Corporation is admitted to the Official List of ASX Limited (the "**ASX**"), the following shall apply:

(a) Notwithstanding anything contained in these Bylaws, if the Listing Rules of ASX and any other rules of ASX which are applicable while the Corporation is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX (the "**Listing Rules**") prohibit an act being done, the act shall not be done;

(b) Nothing contained in these Bylaws prevents an act being done that the Listing Rules require to be done;

(c) If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be);

(d) If the Listing Rules require these Bylaws to contain a provision and it does not contain such a provision, these Bylaws are deemed to contain that provision;

(e) If the Listing Rules require these Bylaws not to contain a provision and it contains such a provision, this these Bylaws are deemed not to contain that provision;

(f) If any provision of these Bylaws is or becomes inconsistent with the Listing Rules, these Bylaws are deemed not to contain that provision to the extent of the inconsistency;

(g) In connection with the Corporation's admission to the Official List of the ASX and its listing of CHESS Depository Interests ("**CDIs**") (with each CDI representing an interest in one share of common stock) on the ASX, certain stockholders (each a "**Restricted Stockholder**") were required by the ASX to enter into an escrow agreement (each an "**Escrow Agreement**") under which the stockholder agreed, among other things, to certain restrictions and prohibitions from engaging in transactions in the shares of the Corporation's capital stock (including shares in the form of CDIs) held or acquired by the stockholder (including shares of the Corporation's capital stock that may be acquired upon exercise of a stock option, warrant or other right) or shares of the Corporation's capital stock which attach to or arise from such shares (collectively, the "**Restricted Securities**") for a period of time identified in the Escrow Agreement (the "**Lock-Up Period**");

(h) The Corporation may refuse to acknowledge a disposal (including registering a transfer) of Restricted Securities during the Lock-Up Period except as permitted by the ASX or the Listing Rules; and

(i) The Corporation may refuse to acknowledge or register any transfer of shares of the Corporation's capital stock (including shares in the form of CDIs) held or acquired by a stockholder (including shares of the Corporation's capital stock that may be acquired upon exercise of a stock option, warrant or other right) or shares of the Corporation's capital stock which attach to or arise from such shares which are not made:

(1) in accordance with the provisions of Regulation S of the Securities Act of 1933 (U.S.), as amended to date and the rules and regulations promulgated thereunder (the "**U.S. Securities Act**") (Rule 901 through Rule 905 and preliminary notes);

(2) pursuant to registration under the U.S. Securities Act; or

(3) pursuant to an available exemption from registration.

Exhibit 10.4

SEZZLE INC.

SEZZLE EMPLOYEE STOCK OPTION PLAN

1. **Purposes of the Plan.** The purposes of this Sezzle Employee Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants, and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Restricted Stock may also be granted under the Plan.

2. **Definitions.** As used herein, the following definitions shall apply:

(a) **"Administrator"** means the Board or a Committee.

(b) **"Affiliate"** means (i) an entity other than a Subsidiary which, together with the Company, is under common control of a third person or entity and (ii) an entity other than a Subsidiary in which the Company and /or one or more Subsidiaries own a controlling interest.

(c) **"Applicable Laws"** means all applicable laws, rules, regulations and requirements, including, but not limited to, all applicable U.S. federal or state laws, any Stock Exchange rules or regulations, and the applicable laws, rules or regulations of any other country or jurisdiction where Options or Restricted Stock are granted under the Plan or Participants reside or provide services, as such laws, rules, and regulations shall be in effect from time to time.

(d) **"Award"** means any award of an Option or Restricted Stock under the Plan.

(e) **"Board"** means the Board of Directors of the Company.

(f) **"California Participant"** means a Participant whose Award is issued in reliance on Section 25102(o) of the California Corporations Code.

(g) **"Cashless Exercise"** means a program approved by the Administrator in which payment of the Option exercise price or tax withholding obligations or other required deductions may be satisfied, in whole or in part, with Shares subject to the Option, including by delivery of an irrevocable direction to a securities broker (on a form prescribed by the Company) to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of such amount.

(h) **"Cause"** for termination of a Participant's Continuous Service Status will exist (unless another definition is provided in an applicable Option Agreement, Restricted Stock Purchase Agreement, employment agreement or other applicable written agreement) if the Participant's Continuous Service Status is terminated for any of the following reasons: (i) any material breach by Participant of any material written agreement between Participant and the Company and Participant's failure to cure such breach within 30 days after receiving written notice thereof; (ii) any failure by Participant to comply with the Company's material written policies or rules as they may be in effect from time to time; (iii) neglect or persistent unsatisfactory performance of Participant's duties and Participant's failure to cure such condition within 30 days after receiving written notice thereof; (iv) Participant's repeated failure to follow reasonable and lawful instructions from the Board or Chief Executive Officer and Participant's failure to cure such condition within 30 days after receiving written notice thereof; (v) Participant's conviction of, or plea of guilty or nolo contendere to, any crime that results in, or is reasonably expected to result in, material harm to the business or reputation of the Company; (vi) Participant's commission of or participation in an act of fraud against the Company; (vii) Participant's intentional material damage to the Company's business, property or reputation; or (viii) Participant's unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company. For purposes of clarity, a termination without "Cause" does not include any termination that occurs as a result of Participant's death or disability. The determination as to whether a Participant's Continuous Service Status has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time, and the term "Company" will be interpreted to include any Subsidiary, Parent, Affiliate, or any successor thereto, if appropriate.

(i) **"Change of Control"** means (i) a sale of all or substantially all of the Company's assets other than to an Excluded Entity (as defined below), (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, limited liability company or other entity other than an Excluded Entity, or (iii) the consummation of a transaction, or series of related transactions, in which any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of all of the Company's then outstanding voting securities.

Notwithstanding the foregoing, a transaction shall not constitute a Change of Control if its purpose is to (A) change the jurisdiction of the Company's incorporation, (B) create a holding company that will be owned in substantially the same proportions by the persons who hold the Company's securities immediately before such transaction, or (C) obtain funding for the Company in a financing that is approved by the Company's Board. An "Excluded Entity" means a corporation or other entity of which the holders of voting capital stock of the Company outstanding immediately prior to such transaction are the direct or indirect holders of voting securities representing at least a majority of the votes entitled to be cast by all of such corporation's or other entity's voting securities outstanding immediately after such transaction.

(j) **"Code"** means the Internal Revenue Code of 1986, as amended.

(k) **"Committee"** means one or more committees or subcommittees of the Board consisting of one (1) or more Directors (or such lesser or greater number of Directors as shall constitute the minimum number permitted by Applicable Laws to establish a committee or sub-committee of the Board) appointed by the Board to administer the Plan in accordance with Section 4 below.

(l) **"Common Stock"** means the Company's common stock, par value $0.00001 per share, as adjusted pursuant to Section 10 below.

(m) **"Company"** means Sezzle Inc., a Delaware corporation.

(n) **"Consultant"** means any person or entity, including an advisor but not an Employee, that renders, or has rendered, services to the Company, or any Parent, Subsidiary or Affiliate and is compensated for such services, and any Director whether compensated for such services or not.

(o) **"Continuous Service Status"** means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of: (i) Company approved sick leave; (ii) military leave; (iii) any other bona fide leave of absence approved by the Company, provided that, if an Employee is holding an Incentive Stock Option and such leave exceeds 3 months then, for purposes of Incentive Stock Option status only, such Employee's service as an Employee shall be deemed terminated on the 1st day following such 3-month period and the Incentive Stock Option shall thereafter automatically become a Nonstatutory Stock Option in accordance with Applicable Laws, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to a written Company policy. Also, Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of a transfer between locations of the Company or between the Company, its Parents, Subsidiaries or Affiliates, or their respective successors, or a change in status from an Employee to a Consultant or from a Consultant to an Employee.

(p) **"Director"** means a member of the Board.

(q) **"Disability"** means "disability" within the meaning of Section 22(e)(3) of the Code.

(r) **"Employee"** means any person employed by the Company, or any Parent, Subsidiary or Affiliate, with the status of employment determined pursuant to such factors as are deemed appropriate by the Company in its sole discretion, subject to any requirements of Applicable Laws, including the Code. The payment by the Company of a director's fee shall not be sufficient to constitute "employment" of such director by the Company or any Parent, Subsidiary or Affiliate.

(s) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(t) **"Fair Market Value"** means, as of any date, the per share fair market value of the Common Stock, as determined by the Administrator in good faith on such basis as it deems appropriate and applied consistently with respect to Participants. Whenever possible, the determination of Fair Market Value shall be based upon the per share closing price for the Shares as reported in The Wall Street Journal for the applicable date.

(u) **"Family Members"** means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in- law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Participant, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons (or the Participant) have more than 50% of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests.

(v) **"Incentive Stock Option"** means an Option intended to, and which does, in fact, qualify as an incentive stock option within the meaning of Section 422 of the Code.

(w) **"Involuntary Termination"** means (unless another definition is provided in the applicable Option Agreement, Restricted Stock Purchase Agreement, employment agreement or other applicable written agreement) the termination of a Participant's Continuous Service Status other than for (i) death, (ii) Disability or (iii) for Cause by the Company or a Parent, Subsidiary, Affiliate or successor thereto, as appropriate.

(x) "**Listed Security**" means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the Financial Industry Regulatory Authority (or any successor thereto).

(y) **"Nonstatutory Stock Option"** means an Option that is not intended to, or does not, in fact, qualify as an Incentive Stock Option.

(z) **"Option"** means a stock option granted pursuant to the Plan.

(aa) **"Option Agreement"** means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of an Option granted under the Plan and includes any documents attached to or incorporated into such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(bb) **"Option Exchange Program"** means a program approved by the Administrator whereby outstanding Options (i) are exchanged for Options with a lower exercise price, Restricted Stock, cash or other property or (ii) are amended to decrease the exercise price as a result of a decline in the Fair Market Value.

(cc) **"Optioned Stock"** means Shares that are subject to an Option or that were issued pursuant to the exercise of an Option.

(dd) **"Optionee"** means an Employee or Consultant who receives an Option.

(ee) **"Parent"** means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of grant of the Award, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(ff) **"Participant"** means any holder of one or more Awards or Shares issued pursuant to an Award.

(gg) **"Plan"** means this Sezzle Employee Stock Option Plan.

(hh) **"Restricted Stock"** means Shares acquired pursuant to a right to purchase or receive Common Stock granted pursuant to Section 8 below.

(ii) **"Restricted Stock Purchase Agreement"** means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock granted under the Plan and includes any documents attached to such agreement.

(jj) **"Rule 16b-3"** means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.

(kk) **"Share"** means a share of Common Stock, as adjusted in accordance with Section 10 below.

(ll) **"Stock Exchange"** means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(mm) **"Subsidiary"** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of grant of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(nn) **"Ten Percent Holder"** means a person who owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary measured as of an Award's date of grant.

3. **Stock Subject to the Plan.** Subject to the provisions of Section 10 below, the maximum aggregate number of Shares that may be issued under the Plan is 10,000,000 Shares, all of which Shares may be issued under the Plan pursuant to Incentive Stock Options. The Shares issued under the Plan may be authorized, but unissued, or reacquired Shares. If an Award should expire or become unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unissued Shares that were subject thereto shall, unless the Plan shall have been terminated, continue to be available under the Plan for issuance pursuant to future Awards. In addition, any Shares which are retained by the Company upon exercise of an Award in order to satisfy the exercise or purchase price for such Award or any withholding taxes due with respect to such Award shall be treated as not issued and shall continue to be available under the Plan for issuance pursuant to future Awards. Shares issued under the Plan and later forfeited to the Company due to the failure to vest or repurchased by the Company at the original purchase price paid to the Company for the Shares (including, without limitation, upon forfeiture to or repurchase by the Company in connection with the termination of a Participant's Continuous Service Status) shall again be available for future grant under the Plan. Notwithstanding the foregoing, subject to the provisions of Section 10 below, in no event shall the maximum aggregate number of Shares that may be issued under the Plan pursuant to Incentive Stock Options exceed the number set forth in the first sentence of this Section 3 plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated there under, any Shares that again become available for issuance pursuant to the remaining provisions of this Section 3.

4. Administration of the Plan.

(a) **General.** The Plan shall be administered by the Board, a Committee appointed by the Board, or any combination thereof, as determined by the Board. The Plan may be administered by different administrative bodies with respect to different classes of Participants and, if permitted by Applicable Laws, the Board may authorize one or more officers of the Company to make Awards under the Plan to Employees and Consultants (who are not subject to Section 16 of the Exchange Act) within parameters specified by the Board.

(b) **Committee Composition.** If a Committee has been appointed pursuant to this Section 4, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and dissolve a Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws and, in the case of a Committee administering the Plan in accordance with the requirements of Rule 16b-3 or Section 162(m) of the Code, to the extent permitted or required by such provisions.

(c) **Powers of the Administrator.** Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its sole discretion:

(i) to determine the Fair Market Value in accordance with Section 2(t) above, provided that such determination shall be applied consistently with respect to Participants under the Plan;

(ii) to select the Employees and Consultants to whom Awards may from time to time be granted;

(iii) to determine the number of Shares to be covered by each Award;

(iv) to approve the form(s) of agreement(s) and other related documents used under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when Awards may vest and/or be exercised (which may be based on performance criteria), the circumstances (if any) when vesting will be accelerated or forfeiture restrictions will be waived, and any restriction or limitation regarding any Award, Optioned Stock, or Restricted Stock;

(vi) to amend any outstanding Award or agreement related to any Optioned Stock or Restricted Stock, including any amendment adjusting vesting (e.g., in connection with a change in the terms or conditions under which such person is providing services to the Company), provided that no amendment shall be made that would materially and adversely affect the rights of any Participant without his or her consent;

(vii) to determine whether and under what circumstances an Option may be settled in cash under Section 7(c)(iii) below instead of Common Stock;

(viii) subject to Applicable Laws, to implement an Option Exchange Program and establish the terms and conditions of such Option Exchange Program without consent of the holders of capital stock of the Company, provided that no amendment or adjustment to an Option that would materially and adversely affect the rights of any Participant shall be made without his or her consent;

(ix) to approve addenda pursuant to Section 18 below or to grant Awards to, or to modify the terms of, any outstanding Option Agreement or Restricted Stock Purchase Agreement or any agreement related to any Optioned Stock or Restricted Stock held by Participants who are foreign nationals or employed outside of the United States with such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom which deviate from the terms and conditions set forth in this Plan to the extent necessary or appropriate to accommodate such differences; and

(x) to construe and interpret the terms of the Plan, any Option Agreement or Restricted Stock Purchase Agreement, and any agreement related to any Optioned Stock or Restricted Stock, which constructions, interpretations and decisions shall be final and binding on all Participants.

(d) **Indemnification.** To the maximum extent permitted by Applicable Laws, each member of the Committee (including officers of the Company, if applicable), or of the Board, as applicable, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or pursuant to the terms and conditions of any Award except for actions taken in bad faith or failures to act in good faith, and (ii) any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided that such member shall give the Company an opportunity, at its own expense, to handle and defend any such claim, action, suit or proceeding before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any other power that the Company may have to indemnify or hold harmless each such person.

5. Eligibility.

(a) **Recipients of Grants.** Nonstatutory Stock Options and Restricted Stock may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees, provided that Employees of Affiliates shall not be eligible to receive Incentive Stock Options.

(b) **Type of Option.** Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.

(c) **ISO $100,000 Limitation.** Notwithstanding any designation under Section 5(b) above, to the extent that the aggregate Fair Market Value of Shares with respect to which options designated as incentive stock options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess options shall be treated as nonstatutory stock options. For purposes of this Section 5(c), incentive stock options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an incentive stock option shall be determined as of the date of the grant of such option.

(d) **No Employment Rights.** Neither the Plan nor any Award shall confer upon any Employee or Consultant any right with respect to continuation of an employment or consulting relationship with the Company (any Parent, Subsidiary or Affiliate), nor shall it interfere in any way with such Employee's or Consultant's right or the Company's (Parent's, Subsidiary's or Affiliate's) right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. **Term of Plan.** The Plan shall become effective upon its adoption by the Board and shall continue in effect for a term of 10 years unless sooner terminated under Section 14 below.

7. Options.

(a) **Term of Option.** The term of each Option shall be the term stated in the Option Agreement; provided that the term shall be no more than 10 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement and provided further that, in the case of an Incentive Stock Option granted to a person who at the time of such grant is a Ten Percent Holder, the term of the Option shall be 5 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

(b) Option Exercise Price and Consideration.

(i) **Exercise Price.** The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be such price as is determined by the Administrator and set forth in the Option Agreement, but shall be subject to the following:

(1) In the case of an Incentive Stock Option

a. granted to an Employee who at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value on the date of grant;

b. granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value on the date of grant;

(2) Except as provided in subsection (3) below, in the case of a Nonstatutory Stock Option the per Share exercise price shall be such price as is determined by the Administrator, provided that, if the per Share exercise price is less than 100% of the Fair Market Value on the date of grant, it shall otherwise comply with all Applicable Laws, including Section 409A of the Code; and

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(ii) **Permissible Consideration.** The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option and to the extent required by Applicable Laws, shall be determined at the time of grant) and may consist entirely of (1) cash; (2) check; (3) to the extent permitted under, and in accordance with, Applicable Laws, delivery of a promissory note with such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate (subject to the provisions of Section 152 of the Delaware General Corporation Law); (4) cancellation of indebtedness; (5) other previously owned Shares that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised; (6) a Cashless Exercise; (7) such other consideration and method of payment permitted under Applicable Laws; or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

(c) Exercise of Option.

(i) General.

(1) **Exercisability.** Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the terms of the Plan and reflected in the Option Agreement, including vesting requirements and/or performance criteria with respect to the Company, and Parent, Subsidiary or Affiliate, and/or the Optionee.

(2) **Leave of Absence.** The Administrator shall have the discretion to determine at any time whether and to what extent the vesting of Options shall be tolled during any leave of absence; provided, however, that in the absence of such determination, vesting of Options shall continue during any paid leave and shall be tolled during any unpaid leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon an Optionee's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Options to the same extent as would have applied had the Optionee continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(3) **Minimum Exercise Requirements.** An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement shall not prevent an Optionee from exercising the full number of Shares as to which the Option is then exercisable.

(4) **Procedures for and Results of Exercise.** An Option shall be deemed exercised when written notice of such exercise has been received by the Company in accordance with the terms of the Option Agreement by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised and has paid, or made arrangements to satisfy, any applicable taxes, withholding, required deductions or other required payments in accordance with Section 9 below. The exercise of an Option shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(5) **Rights as Holder of Capital Stock.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of capital stock shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock is issued, except as provided in Section 10 below.

(ii) **Termination of Continuous Service Status.** The Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain exercisable, if at all, following termination of an Optionee's Continuous Service Status, which provisions may be waived or modified by the Administrator at any time. To the extent that an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of an Optionee's Continuous Service Status, the following provisions shall apply:

(1) **General Provisions.** If the Optionee (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified below, the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to this Section 7).

(2) **Termination other than Upon Disability or Death or for Cause.** In the event of termination of an Optionee's Continuous Service Status other than under the circumstances set forth in the subsections (3) through (5) below, such Optionee may exercise any outstanding Option at any time within 3 month(s) following such termination to the extent the Optionee is vested in the Optioned Stock.

(3) **Disability of Optionee.** In the event of termination of an Optionee's Continuous Service Status as a result of his or her Disability, such Optionee may exercise any outstanding Option at any time within 12 month(s) following such termination to the extent the Optionee is vested in the Optioned Stock.

(4) **Death of Optionee.** In the event of the death of an Optionee during the period of Continuous Service Status since the date of grant of any outstanding Option, or within 3 month(s) following termination of the Optionee's Continuous Service Status, the Option may be exercised by any beneficiaries designated in accordance with Section 16 below, or if there are no such beneficiaries, by the Optionee's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance, at any time within 12 month(s) following the date the Optionee's Continuous Service Status terminated, but only to the extent the Optionee is vested in the Optioned Stock.

(5) **Termination for Cause.** In the event of termination of an Optionee's Continuous Service Status for Cause, any outstanding Option (including any vested portion thereof) held by such Optionee shall immediately terminate in its entirety upon first notification to the Optionee of termination of the Optionee's Continuous Service Status for Cause. If an Optionee's Continuous Service Status is suspended pending an investigation of whether the Optionee's Continuous Service Status will be terminated for Cause, all the Optionee's rights under any Option, including the right to exercise the Option, shall be suspended during the investigation period. Nothing in this Section 7(c)(ii)(5) shall in any way limit the Company's right to purchase unvested Shares issued upon exercise of an Option as set forth in the applicable Option Agreement.

(iii) **Buyout Provisions.** The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted under the Plan based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

8. Restricted Stock.

(a) **Rights to Purchase.** When a right to purchase or receive Restricted Stock is granted under the Plan, the Company shall advise the recipient in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, if any (which shall be as determined by the Administrator, subject to Applicable Laws, including any applicable securities laws), and the time within which such person must accept such offer. The permissible consideration for Restricted Stock shall be determined by the Administrator and shall be the same as is set forth in Section 7(b)(ii) above with respect to exercise of Options. The offer to purchase Shares shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) Repurchase Option.

(i) **General.** Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the Participant's Continuous Service Status for any reason (including death or Disability) at a purchase price for Shares equal to the original purchase price paid by the purchaser to the Company for such Shares and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(ii) **Leave of Absence.** The Administrator shall have the discretion to determine at any time whether and to what extent the lapsing of Company repurchase rights shall be tolled during any leave of absence; provided, however, that in the absence of such determination, such lapsing shall continue during any paid leave and shall be tolled during any unpaid leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, the lapsing of Company repurchase rights shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Shares purchased pursuant to the Restricted Stock Purchase Agreement to the same extent as would have applied had the Participant continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(c) **Other Provisions.** The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each Participant.

(d) **Rights as a Holder of Capital Stock.** Once the Restricted Stock is purchased, the Participant shall have the rights equivalent to those of a holder of capital stock, and shall be a record holder when his or her purchase and the issuance of the Shares is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Restricted Stock is purchased, except as provided in Section 10 below.

9. Taxes.

(a) As a condition of the grant, vesting and exercise of an Award, the Participant (or in the case of the Participant's death or a permitted transferee, the person holding or exercising the Award) shall make such arrangements as the Administrator may require for the satisfaction of any applicable U.S. federal, state, local or foreign tax, withholding, and any other required deductions or payments that may arise in connection with such Award. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied.

(b) The Administrator may, to the extent permitted under Applicable Laws, permit a Participant (or in the case of the Participant's death or a permitted transferee, the person holding or exercising the Award) to satisfy all or part of his or her tax, withholding, or any other required deductions or payments by Cashless Exercise or by surrendering Shares (either directly or by stock attestation) that he or she previously acquired; provided that, unless specifically permitted by the Company, any such Cashless Exercise must be an approved broker-assisted Cashless Exercise or the Shares withheld in the Cashless Exercise must be limited to avoid financial accounting charges under applicable accounting guidance and any such surrendered Shares must have been previously held for any minimum duration required to avoid financial accounting charges under applicable accounting guidance. Any payment of taxes by surrendering Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the Securities and Exchange Commission.

10. Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions.

(a) **Changes in Capitalization.** Subject to any action required under Applicable Laws by the holders of capital stock of the Company, (i) the numbers and class of Shares or other stock or securities: (x) available for future Awards under Section 3 above and (y) covered by each outstanding Award, (ii) the exercise price per Share of each such outstanding Option, and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, shall be automatically proportionately adjusted in the event of a stock split, reverse stock split, stock dividend, combination, consolidation, reclassification of the Shares or subdivision of the Shares. In the event of any increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, a declaration of an extraordinary dividend with respect to the Shares payable in a form other than Shares in an amount that has a material effect on the Fair Market Value, a recapitalization (including a recapitalization through a large nonrecurring cash dividend), a rights offering, a reorganization, merger, a spin-off, split-up, change in corporate structure or a similar occurrence, the Administrator shall make appropriate adjustments, in its discretion, in one or more of (i) the numbers and class of Shares or other stock or securities: (x) available for future Awards under Section 3 above and (y) covered by each outstanding Award, (ii) the exercise price per Share of each outstanding Option and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, and any such adjustment by the Administrator shall be made in the Administrator's sole and absolute discretion and shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award. If, by reason of a transaction described in this Section 10(a) or an adjustment pursuant to this Section 10(a), a Participant's Award agreement or agreement related to any Optioned Stock or Restricted Stock covers additional or different shares of stock or securities, then such additional or different shares, and the Award agreement or agreement related to the Optioned Stock or Restricted Stock in respect thereof, shall be subject to all of the terms, conditions and restrictions which were applicable to the Award, Optioned Stock and Restricted Stock prior to such adjustment.

(b) **Dissolution or Liquidation.** In the event of the dissolution or liquidation of the Company, each Award will terminate immediately prior to the consummation of such action, unless otherwise determined by the Administrator.

(c) **Corporate Transactions.** In the event of (i) a transfer of all or substantially all of the Company's assets, (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, entity or person, or (iii) the consummation of a transaction, or series of related transactions, in which any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of more than 50% of the Company's then outstanding capital stock (a "Corporate Transaction"), each outstanding Award (vested or unvested) will be treated as the Administrator determines, which determination may be made without the consent of any Participant and need not treat all outstanding Awards (or portion thereof) in an identical manner. Such determination, without the consent of any Participant, may provide (without limitation) for one or more of the following in the event of a Corporate Transaction: (A) the continuation of such outstanding Awards by the Company (if the Company is the surviving corporation); (B) the assumption of such outstanding Awards by the surviving corporation or its parent; (C) the substitution by the surviving corporation or its parent of new options or equity awards for such Awards; (D) the cancellation of such Awards in exchange for a payment to the Participants equal to the excess of (1) the Fair Market Value of the Shares subject to such Awards as of the closing date of such Corporate Transaction over (2) the exercise price or purchase price paid or to be paid for the Shares subject to the Awards; or (E) the cancellation of any outstanding Options or an outstanding right to purchase Restricted Stock, in either case, for no consideration.

11. Non-Transferability of Awards.

(a) **General.** Except as set forth in this Section 11, Awards (or any rights of such Awards) may not be sold, pledged, encumbered, assigned, hypothecated, or disposed of or otherwise transferred in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by a Participant will not constitute a transfer. An Option may be exercised, during the lifetime of the holder of the Option, only by such holder or a transferee permitted by this Section 11.

(b) **Limited Transferability Rights.** Notwithstanding anything else in this Section 11, the Administrator may in its sole discretion provide that any Nonstatutory Stock Options may be transferred by instrument to an inter vivos or testamentary trust in which the Options are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift to Family Members. Further, beginning with (i) the period when the Company begins to rely on the exemption described in Rule 12h-1(f)(1) promulgated under the Exchange Act, as determined by the Board in its sole discretion, and (ii) ending on the earlier of (A) the date when the Company ceases to rely on such exemption, as determined by the Board in its sole discretion, or (B) the date when the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, an Option, or prior to exercise, the Shares subject to the Option, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any "put equivalent position" or any "call equivalent position" (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are Family Members through gifts or domestic relations orders, or (ii) to an executor or guardian of the Participant upon the death or disability of the Participant. Notwithstanding the foregoing sentence, the Board, in its sole discretion, may permit transfers of Nonstatutory Stock Options to the Company or in connection with a Change of Control or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f).

12. Non-Transferability of Stock Underlying Awards.

(a) **General.** Notwithstanding anything to the contrary, no stockholder shall sell, assign, pledge, encumber or otherwise transfer, whether by sale, gift or otherwise, any Shares (or any rights of such Shares) acquired from any Award (including, without limitation, Shares acquired upon exercise of an Option) to any person or entity unless such transfer is approved by the Company prior to such transfer, which approval may be granted or withheld in the Company's sole and absolute discretion. Any purported transfer effected in violation of this Section 12 shall be null and void and shall have no force or effect and the Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of the Plan or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

(b) **Approval Process.** Any stockholder seeking the approval of the Board to transfer some or all of its Shares shall give written notice thereof to the Secretary of the Company and such request for transfer shall be subject to such right of first refusal, transfer provisions and any other terms and conditions as may be set forth in the applicable Option Agreement, Restricted Stock Purchase Agreement or other applicable written agreement.

13. **Time of Granting Awards.** The date of grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination granting such Award, or such other date as is determined by the Administrator.

14. **Amendment and Termination of the Plan.** The Board may at any time amend or terminate the Plan, but no amendment or termination shall be made that would materially and adversely affect the rights of any Participant under any outstanding Award, without his or her consent. In addition, to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain the approval of holders of capital stock with respect to any Plan amendment in such a manner and to such a degree as required.

15. **Conditions Upon Issuance of Shares.** Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. As a condition to the exercise of any Option or purchase of any Restricted Stock, the Company may require the person exercising the Option or purchasing the Restricted Stock to represent and warrant at the time of any such exercise or purchase that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is advisable or required by Applicable Laws. Shares issued upon exercise of Options or purchase of Restricted Stock prior to the date, if ever, on which the Common Stock becomes a Listed Security shall be subject to a right of first refusal in favor of the Company pursuant to which the Participant will be required to offer Shares to the Company before selling or transferring them to any third party on such terms and subject to such conditions as is reflected in the applicable Option Agreement or Restricted Stock Purchase Agreement.

16. **Beneficiaries.** If permitted by the Company, a Participant may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. Except as otherwise provided in an Award Agreement, if no beneficiary was designated or if no designated beneficiary survives the Participant, then after a Participant's death any vested Award(s) shall be transferred or distributed to the Participant's estate or to any person who has the right to acquire the Award by bequest or inheritance.

17. **Approval of Holders of Capital Stock.** If required by Applicable Laws, continuance of the Plan shall be subject to approval by the holders of capital stock of the Company within 12 months before or after the date the Plan is adopted or, to the extent required by Applicable Laws, any date the Plan is amended. Such approval shall be obtained in the manner and to the degree required under Applicable Laws.

18. **Addenda.** The Administrator may approve such addenda to the Plan as it may consider necessary or appropriate for the purpose of granting Awards to Employees or Consultants, which Awards may contain such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom, which may deviate from the terms and conditions set forth in this Plan. The terms of any such addenda shall supersede the terms of the Plan to the extent necessary to accommodate such differences but shall not otherwise affect the terms of the Plan as in effect for any other purpose.

19. **Information to Holders of Options.** In the event the Company is relying on the exemption provided by Rule 12h-1(f) under the Exchange Act, the Company shall provide the information described in Rule 701(e)(3), (4) and (5) of the Securities Act of 1933, as amended, to all holders of Options in accordance with the requirements thereunder until such time as the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. The Company may request that holders of Options agree to keep the information to be provided pursuant to this Section confidential. If the holder does not agree to keep the information to be provided pursuant to this Section confidential, then the Company will not be required to provide the information unless otherwise required pursuant to Rule 12h-1(f)(1) of the Exchange Act.

ADDENDUM A

Sezzle Employee Stock Option Plan

(California Participants)

Prior to the date, if ever, on which the Common Stock becomes a Listed Security and/or the Company is subject to the reporting requirements of the Exchange Act, the terms set forth herein shall apply to Awards issued to California Participants. All capitalized terms used herein but not otherwise defined shall have the respective meanings set forth in the Plan.

1. The following rules shall apply to any Option in the event of termination of the Participant's Continuous Service Status:

(a) If such termination was for reasons other than death, "Permanent Disability" (as defined below), or Cause, the Participant shall have at least 30 days after the date of such termination to exercise his or her Option to the extent the Participant is entitled to exercise on his or her termination date, provided that in no event shall the Option be exercisable after the expiration of the term as set forth in the Option Agreement.

(b) If such termination was due to death or Permanent Disability, the Participant shall have at least 6 months after the date of such termination to exercise his or her Option to the extent the Participant is entitled to exercise on his or her termination date, provided that in no event shall the Option be exercisable after the expiration of the term as set forth in the Option Agreement.

"Permanent Disability" for purposes of this Addendum shall mean the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Participant's position with the Company or any Parent or Subsidiary because of the sickness or injury of the Participant.

2. Notwithstanding anything to the contrary in Section 10(a) of the Plan, the Administrator shall in any event make such adjustments as may be required by Section 25102(o) of the California Corporations Code.

3. Notwithstanding anything stated herein to the contrary, no Option shall be exercisable on or after the 10th anniversary of the date of grant and any Award agreement shall terminate on or before the 10th anniversary of the date of grant.

4. The Company shall furnish summary financial information (audited or unaudited) of the Company's financial condition and results of operations, consistent with the requirements of Applicable Laws, at least annually to each California Participant during the period such Participant has one or more Awards outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such Participant owns such Shares; provided, however, the Company shall not be required to provide such information if (i) the issuance is limited to key persons whose duties in connection with the Company assure their access to equivalent information or (ii) the Plan or any agreement complies with all conditions of Rule 701 of the Securities Act of 1933, as amended; provided that for purposes of determining such compliance, any registered domestic partner shall be considered a "family member" as that term is defined in Rule 701.

SEZZLE INC.
2021 EQUITY INCENTIVE PLAN

1. DEFINED TERMS

Exhibit A, which is incorporated by reference, defines certain terms used in the Plan and includes certain operational rules related to those terms.

2. PURPOSE

The Plan has been established to advance the interests of the Company by providing for the grant to Participants of Stock and Stock-based Awards.

3. ADMINISTRATION

The Plan will be administered by the Administrator. The Administrator has discretionary authority, subject only to the express provisions of the Plan, to administer and interpret the Plan and any Awards; to determine eligibility for and grant Awards; to determine the exercise price, base value from which appreciation is measured, or purchase price, if any, applicable to any Award, to determine, modify, accelerate or waive the terms and conditions of any Award; to determine the form of settlement of Awards (whether in cash, shares of Stock, other Awards or other property); to prescribe forms, rules and procedures relating to the Plan and Awards; and to otherwise do all things necessary or desirable to carry out the purposes of the Plan or any Award. Determinations of the Administrator made with respect to the Plan or any Award are conclusive and bind all persons.

4. SHARE POOL; LIMITS ON AWARDS

(a) Number of Shares. Subject to adjustment as provided in Section 7(b) below, the maximum number of shares of Stock that may be delivered in satisfaction of Awards under the Plan is twenty-five million shares (the "**Initial Share Pool**"). The Initial Share Pool will automatically increase on January 1st of each year from 2022 to 2031 by the lesser of (i) 4 percent of the number of shares of Stock outstanding as of the close of business on the immediately preceding December 31st and (ii) the number of shares of Stock determined by the Board on or prior to such date for such year (the Initial Share Pool, as it may be so increased, the "Share Pool"). Up to twenty-five million shares of Stock from the Share Pool may be delivered in satisfaction of ISOs, but nothing in this Section 4(a) will be construed as requiring that any, or any fixed number of, ISOs be granted under the Plan. For purposes of this Section 4(a), shares of Stock shall not be treated as delivered under the Plan, and will not reduce the Share Pool, unless and until, and to the extent, they are actually delivered to a Participant. Without limiting the generality of the foregoing, the Share Pool shall not be reduced by (i) any shares of Stock withheld by the Company in payment of the exercise price or purchase price of an Award or in satisfaction of tax withholding requirements with respect to an Award or (ii) any shares of Stock underlying any portion of an Award that is settled in cash or that expires, becomes unexercisable, terminates or is forfeited to or repurchased by the Company, in any case, without the delivery (or retention, in the case of Restricted Stock or Unrestricted Stock) of Stock. For the avoidance of doubt, the Share Pool will not be increased by any shares of Stock delivered under the Plan that are subsequently repurchased using proceeds directly attributable to Stock Option exercises. The limits set forth in this Section 4(a) will be construed to comply with the applicable requirements of Section 422.

(b) Substitute Awards. The Administrator may grant Substitute Awards under the Plan. To the extent consistent with the requirements of Section 422 and the regulations thereunder and other applicable legal requirements (including applicable stock exchange requirements), shares of Stock delivered in respect of Substitute Awards will be in addition to and will not reduce the Share Pool. Notwithstanding the foregoing or anything in Section 4(a) above to the contrary, if any Substitute Award is settled in cash or expires, becomes unexercisable, terminates or is forfeited to or repurchased by the Company without the delivery (or retention, in the case of Restricted Stock or Unrestricted Stock) of Stock, the shares of Stock previously subject to such Award will not increase the Share Pool or otherwise be available for future delivery under the Plan. The Administrator will determine the extent to which the terms and conditions of the Plan apply to Substitute Awards, if at all; *provided, however*, that Substitute Awards will not be subject to the limits described in Section 4(d) below.

(c) Type of Shares. Stock delivered by the Company under the Plan may be authorized but unissued Stock, treasury Stock or previously issued Stock acquired by the Company. No fractional shares of Stock will be delivered under the Plan.

(d) Director Limits. Notwithstanding anything to the contrary under the Plan, the aggregate value of all compensation granted or paid to any Director with respect to any calendar year, including Awards granted under the Plan and cash fees or other compensation paid by the Company to such Director outside of the Plan for his or her services as a Director during such year, may not exceed $750,000.00 in the aggregate ($1,000,000.00 in the aggregate with respect to a Director's first calendar year of service on the Board), calculating the value of any Awards based on the grant date fair value in accordance with the Accounting Rules, assuming a maximum payout. For the avoidance of doubt, the limitation in this Section 4(d)(2) will not apply to any compensation granted or paid to a Director for his or her services to the Company or a subsidiary other than as a Director, including, without limitation, as a consultant or advisor to the Company or a subsidiary.

5. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among Employees and Directors of, and consultants to, the Company and its subsidiaries. Eligibility for ISOs is limited to individuals described in the first sentence of this Section 5 who are employees of the Company or of a "parent corporation" or "subsidiary corporation" of the Company as those terms are defined in Section 424 of the Code. Eligibility for Stock Options, other than ISOs, and SARs is limited to individuals described in the first sentence of this Section 5 who are providing direct services on the date of grant of the Award to the Company or to a subsidiary of the Company that would be described in the first sentence of Section 1.409A-1(b)(5)(iii)(E) of the Treasury Regulations.

6. RULES APPLICABLE TO AWARDS

(a) All Awards.

(1) Award Provisions. The Administrator will determine the terms and conditions of all Awards, subject to the limitations provided herein. No term of an Award shall provide for automatic "reload" grants of additional Awards upon the exercise of an Option or SAR. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) an Award, the Participant will be deemed to have agreed to the terms and conditions of the Award and the Plan. Notwithstanding any provision of the Plan to the contrary, Substitute Awards may contain terms and conditions that are inconsistent with the terms and conditions specified herein, as determined by the Administrator.

(2) Term of Plan. No Awards may be made after ten years from the Date of Adoption, but previously granted Awards may continue beyond that date in accordance with their terms.

(3) Transferability. Neither ISOs nor, except as the Administrator otherwise expressly provides in accordance with the third sentence of this Section 6(a)(3), other Awards may be transferred other than by will or by the laws of descent and distribution. During a Participant's lifetime, ISOs and, except as the Administrator otherwise expressly provides in accordance with the third sentence of this Section 6(a)(3), SARs and NSOs may be exercised only by the Participant. The Administrator may permit the gratuitous transfer (*i.e.*, transfer not for value) of Awards other than ISOs, subject to applicable securities and other laws and such terms and conditions as the Administrator may determine.

(4) Vesting; Exercisability. The Administrator will determine the time or times at which an Award vests or becomes exercisable and the terms and conditions on which a Stock Option or SAR remains exercisable. Without limiting the foregoing, the Administrator may at any time accelerate the vesting and/or exercisability of an Award (or any portion thereof), regardless of any adverse or potentially adverse tax or other consequences resulting from such acceleration. Unless the Administrator expressly provides otherwise, however, the following rules will apply if a Participant's Employment ceases:

(A) Except as provided in (B) and (C) below, immediately upon the cessation of the Participant's Employment, each Stock Option and SAR (or portion thereof) that is then held by the Participant or by the Participant's permitted transferees, if any, will cease to be exercisable and will terminate and each other Award that is then held by the Participant or by the Participant's permitted transferees, if any, to the extent not then vested, will be forfeited.

(B) Subject to (C) and (D) below, each vested and unexercised Stock Option and SAR (or portion thereof) held by the Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment, to the extent then exercisable, will remain exercisable for the lesser of (i) a period of three months following such cessation of Employment or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(C) Subject to (D) below, each vested and unexercised Stock Option and SAR (or portion thereof) held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment due to his or her death or by the Company due to his or her Disability, to the extent then exercisable, will remain exercisable for the lesser of (i) the one-year period ending on the first anniversary of such cessation of Employment or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(D) All Awards (whether or not vested or exercisable) held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment will immediately terminate upon such cessation of Employment if the termination is for Cause or occurs in circumstances that in the determination of the Administrator would have constituted grounds for the Participant's Employment to be terminated for Cause (in each case, without regard to the lapsing of any required notice or cure periods in connection therewith).

(5) Recovery of Compensation. The Administrator may provide in any case that any outstanding Award (whether or not vested or exercisable), the proceeds from the exercise or disposition of any Award or Stock acquired under any Award, and any other amounts received in respect of any Award or Stock acquired under any Award will be subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if the Participant to whom the Award was granted is not in compliance with any provision of the Plan or any applicable Award or any non-competition, non-solicitation, no-hire, non-disparagement, confidentiality, invention assignment or other restrictive covenant by which he or she is bound. Each Award will be subject to any policy of the Company or any of its subsidiaries that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. In addition, each Award will be subject to any policy of the Company or any of its affiliates that provides for forfeiture, disgorgement, or clawback with respect to incentive compensation that includes Awards under the Plan and will be further subject to forfeiture and disgorgement to the extent required by law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Exchange Act. Each Participant, by accepting or being deemed to have accepted an Award under the Plan, agrees (or will be deemed to have agreed) to the terms of this Section 6(a)(5) and to any clawback, recoupment or similar policy of the Company or any of its subsidiaries and further agrees (or will be deemed to have further agreed) to cooperate fully with the Administrator, and to cause any and all permitted transferees of the Participant to cooperate fully with the Administrator, to effectuate any forfeiture or disgorgement described in this Section 6(a)(5). Neither the Administrator nor the Company nor any other person, other than the Participant and his or her permitted transferees, if any, will be responsible for any adverse tax or other consequences to a Participant or his or her permitted transferees, if any, that may arise in connection with this Section 6(a)(5).

(6) Taxes. The grant of an Award and the issuance, delivery, vesting and retention of Stock, cash or other property under an Award are conditioned upon the full satisfaction by the Participant of all tax and other withholding requirements with respect to the Award. The Administrator will prescribe such rules for the withholding of taxes and other amounts with respect to any Award as it deems necessary. Without limitation to the foregoing, the Company or any affiliate of the Company will have the authority and the right to deduct or withhold (by any means set forth herein or in an Award agreement), or require a Participant to remit to the Company or an affiliate of the Company, an amount sufficient to satisfy all U.S. and non-U.S. federal, state and local income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to participation in the Plan and any Award hereunder and legally applicable to the Participant and required by law to be withheld (including, any amount deemed by the Company, in its discretion, to be an appropriate charge to the Participant even if legally applicable to the Company or any affiliate of the Company). The Administrator, in its sole discretion, may hold back shares of Stock from an Award or permit a Participant to tender previously-owned shares of Stock in satisfaction of tax or other withholding requirements (but not in excess of the maximum withholding amount consistent with the Award being subject to equity accounting treatment under the Accounting Rules). Any amounts withheld pursuant to this Section 6(a)(6) will be treated as though such amounts had been paid directly to the applicable Participant. In addition, the Company may, to the extent permitted by law, deduct any such tax and other withholding amounts from any payment of any kind otherwise due to a Participant from the Company or any of its affiliates.

(7) Dividend Equivalents. The Administrator may provide for the payment of amounts (on terms and subject to such conditions established by the Administrator) in lieu of cash dividends or other cash distributions with respect to Stock subject to an Award whether or not the holder of such Award is otherwise entitled to share in the actual dividend or distribution in respect of such Award; *provided, however*, that (a) dividends or dividend equivalents relating to an Award that, at the dividend payment date, remains subject to a risk of forfeiture (whether service-based or performance-based) shall be subject to the same risk of forfeiture as applies to the underlying Award and (b) no dividends or dividend equivalents shall be payable with respect to Stock Options or SARs. Any entitlement to dividend equivalents or similar entitlements will be established and administered either consistent with an exemption from, or in compliance with, the applicable requirements of Section 409A.

(8) Rights Limited. Nothing in the Plan or any Award will be construed as giving any person the right to be granted an Award or to continued employment or service with the Company or any of its subsidiaries, or any rights as a stockholder except as to shares of Stock actually delivered under the Plan. The loss of existing or potential profit in any Award will not constitute an element of damages in the event of a termination of a Participant's Employment for any reason, even if the termination is in violation of an obligation of the Company or any of its subsidiaries to the Participant.

(9) Coordination with Other Plans. Shares of Stock and/or Awards under the Plan may be issued or granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or any of its subsidiaries. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or any of its subsidiaries may be settled in Stock (including, without limitation, Unrestricted Stock) under the Plan if the Administrator so determines, in which case the shares delivered will be treated as awarded under the Plan (and will reduce the Share Pool).

(10) Section 409A.

(A) Without limiting the generality of Section 11(b) hereof, each Award will contain such terms as the Administrator determines and will be construed and administered, such that the Award either qualifies for an exemption from the requirements of Section 409A or satisfies such requirements.

(B) Notwithstanding anything to the contrary in the Plan or any Award agreement, the Administrator may unilaterally amend, modify or terminate the Plan or any outstanding Award, including, without limitation, changing the form of the Award, if the Administrator determines that such amendment, modification or termination is necessary or desirable to avoid the imposition of an additional tax, interest or penalty under Section 409A.

(C) If a Participant is determined on the date of the Participant's termination of Employment to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then, with regard to any payment that is considered nonqualified deferred compensation under Section 409A, to the extent applicable, payable on account of a "separation from service", such payment will be made or provided on the date that is the earlier of (i) the first business day following the expiration of the six-month period measured from the date of such "separation from service" and (ii) the date of the Participant's death (the "**Delay Period**"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 6(a)(10)(C) (whether they would have otherwise been payable in a single lump sum or in installments in the absence of such delay) will be paid, without interest, on the first business day following the expiration of the Delay Period in a lump sum and any remaining payments due under the Award will be paid in accordance with the normal payment dates specified for them in the applicable Award agreement.

(D) For purposes of Section 409A, each payment made under the Plan or any Award will be treated as a separate payment.

(E) With regard to any payment considered to be nonqualified deferred compensation under Section 409A, to the extent applicable, that is payable upon a change in control of the Company or other similar event, to the extent required to avoid the imposition of an additional tax, interest or penalty under Section 409A, no amount will be payable unless such change in control constitutes a "change in control event" within the meaning of Section 1.409A-3(i)(5) of the Treasury Regulations.

(b) Stock Options and SARs.

(1) Time and Manner of Exercise. Unless the Administrator expressly provides otherwise, no Stock Option or SAR will be deemed to have been exercised until the Administrator receives a notice of exercise in a form acceptable to the Administrator that is signed by the appropriate person and accompanied by any payment required under the Award. The Administrator may limit or restrict the exercisability of any Stock Option or SAR in its discretion, including in connection with any Covered Transaction. Any attempt to exercise a Stock Option or SAR by any person other than the Participant will not be given effect unless the Administrator has received such evidence as it may require that the person exercising the Award has the right to do so.

(2) Exercise Price. The exercise price (or the base value from which appreciation is to be measured) per share of each Award requiring exercise must be no less than 100% (in the case of an ISO granted to a 10-percent stockholder within the meaning of Section 422(b)(6) of the Code, 110%) of the Fair Market Value of a share of Stock, determined as of the date of grant of the Award, or such higher amount as the Administrator may determine in connection with the grant.

(3) Payment of Exercise Price. Where the exercise of an Award (or portion thereof) is to be accompanied by a payment, payment of the exercise price must be made by cash or check acceptable to the Administrator or, if so permitted by the Administrator and if legally permissible, (i) through the delivery of previously acquired unrestricted shares of Stock, or the withholding of unrestricted shares of Stock otherwise deliverable upon exercise, in either case, that have a Fair Market Value equal to the exercise price; (ii) through a broker-assisted cashless exercise program acceptable to the Administrator; (iii) by other means acceptable to the Administrator; or (iv) by any combination of the foregoing permissible forms of payment. The delivery of previously acquired shares in payment of the exercise price under clause (i) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership, subject to such rules as the Administrator may prescribe.

(4) Maximum Term. The maximum term of Stock Options and SARs must not exceed 10 years from the date of grant (or five years from the date of grant in the case of an ISO granted to a 10-percent stockholder described in Section 6(b)(2) above).

(5) No Repricing. Except in connection with a corporate transaction involving the Company (which term includes, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares) or as otherwise contemplated by Section 7 below, the Company may not, without obtaining stockholder approval, (i) amend the terms of outstanding Stock Options or SARs to reduce the exercise price or base value of such Stock Options or SARs; (ii) cancel outstanding Stock Options or SARs in exchange for Stock Options or SARs that have an exercise price or base value that is less than the exercise price or base value of the original Stock Options or SARs; or (iii) cancel outstanding Stock Options or SARs that have an exercise price or base value greater than the Fair Market Value of a share of Stock on the date of such cancellation in exchange for cash or other consideration.

7. EFFECT OF CERTAIN TRANSACTIONS

(a) Mergers, *etc*. Except as otherwise expressly provided in an Award or other agreement or by the Administrator, the following provisions will apply in the event of a Covered Transaction:

(1) Assumption or Substitution. If the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may provide for (i) the assumption or continuation of some or all outstanding Awards or any portion thereof or (ii) the grant of new awards in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.

(2) Cash-Out of Awards. Subject to Section 7(a)(5) below, the Administrator may provide for payment (a "**cash-out**"), with respect to some or all Awards or any portion thereof (including only the vested portion thereof, with the unvested portion terminating without payment due as provided in Section 7(a)(4) below), equal in the case of each applicable Award or portion thereof to the excess, if any, of (i) the fair market value of one share of Stock multiplied by the number of shares of Stock subject to the Award or such portion, minus (ii) the aggregate exercise or purchase price, if any, of such Award or such portion thereof (or, in the case of a SAR, the aggregate base value above which appreciation is measured), in each case, on such payment and other terms and subject to such conditions (which need not be the same as the terms and conditions applicable to holders of Stock generally), as the Administrator determines, including that any amounts paid in respect of such Award in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate. For the avoidance of doubt, if the per share exercise or purchase price (or base value) of an Award or portion thereof is equal to or greater than the fair market value of one share of Stock, such Award or portion may be cancelled with no payment due hereunder or otherwise in respect thereof.

(3) Acceleration of Certain Awards. Subject to Section 7(a)(5) below, the Administrator may provide that any Award requiring exercise will become exercisable, in full or in part, and/or that the delivery of any shares of Stock remaining deliverable under any outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated, in full or in part, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following the exercise of the Award or the delivery of the shares, as the case may be, to participate as a stockholder in the Covered Transaction.

(4) Termination of Awards upon Consummation of Covered Transaction. Except as the Administrator may otherwise determine, each Award will automatically terminate (and in the case of outstanding shares of Restricted Stock, will automatically be forfeited) immediately upon the consummation of the Covered Transaction, other than (i) any Award that is assumed, continued or substituted for pursuant to Section 7(a)(1) above and (ii) any Award that by its terms, or as a result of action taken by the Administrator, continues following the Covered Transaction.

(5) Additional Limitations. Any share of Stock and any cash or other property or other award delivered pursuant to Section 7(a)(1), Section 7(a)(2) or Section 7(a)(3) above with respect to an Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate, including to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. For purposes of the immediately preceding sentence, a cash-out under Section 7(a)(2) above or an acceleration under Section 7(a)(3) above will not, in and of itself, be treated as the lapsing (or satisfaction) of a performance or other vesting condition. In the case of Restricted Stock that does not vest and is not forfeited in connection with the Covered Transaction, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan.

(6) Uniform Treatment. For the avoidance of doubt, the Administrator need not treat Participants or Awards (or portions thereof) in a uniform manner, and may treat different Participants and/or Awards differently, in connection with a Covered Transaction.

(b) Changes in and Distributions with Respect to Stock.

(1) Basic Adjustment Provisions. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the meaning of the Accounting Rules, the Administrator shall make appropriate adjustments to the Share Pool, and shall make appropriate adjustments to the number and kind of shares of stock or securities underlying Awards then outstanding or subsequently granted, any exercise or purchase prices (or base values) relating to Awards and any other provision of Awards affected by such change.

(2) Certain Other Adjustments. The Administrator may also make adjustments of the type described in Section 7(b)(1) above to take into account distributions to stockholders other than those provided for in Sections 7(a) and 7(b)(1) above, or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan or any Award.

(3) Continuing Application of Plan Terms. References in the Plan to shares of Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 7.

8. LEGAL CONDITIONS ON DELIVERY OF STOCK

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares of Stock previously delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved; (ii) if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. The Company may require, as a condition to the exercise of an Award or the delivery of shares of Stock under an Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of the Securities Act of 1933, as amended, or any applicable state or non-U.S. securities law. Any Stock delivered under the Plan will be evidenced in such manner as the Administrator determines appropriate, including book-entry registration or delivery of stock certificates. In the event that the Administrator determines that stock certificates will be issued in connection with Stock issued under the Plan, the Administrator may require that such certificates bear an appropriate legend reflecting any restriction on transfer applicable to such Stock, and the Company may hold the certificates pending the lapse of the applicable restrictions.

9. AMENDMENT AND TERMINATION

The Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by applicable law, and may at any time terminate the Plan as to any future grants of Awards; *provided, however*, that except as otherwise expressly provided in the Plan or the applicable Award, the Administrator may not, without the Participant's consent, alter the terms of an Award so as to affect materially and adversely the Participant's rights under the Award, unless the Administrator expressly reserved the right to do so in the Plan or at the time the applicable Award was granted. Any amendments to the Plan will be conditioned upon stockholder approval only to the extent, if any, such approval is required by applicable law (including the Code) or stock exchange requirements, as determined by the Administrator. For the avoidance of doubt, without limiting the Administrator's rights hereunder, no adjustment to any Award pursuant to the terms of Section 7 or Section 12 hereof will be treated as an amendment requiring a Participant's consent.

10. OTHER COMPENSATION ARRANGEMENTS

The existence of the Plan or the grant of any Award will not affect the right of the Company or any of its subsidiaries to grant any person bonuses or other compensation in addition to Awards under the Plan.

11. MISCELLANEOUS

(a) Waiver of Jury Trial. By accepting or being deemed to have accepted an Award under the Plan, each Participant waives (or will be deemed to have waived), to the maximum extent permitted under applicable law, any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan or any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees (or will be deemed to have agreed) that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By accepting (or being deemed to have accepted) an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit any dispute arising under the terms of the Plan or any Award to binding arbitration or as limiting the ability of the Company to require any individual to agree to submit such disputes to binding arbitration as a condition of receiving an Award hereunder.

(b) Limitation of Liability. Notwithstanding anything to the contrary in the Plan or any Award, none of the Company, nor any of its subsidiaries, nor the Administrator, nor any person acting on behalf of the Company, any of its subsidiaries, or the Administrator, will be liable to any Participant, to any permitted transferee, to the estate or beneficiary of any Participant or any permitted transferee, or to any other person by reason of any acceleration of income, any additional tax, or any penalty, interest or other liability asserted by reason of the failure of an Award to satisfy the requirements of Section 422 or Section 409A or by reason of Section 4999 of the Code, or otherwise asserted with respect to any Award.

(c) Unfunded Plan. The Company's obligations under the Plan are unfunded, and no Participant will have any right to specific assets of the Company in respect of any Award. Participants will be general unsecured creditors of the Company with respect to any amounts due or payable under the Plan.

12. ESTABLISHMENT OF SUB-PLANS

The Administrator may at any time and from time to time (including before or after an Award is granted) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan for Participants based outside of the U.S. and/or subject to the laws of countries other than the U.S., including by establishing one or more sub-plans, supplements or appendices under the Plan or any Award agreement for the purpose of complying or facilitating compliance with non-U.S. laws or taking advantage of tax favorable treatment or for any other legal or administrative reason determined by the Administrator. Any such sub-plan, supplement or appendix may contain, in each case, (i) such limitations on the Administrator's discretion under the Plan and (ii) such additional or different terms and conditions, as the Administrator deems necessary or desirable and will be deemed to be part of the Plan but will apply only to Participants within the group to which the sub-plan, supplement or appendix applies (as determined by the Administrator); *provided, however*, that no sub-plan, supplement or appendix, rule or regulation established pursuant to this provision shall increase the Share Pool.

13. GOVERNING LAW

(a) In General. Awards and shares of Stock will be granted, issued and administered consistent with the requirements of applicable Delaware law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case, as determined by the Administrator. Except as otherwise provided by the express terms of an Award agreement, under a sub-plan described in Section 12 above or as provided in Section 13(a) above, the domestic substantive laws of the State of Delaware govern the provisions of the Plan and of Awards under the Plan and all claims or disputes arising out of or based upon the Plan or any Award under the Plan or relating to the subject matter hereof or thereof without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(b) Jurisdiction. Subject to Section 11(a) above, by accepting (or being deemed to have accepted) an Award, each Participant agrees or will be deemed to have agreed to (i) submit irrevocably and unconditionally to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Award; (ii) not commence any suit, action or other proceeding arising out of or based upon the Plan or any Award, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware; and (iii) waive, and not assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that he or she is not subject personally to the jurisdiction of the above-named courts that his or her property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or any Award or the subject matter thereof may not be enforced in or by such court.

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EXHIBIT A

Definition of Terms

The following terms, when used in the Plan, have the meanings and are subject to the provisions set forth below:

"Accounting Rules": Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor provision.

"Administrator": The Compensation Committee, except that the Board may at any time act in the capacity of the Administrator (including with respect to such matters that are not delegated to the Compensation Committee by the Board (whether pursuant to committee or charter), if applicable). The Compensation Committee (or the Board) may delegate (i) to one or more of its members (or one or more other members of the Board) such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to grant Awards to the extent permitted by applicable law; and (iii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. For purposes of the Plan, the term "Administrator" will include the Board, the Compensation Committee, and the person or persons delegated authority under the Plan to the extent of such delegation, as applicable.

"Award": Any or a combination of the following:

(i) Stock Options.

(ii) SARs.

(iii) Restricted Stock.

(iv) Unrestricted Stock.

(v) Stock Units, including Restricted Stock Units.

(vi) Performance Awards.

(vii) Awards (other than Awards described in (i) through (vi) above) that are convertible into or otherwise based on Stock.

"Board": The Board of Directors of the Company.

"Cause": In the case of any Participant who is party to an employment, change of control or severance-benefit agreement that contains a definition of "Cause," the definition set forth in such agreement applies with respect to such Participant for purposes of the Plan for so long as such agreement is in effect. In every other case, "Cause" means, as determined by the Administrator, (i) the Participant's material failure to perform (other than by reason of disability), or substantial negligence in the performance of, the Participant's duties and responsibilities to the Company or any of its affiliates; (ii) the Participant's material breach of the Plan, any Award agreement or any other agreement between the Participant and the Company or any of its affiliates or any policy of the Company or any of its affiliates, including any non-competition, non-solicitation, no-hire, non-disparagement, confidentiality, invention assignment or other restrictive covenant by which he or she is bound; (iii) the Participant's commission of, or plea of nolo contendere to, a felony or other crime involving moral turpitude; or (iv) other conduct by the Participant that is or could reasonably be expected to be materially harmful to the business interests or reputation of the Company or any of its affiliates.

"Code": The U.S. Internal Revenue Code of 1986, as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Company": Sezzle Inc., a Delaware corporation.

"Compensation Committee": The Compensation Committee of the Board.

"Covered Transaction": Any of (i) a consolidation, merger or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert; (ii) a sale or transfer of all or substantially all the Company's assets; (iii) a dissolution or liquidation of the Company or (iv) any other transaction the Administrator determines to be a Covered Transaction. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Administrator), the Covered Transaction will be deemed to have occurred upon consummation of the tender offer.

"Date of Adoption": The date the Plan is approved by the Company's stockholders.

"Director": A member of the Board who is not an Employee.

"Disability": In the case of any Participant who is party to an employment, change of control or severance-benefit agreement that contains a definition of "Disability" (or a corollary term), the definition set forth in such agreement applies with respect to such Participant for purposes of the Plan for so long as such agreement is in effect. In every other case, "Disability" means, as determined by the Administrator, absence from work due to a disability for a period in excess of ninety (90) days in any twelve (12)-month period that would entitle the Participant to receive benefits under the Company's long-term disability program as in effect from time to time (if the Participant were a participant in such program).

"Employee": Any person who is employed by the Company or any of its subsidiaries.

"Employment": A Participant's employment or other service relationship with the Company or any of its subsidiaries. Employment will be deemed to continue, unless the Administrator otherwise determines, so long as the Participant is employed by, or otherwise is providing services in a capacity described in Section 5 of the Plan to, the Company or any of its subsidiaries. If a Participant's employment or other service relationship is with any subsidiary of the Company and that entity ceases to be a subsidiary of the Company, the Participant's Employment will be deemed to have terminated when the entity ceases to be a subsidiary of the Company unless the Participant transfers Employment to the Company or one of its remaining subsidiaries. Notwithstanding the foregoing, in construing the provisions of any Award relating to the payment of "nonqualified deferred compensation" (subject to Section 409A) upon a termination or cessation of Employment, references to termination or cessation of employment, separation from service, retirement or similar or correlative terms will be construed to require a "separation from service" (as that term is defined in Section 1.409A-1(h) of the Treasury Regulations, after giving effect to the presumptions contained therein) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single "service recipient" with the Company under Section 1.409A-1(h)(3) of the Treasury Regulations. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A, any of the special elective rules prescribed in Section 1.409A-1(h) of the Treasury Regulations for purposes of determining whether a "separation from service" has occurred. Any such written election will be deemed a part of the Plan.

"Exchange Act": The Securities Exchange Act of 1934, as amended.

"Fair Market Value": As of a particular date, (i) the closing price for a share of Stock reported on the national securities exchange on which the Stock is then listed for that date or, if no closing price is reported for that date, the closing price on the immediately preceding date on which a closing price was reported or (ii) in the event that the Stock is not traded on a national securities exchange, the fair market value of a share of Stock determined by the Administrator consistent with the rules of Section 422 and Section 409A to the extent applicable.

"ISO": A Stock Option intended to be an "incentive stock option" within the meaning of Section 422. Each Stock Option granted pursuant to the Plan will be treated as providing by its terms that it is to be an NSO unless, as of the date of grant, it is expressly designated as an ISO in the applicable Award agreement.

"NSO": A Stock Option that is not intended to be an "incentive stock option" within the meaning of Section 422.

"Participant": A person who is granted an Award under the Plan.

"Performance Award": An Award subject to performance vesting conditions, which may include Performance Criteria.

"Performance Criteria": Specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award. A Performance Criterion and any targets with respect thereto need not be based upon an increase, a positive or improved result or avoidance of loss and may be applied to a Participant individually, or to a business unit or division of the Company or to the Company as a whole. A Performance Criterion may also be based on individual performance and/or subjective performance criteria. The Administrator may provide that one or more of the Performance Criteria applicable to such Award will be adjusted in a manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable Performance Criterion or Criteria.

"Plan": This Sezzle Inc. 2021 Equity Incentive Plan, as from time to time amended and in effect.

"Prior Plan": The Sezzle Inc. 2019 Equity Incentive Plan.

"Restricted Stock": Stock subject to restrictions requiring that it be forfeited, redelivered or offered for sale to the Company if specified performance or other vesting conditions are not satisfied.

"Restricted Stock Unit": A Stock Unit that is, or as to which the delivery of Stock or of cash in lieu of Stock is, subject to the satisfaction of specified performance or other vesting conditions.

"SAR": A right entitling the holder upon exercise to receive an amount (payable in cash or in shares of Stock of equivalent value) equal to the excess of the Fair Market Value of the shares of Stock subject to the right over the base value from which appreciation under the SAR is to be measured.

"Section 409A": Section 409A of the Code and the regulations thereunder.

"Section 422": Section 422 of the Code and the regulations thereunder.

"Stock": Common stock of the Company, par value $0.00001 per share.

"Stock Option": An option entitling the holder to acquire shares of Stock upon payment of the exercise price.

"Stock Unit": An unfunded and unsecured promise, denominated in shares of Stock, to deliver Stock or cash measured by the value of Stock in the future.

"Substitute Award": An Award granted under the Plan in substitution for one or more equity awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition.

"Unrestricted Stock": Stock not subject to any restrictions under the terms of the Award.

Agreement for B Corporation Certification

Introduction

This agreement (the "Agreement"), dated as of 22-Mar-21 (the "Effective Date"), is between Sezzle, Inc., (the "Company") and B Lab Company, a Pennsylvania nonprofit corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("B Lab").

The purpose of this Agreement is to establish (1) the terms by which B Lab will certify the Company as a Certified B Corporation™, a certification of a company's overall social and environmental performance, public transparency, and legal accountability, (2) the terms under which that certification will continue, (3) the obligations of the Company as a Certified B Corporation™, and (4) the rights of the Company to use certain intellectual property of B Lab.

Requirements for Certification

All submissions for B Corporation™ Certification will be reviewed by B Lab (for an overview of the certification process, please see Appendix A). In order to be certified as a Certified B Corporation™, the Company must meet the following requirements:

1. **Performance Standards.**

    a. Submit completed B Impact Assessment, including the Disclosure Questionnaire, for review and earn a reviewed score of at least 80 points (out of 200).

    b. Attach all required documentation to complete their B Impact Assessment™ submission.

    c. Submit to a "Site Review" of the company's B Impact Assessment if selected, as provided for in Section 2 of Appendix A.

    d. With respect to re-certification:

        i. The Company agrees that it shall participate fully in the re-certification process and if it fails to do so, B Lab may terminate this Agreement pursuant to Section 2 of "Term and Termination," below.

        ii. In the event that the Company's performance fails to meet the standards required for re- certification, the Company shall be provided with notice and a cure period during which the Company may work towards improving the Company's performance; provided, however, if the Company's performance remains below the threshold for re-certification, B Lab may terminate this Agreement pursuant to Section 2 of "Term and Termination," below.

2. **Transparency Requirements.**

   a. Permit B Lab to make the Company's B Impact Report and basic Profile information available on www.bcorporation.net and B Analytics upon certification and re-certification. At any time, the company can opt out of making the following information available in the B Analytics subscription platform and on www.bcorporation.net, such as: revenue range, employee numbers, projected capital raises, and any other information that B Lab determines in its sole discretion is inappropriate for public disclosure.

   b. The Company is not required, but may elect, incremental transparency of its full Assessment on www.bcorporation.net; provided, however, that if the Company is a:

      i. subsidiary, the Company will disclose the identity of any majority owner on its B Impact Report published on www.bcorporation.net; and

      ii. wholly-owned subsidiary, a majority-owned subsidiary with a parent company that earns more than $1,000,000,000 USD in annual revenue, or a public company with more than $100,000,000 USD market capitalization, it will permit B Lab to disclose answers from its B Impact Assessment on www.bcorporation.net, other than answers deemed to be Sensitive Information, per agreement between the Company and B Lab, as described in Appendix B.

   c. The transparency requirements in this Agreement supersede any Non-Disclosure Agreements with B Lab.

3. **Legal Requirement.**

   a. Unless otherwise agreed to by the Parties**,** the Company must meet the legal requirement as provided for in Appendix D and acknowledged by the Company on Appendix E.

   b. If the Company does not meet the above requirements, B Lab may revoke the Company's certification as provided for in this Agreement or decline to recertify the Company.

   c. In the event of a change in legal form of the Company, the Company hereby agrees that it will notify B Lab and adopt the B Corp Legal Framework or benefit corporation status, if available, and submit a copy of the Company's amended governing documents within 90 days of such change in legal form.

4. **Declaration of Interdependence.** The Company will sign the B Corporation™ Declaration of Interdependence as a symbol of its commitment to our shared collective purpose, attached Appendix F.

Intellectual Property

   a. **License to the Company.** B Lab hereby grants to the Company a revocable, non-exclusive license to utilize the B Lab intellectual property (the "B Lab IP") "Certified B Corporation™," "B Corporation™", "B Corp™," and the "Certified B Corporation™" logo (the "B Lab License"), only in a manner consistent with the "Brand Usage Guidelines" provided by B Lab, or as otherwise specified by B Lab, the terms of which are expressly incorporated herein by reference, for the purposes of promoting the Company as a member of the Certified B Corporation community; provided, however, in the event of termination of this Agreement pursuant to Subsection 2 of the "Term and Termination" Section of this Agreement, such B Lab License shall terminate concurrently with this Agreement.

   b. **License to B Lab.** The Company hereby grants to B Lab a revocable, non-exclusive license to utilize the Company's trademark and logo for the purposes of promoting the interests of the community of B Corporations and for the purposes listed in the Introduction to this Agreement.

1. **License Fee**. The Company shall pay B Lab an **annual** license fee (the "License Fee") to be determined based upon the Company's revenue, which shall be disclosed to B Lab annually, and based upon the following tiered structure:

Annual Sales	Annual License Fee
$0-<$150,000	$1,000
$150,000 - $499,999	$1,100
$500,000 - $699,999	$1,200
$700,000 - $999,999	$1,300
$1 MM - <$1.4 MM	$1,400
$1.5 MM - <$1.9 MM	$1,600
$2 MM - <$2.9 MM	$1,800
$3 MM - $4.9 MM	$2,000
$5 MM - $7.4 MM	$2,500
$7.5 MM - $9.9 MM	$3,750
$10 MM - $14.9 MM	$6,000
$15 MM - $19.9 MM	$8,500
$20MM - <$29.9 MM	$12,000
$30 MM - <$49.9 MM	$16,000
$50 MM - $74.9 MM	$20,000
$75 MM - $99.9 MM	$25,500
$100 MM - <$174.9 MM	$30,000
$175 MM - 249.9 MM	$35,000
$250 MM - $499.9 MM	$40,000
$500 MM - $749.9 MM	$45,000
$750MM - $999.9 MM	$50,000
$1B+	Based on size and complexity of your business**

The Company hereby acknowledges that B Lab reserves the right to change such License Fee structure in its sole discretion and that such change will be reflected on the Company's next invoice from B Lab. Unless the License Fee has been previously paid by the Company, the Company will receive an invoice for the initial License Fee (and any other fees due under this Agreement) from B Lab within thirty (30) days of the Effective Date of this Agreement.

2. **Global Partner Invoicing**. If the Company is located outside of the United States or Canada in the territory of a B Lab Global Partner, the Company will receive an invoice directly from the Global Partner for the License Fee, with such License Fee displayed in the local currency. Company hereby acknowledges that the Global Partner reserves the right to change its fee structure in its sole discretion, which may be disclosed on the Global Partner's website, and that any change to the License Fee will be reflected on the Company's next invoice from B Lab. The Global Partner websites can be found at: https://bcorporation.net/about-b-lab/global-partners.

3. **Additional Fees for Related Entities**. For companies certifying with related entities (subsidiaries, parent companies, franchisees, franchisors, or affiliated entities with the same name) or multiple assessments, please see Appendix B.

Term and Termination.

1. **Term of Certification, Recertification**. Upon meeting the requirements described in "Requirements for Certification" above (other than the Legal Requirement), the Company will be certified as a B Corporation™ for a three (3) year period, subject to the provisions regarding: (a) the provisions regarding a "Change of Control" in section 3, below; (b) revocation of certification, as provided for in Appendix A.1; or (c) a related entity required for certification has not been certified, as provided for in Appendix B.2. In order to maintain certification, the Company must be recertified once every three (3) years. Company hereby acknowledges that it understands that it must meet the Performance Standards in Section 1 of "Certification Requirements" every three (3) years in order to maintain certification.

2. **Termination**. Acceptance into and continued participation in the B Corp Community is at the sole discretion of B Lab, including without limitation, the discretion to revoke a certification, as described further in part on Appendix B. B Lab reserves the right to terminate this Agreement at any time and for any reason, including the failure to pay any fee owed under this Agreement.

3. **Change of Control**. Notwithstanding the above, in the event of a change of control of the Company, or an initial public offering of its securities (an "IPO"):

    a. The Company is required to: (1) commit to recertify within ninety (90) days of the effective date of the change of control or IPO (the "Change of Control or IPO Effective Date"); and (2) recertify within one (1) year of the Change of Control or IPO Effective Date.

    b. If the Company is a subsidiary and there is a change in control or IPO as to the parent of the Company (the "Parent"), the Company will work with the Parent to secure, within ninety (90) days of the change of control or IPO (the "Parent Commitment Period"), such Parent's commitment to proceeding with certification within one (1) year of the Change of Control or IPO Effective Date.

        i. If the Parent commits to certify within the Parent Commitment Period but does not certify within one (1) year of the Change of Control or IPO Effective Date, the Company is required to recertify within two (2) years of the Change of Control or IPO Effective Date.

        ii. If the Parent does not commit to certify within the Parent Commitment Period, the Company is required to commit to certify within ninety (90) days of the passage of the Parent Commitment Period and is required to recertify within one (1) year of the Change of Control or IPO Effective Date.

    c. If the Company has over $1,000,000,000 in revenue or has worked with B Lab prior to the execution of this Agreement in a "Large Enterprise" approach, the Company is required to commit to recertify within six (6) months of the effective date of the change of control or IPO; and (2) recertify upon the earlier of the second anniversary of the Change of Control or IPO Effective Date or the third anniversary of the Effective Date of this Agreement.

For the purposes of this Agreement, a "change of control" shall be deemed to have occurred if any person or entity that did not own a majority of the shares or control of the Company at the time this Agreement was entered into does own such a majority, whether as a result of a merger or otherwise.

Other Terms.

1. **Appendix C.** The Company hereby acknowledges and agrees that the terms of Appendix C to this Agreement, including, but not limited to, indemnification, limitations on liabilities, warranties, governing law, and jurisdiction are expressly incorporated herein and shall survive the termination of this Agreement.

2. **Miscellaneous.** This Agreement, including all Appendices, constitutes a fully integrated agreement that supersedes any and all prior agreements between B Lab and the Company concerning certification. The invalidity of any part of this Agreement shall not impair or affect the validity or enforceability of the rest of this Agreement, which shall remain in full force and effect. Any provision found to be invalid shall be more narrowly construed so that it becomes legal and enforceable. The headings used in this document are for ease of reference only and shall not in any way be construed to limit or alter the meaning of any provision. Any rule that ambiguities are construed or interpreted against the drafter of a document, or against the party for whose benefit the document is made, shall not apply. As used in this Agreement, the plural shall include the singular and the singular shall include the plural whenever appropriate. B Lab reserves the right to assign and/or delegate any of its rights and/or obligations in its sole discretion, including, and without limitation, the right to subcontract the performance of any services associated with certification. Company may not assign and/or delegate any of the rights and/or obligations under this Agreement.

Commitment

By signing below, I agree to the above terms.

DocuSigned by: Candice Cirese 0C9758EED08A4F1...	
Director/Officer	Director/Officer
Sezzle, Inc.	
Company	B Lab Company
22-Mar-21	22-Mar-21
Date	Date

Appendix A

Footnotes to Agreement for B Corporation Certification

1. Complaints Procedure, Disclosure Questionnaire, and Background Check

Maintaining the credibility and rigor of the B Corp Certification is paramount to B Lab. This effort includes verifying assessment responses through our documentation process, conducting Site Reviews for 10% of the recertifying/renewing B Corp Community every year, requiring completion of the Disclosure Questionnaire, completing a background check on the Company and senior management, and investigating specific, credible, material complaints of wrongdoing from the public.

B Lab has sole discretion over initial certification, continuing certification and recertification, and B Lab takes complaints from the community very seriously. There are typically two types of complaints that B Lab reviews:

- Complaints alleging intentional misrepresentation of a social or environmental practice as reported in the B Impact Assessment.
- Material, credible, and specific allegations that indicates a breach of our community's principles of transparency and accountability or the core values as expressed in the B Corporation Declaration of Interdependence.

In addition, B Lab may also review, at its sole discretion, any issue reported on the Disclosure Questionnaire or uncovered as part of the background check, received as a complaint or otherwise. If such issue is deemed material by B Lab, an investigation of the issue is conducted by B Lab Staff, and the results of the investigation are presented to B Lab's Standards Advisory Council (the "SAC"). The SAC is an independent governing body that oversees the performance standards of the B Corp certification. Material complaints and issues are typically resolved in the following four ways:

- Certification upheld
- Certification is upheld, with disclosure made transparent on the B Corp public profile
- Probation with required, specific remedies
- Certification revoked

The resolution of the complaint may be appealed by the Company directly to B Lab's Board of Directors. The resolution of such appeal by the Board of Directors is binding, and in its sole discretion. By executing this agreement, the Company agrees not to bring or make any claim or legal proceeding against any member of the Board of Directors in connection with any such appeal. The foregoing procedures may be changed by B lab at any time. Whether or not the foregoing procedures are followed, decisions with respect to granting certification or recertification, or decertification, are solely at the discretion of B Lab and as stated in Section 2 of “Term and Termination,” of this Agreement, B Lab reserves the right to terminate this Agreement at any time.

2. Site Review Process

To maintain the credibility of B Corporation certification, in addition to the documentation and phone reviews required for 100% of the companies seeking certification, 10% of all recertifying B Corporations reviewed annually undergo a more in-depth review of their assessment responses and certification, as well as a possible visit onsite by B Lab, every year. This means that in every three-year certification term, Certified B Corporations have a one in five chance of being chosen to participate in this process. In the case of wholly-owned subsidiaries, publicly traded companies, companies with revenue in excess of $1 billion, and companies whose majority ownership is held by **publicly traded companies** with a market cap of $100,000,000 USDor whose parent company has revenue in excess of $1 billion USD or a market cap of $100,000,000 USD, the expense of a Site Review is the obligation of the Company due upon presentation of an itemized invoice.

B Lab also conducts **mandatory** Site Reviews during each certification term for: wholly owned subsidiaries, publicly traded companies, companies with revenue in excess of $1 billion, and companies whose majority ownership is held by publicly traded companies or whose parent company has revenue in excess of $1 billion, during each certification term at B Lab’s discretion, and at the Company’s expense (typically $2,500-$5,000, plus out-of-pocket expenses). B Lab’s goal for the Site Review Process is to review the accuracy of the Company's responses on the B Impact Assessment, and will generally involve additional documentation, interviews with senior management and employees, and a brief facilities tour.

The Site Review process typically results in a score adjustment. If the adjusted score falls below the minimum 80 required for certification, B Lab provides a 90-day cure period along with score improvement recommendations. If this process reveals that a company has materially misrepresented aspects of their business, the company’s B Corporation certification will be revoked. B Lab reserves the right to change any aspect of this process from time to time.

Appendix B

Guidelines for Companies with Related Entities

1. Verification fee. For companies <$1B in revenue whose certifications warrant more than one assessment for review, the Company will pay B Lab a verification fee for each additional assessment at initial certification and recertification based on the following fee structure:

Annual Sales of additional Assessment (USD)	Verification fee (USD)
<$50 MM	$500
<$100 MM	$1,000
<$500 MM	$2,500
>$500 MM	$5,000

Verification fees for companies >$1B in revenue whose certifications warrant more than one assessment for review will be determined by B Lab. B Lab reserves the right to change the verification fee in its sole discretion.

2. Material Progress Terms. In order for subsidiaries with the same name as the parent to recertify, the parent company must make "material progress" towards Certification, including:

- Publicly declaring its intent to certify and being transparent on the parent company's website regarding its progress within four years of the initial Certification date of the first subsidiary with the same name.
- Making material progress towards Certification of the parent company every two years following the initial certification date of the first subsidiary with the same name, including, but not limited to:
    - Completing the scoping process with B Lab to determine the path to Certification
    - Meeting the legal requirement for the parent company
    - Completing the Disclosure Questionnaire/Background Check process with B Lab
    - Completing the B Impact Assessment(s) for the whole company
    - Improving the company's score by 10% or more
    - Certifying a material subsidiary
    - Other pre-approved material progress
    - Participation in a B Lab Program promoting the benefits of certification, including the B Movement Builders program.

If the parent company does not meet the above requirements in said timeframe, B Lab may revoke certification for the parent company's subsidiary/ies with the same name.

In the event of a change of control (see definition in Section 3 of "Term and Termination"), companies subject to the Material Progress rule must make a commitment to comply with Material Progress Terms within six months of the change of control, and have made progress or meet the above terms within two years.

3. Related entities with the same name. All subsidiaries with the same name as their parent where their parent is not yet a Certified B Corporation and related entities with the same name without a common parent that are in the same distinct geographic region defined by B Lab must achieve a reviewed score of 80 or above for the company seeking certification in the region to certify and recertify.

Sensitive Information

Questions whose answers might reveal sensitive information (e.g. those questions that would benefit competitors, prejudice litigation, or create a substantial reporting burden for a publicly-traded company) must be mutually agreed upon by the Company and B Lab.

Appendix C

Additional Terms

1. Indemnification. Company agrees to indemnify and hold harmless B Lab and its officers, directors, employees, agents, representatives, affiliates, subcontractors, subsidiaries and independent contractors (B Lab and such persons, "Indemnitees") from and against all direct and third-party claims, actions, suits, losses, costs, liabilities, judgments, damages and expenses, including reasonable attorneys' fees, court costs, litigation expenses and related expenses (collectively, " Claims") arising out of or relating to (i) Company's breach of any of the representations, warranties or obligations set forth herein, (ii) any incompleteness or inaccuracy of the information provided by Company to B Lab, (iii) Company's use of the B Lab IP other than as set forth in the Terms, or (iv) Company's use of, and/or reliance upon, certification under this Agreement, except to the extent such Claim was directly caused by the gross negligence or willful misconduct of B Lab. To the extent Company is required to indemnify any of the Indemnitees, Indemnitees shall not enter into any settlement without obtaining Company's prior written consent, not to be unreasonably withheld.

2. DISCLAIMER OF WARRANTIES. B LAB MAKES NO (AND HEREBY DISCLAIMS, TO THE GREATEST EXTENT ALLOWED BY LAW, ANY AND ALL) WARRANTIES, REPRESENTATIONS, AND CONDITIONS, WHETHER WRITTEN, ORAL, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTIES OF ACCURACY, COMPLETENESS, TITLE, AGAINST INFRINGEMENT, WITH RESPECT TO THE B IMPACT ASSESSMENT, THE CERTIFICATION REVIEW PROCESS, AND ANY SERVICES PROVIDED BY OR ON BEHALF OF ANY INDEMNITEE.

3. Additional terms of certification. All determinations related to certification are in the sole discretion of B Lab, and in no event shall any Indemnitee have any liability as a result of any decision to grant or not certification for any reason. Company acknowledges that a grant of certification does not mean that B Lab endorses, verifies or certifies the accuracy of any information that has been provided to B lab in connection with the certification process. **Company hereby certifies that all of the information provided to B Lab in connection with its certification are accurate and complete.**

4. Limitation of liability. Except as otherwise required by law, in no event shall any of the Indemnitees be liable to Company or its agents or any third party for any special, indirect, incidental, punitive, or consequential damages, including damages or costs due to loss of profits, tax credits, economic benefits, data, loss of goodwill, or personal or other property damage regarding this Agreement or resulting from or in connection with the performance of this Agreement by any Indemnitee or in connection with certification, regardless of the cause of action or the theory of liability, whether in tort, contract, or otherwise, except in the case of gross negligence or willful misconduct by B Lab. Regardless of the foregoing, and without limiting any other provision herein, Company's sole remedy shall be limited to a return of fees paid by Company under this Agreement and in no event shall Indemnitees, in the aggregate be liable for damages in excess of the total amount of fees paid by Company under this Agreement.

5. Governing law. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to its conflict of laws rules. Company and B Lab hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the courts in the Commonwealth of Pennsylvania, and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of such courts for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) in the case of the Company, consent to service of process at the address set forth its profile information, with the same legal force and validity as if served upon such party personally within the Commonwealth of Pennsylvania, (iv) waive any objection to the laying of venue of any such action or proceeding in such courts and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the such courts has been brought in an improper or inconvenient forum.

6. Third parties and assignment of rights. Nothing in this Agreement shall be deemed to confer any benefit or rights on or to any person or entity other than Company and B Lab; provided however, that the Indemnitees (other than B Lab) shall be intended third-party beneficiaries to this Agreement. B Lab reserves the right to assign and/or delegate any of its rights and/or obligations in its sole discretion, including, and without limitation, the right to subcontract the performance of any services associated with certification. Company may not assign and/or delegate any of the rights and/or obligations under this Agreement.

7. Entire agreement; interpretation. This Agreement constitutes a fully integrated agreement that supersedes any and all prior agreements between B Lab and the Company concerning certification. The invalidity of any part of this Agreement shall not impair or affect the validity or enforceability of the rest of this Agreement, which shall remain in full force and effect. Any provision found to be invalid shall be more narrowly construed so that it becomes legal and enforceable. The headings used in this document are for ease of reference only and shall not in any way be construed to limit or alter the meaning of any provision. Any rule that ambiguities are construed or interpreted against the drafter of a document, or against the party for whose benefit the document is made, shall not apply. As used in this Agreement, the plural shall include the singular and the singular shall include the plural whenever appropriate.

Appendix D

Legal Requirement

1. Legal Requirement. Meet the following legal standards:

a. To maintain certification, the Company must either, 1) become a benefit corporation, or 2) become a social purpose corporation or equivalent and adopt the B Corp legal amendment 1 language, within two years after the Company's initial certification date.

b. In the event benefit corporation or SPC or equivalent legislation is passed during the Company's certification term, the Company will have two years from the effective date of legislation to elect benefit corporation or SPC or equivalent status.

c. If the Company does not meet the above requirements, B Lab may revoke the Company's certification or decline to recertify the Company.

Appendix E

Company Acknowledgments

1. **CEO Acknowledgement of Legal Standard of Certification.**

I, the undersigned Chief Executive Officer (or equivalent) of the Company acknowledge that I:

- understand the legal standard required for certification;
- have reviewed Section 3 “Legal Requirement” under the “Requirements for Certification” Section of the Agreement, and I understand that if the Company does not meet the above requirements, B Lab may revoke the Company's certification or decline to recertify the Company; and
- have determined that satisfying the legal standard is in the best interests of the Company.

2. **Material Progress Terms.**

I, the undersigned Chief Executive Officer (or equivalent) of the Company acknowledge that I understand the following:

- Parent/HQ entity must publicly declaring its intent to certify within four years of the initial Certification date of the first subsidiary/affiliated entity with the same name. Parent/HQ entity must be transparent on its website regarding its progress.
- Parent/HQ entity must make material progress towards Certification every two years following the initial certification date of the first subsidiary/affiliated entity with the same name, including, but not limited to
    - Completing the scoping process with B Lab to determine the path to Certification
    - Meeting the legal requirement for the parent company
    - Completing the Disclosure Questionnaire/Background Check process with B Lab
    - Completing the B Impact Assessment(s) for the whole company
    - Improving the company’s score by 10% or more
    - Certifying a material subsidiary
    - Other pre-approved material progress
- If the Parent/HQ entity does not meet the above requirements in said timeframe, B Lab may revoke certification for the parent company’s subsidiary/ies with the same name.

DocuSigned by:
Candice Cirese
0C9758EED08A4F1

Chief Executive Officer/Director	22-Mar-21 Date

Declaration of Interdependence.

We envision a global economy that uses business as a force for good.

This economy is comprised of a new type of corporation — the Certified B Corporation — which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

That we must be the change we seek in the world.

That all business ought to be conducted as if people and place mattered.

That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.

To do so requires that we act with the understanding that we are dependent upon another and thus responsible for each other and future generations.

DocuSigned by:
Candice Cirese
0C9758EED08A4F1...

Director/Officer

22-Mar-21 | Sezzle, Inc.

Date | Company

Director/Officer, B Lab Global

22-Mar-21 |

Date | Certification Expiration Date

Certified B Corporation

20 June 2019

Charles Youakim,

2201 Humboldt Avenue South
Minneapolis, MN, 55405

Dear Charles:

Sezzle Inc., a Delaware corporation (the "Company"), is pleased to offer you the revised terms of employment described below, which shall become effective upon **21 June 2019** (the "Effective Date").

1. Position. You will serve in a full-time position as **Chief Executive Officer**. Your primary duties will be providing vision, leadership, strategy, and executing on the Company's mission. You shall have the normal duties, responsibilities, and authority of an employee serving in your position, subject to any modifications by the Company, and shall perform those duties and responsibilities to the best of your abilities in a diligent, trustworthy, businesslike and efficient manner. While in this position, you shall report directly to the Board of Directors of the Company. By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company.

2. Compensation and Employee Benefits. You will be paid a salary at the rate of **US$225,000** per year, payable on the Company's regular payroll dates. You also will be eligible for other Company-provided benefits pursuant to Company policy, which may be changed at the Company's discretion. The benefits currently available in association with your employment with the Company are set out in the attached Appendix A and any other applicable policies, plan documents, or related materials.

3. Employee Stock Option Plan.

A. Eligibility. You are entitled to participate in the Company's Employee Stock Option Plan, under the terms and conditions set forth therein.

B. Effect of Termination on Employee Stock Option Plan. The Company agrees that, if a Change of Control occurs and your employment is terminated by the Company any successor or other new owner either (a) in connection therewith or (b) within 36 months following the Change of Control, all options issued to you under the Company's Employee Stock Option Plan will immediately vest and become exercisable in accordance with their terms. For the purpose of this paragraph 3 and its subparts, "Change of Control" has the meaning given to that term in the Company's Employee Stock Option Plan from time to time.

4. **Proprietary Information, Inventions, Non-Competition and Non-Solicitation.** If you previously have entered into a Proprietary Information, Inventions, Non-Competition and Non-Solicitation Agreement with the Company ("Fair Competition Agreement"), that Fair Competition Agreement shall remain in full force and effect, and shall not be altered or superseded by this letter, except with respect to a matter where this letter and the Fair Competition Agreement directly conflict (such as with respect to your term of employment), in which case this letter shall control. If you have not entered into any Fair Competition Agreement with the Company, you will be required to do so as a condition of your employment with the Company, and as consideration for the promises and obligations provided by the Company in this letter.

5. **Term of Employment.** You shall be employed by the Company indefinitely, except that, subject to the remaining provisions of this paragraph 5, the employment relationship may be terminated:

(a) at any time upon written agreement between yourself and the Company;

(b) by the Company immediately and without prior notice upon a Termination for Cause;

(c) immediately upon your death or a Permanent Disability (as defined below);

(d) by the Company, other than a Termination for Cause, with advance written notice of at least 12 months; or

(e) by yourself, with advance written notice of at least 12 months.

A. Termination for Cause. Notwithstanding any other provision in this letter, your employment relationship will end immediately upon a Termination for Cause. Termination for Cause will exist if the Company terminates the employment relationship due to: (i) materially dishonest or disparaging statements or acts by you pertaining to your employment and causing the Company to incur material damage, loss, or other harm; (ii) your failure or refusal to perform adequately your duties and responsibilities or comply with any valid and legal directive; (iii) a material violation by you of any applicable policies or rules; (iv) your negligence or willful misconduct in connection with your employment causing the Company to incur material damage, loss, or other harm; or (v) a material breach by your of your obligations under this letter or any Fair Competition Agreement. In the event of a Termination for Cause, you shall be entitled to your salary only through your final date of employment, and you shall not be entitled to compensation for any portion of the Notice Period.

B. Notice Period. In the event the Company provides you with written notice of termination as set forth above, except in the event of a Termination for Cause, the Company may decide, in its sole discretion, to:

(a) elect to make payment to you in lieu of notice instead of requiring or permitting you to work for part, or all, of the notice period, in which case your employment ends at the time elected; or

(b) remove any or all of your job duties and authority during the Notice Period, with the understanding that you shall nevertheless receive your regular compensation through the conclusion of the Notice Period ("Notice Period Compensation").

C. Release Agreement. In exchange for any Notice Period Compensation, the Company may require you to accept and enter into a release agreement, in a form acceptable to the Company, that releases any claims or causes of action you may have against the Company and certain affiliated individuals and entities.

D. Permanent Disability. A "Permanent Disability" will exist if you, because of accident, disability, or physical or mental illness, become incapable either on an indefinite basis or for a period amounting in the aggregate to 90 days within any one period of 365 days of performing your key duties to the Company or any Company-Related Party, as determined by a licensed physician reasonably selected by the Company's CEO. The physician's determination that you have a Permanent Disability will be final and binding for purposes of determining the rights and obligations of you and the Company under this Agreement.

6. Outside Activities. While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the written consent of the Company, and you shall comply with the terms of any Fair Competition Agreement.

7. Taxes, Withholding and Required Deductions. All forms of compensation or benefits referred to in this letter are subject to all applicable taxes, withholding and any other deductions required by applicable law.

8. Miscellaneous.

(a) **Company Policies.** In addition to the obligations set forth in this letter, you will be responsible for following all applicable Company rules, policies, and procedures. The Company shall make such rules, policies, and procedures available to you in writing.

(b) **Governing Law.** The validity, interpretation, construction and performance of this letter, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of state of Minnesota, without giving effect to principles of conflicts of law.

(c) **Entire Agreement.** This letter sets forth the entire agreement and understanding of the parties relating to the subject matter herein and, except as noted below, supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof (including, but not limited to, by superseding the terms of any prior offer letter between you and the Company). Notwithstanding the foregoing in this subparagraph, this letter shall not alter or supersede the terms of any Indemnification Agreement between you and the Company or, as set forth further above, the terms of any Fair Competition Agreement between you and the Company. The terms and conditions of this letter may not be changed other than by an express written agreement signed by you and executed by the Company.

(d) **Counterparts.** This letter may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

(e) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents or notices related to this letter, securities of the Company or any of its affiliates or any other matter, including documents and/or notices required to be delivered to you by applicable securities law or any other law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. You hereby consent to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agree to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Signature Page Follows]

If you wish to accept this revised letter, please sign and date both the enclosed duplicate original of this letter and return them to me. This offer, if not accepted, will expire at the close of business on **21 June 2019**.

SEZZLE INC.

By: /s/ Paul Paradis
Paul Paradis
Title: Chief Revenue Officer

ACCEPTED AND AGREED TO BY:

/s/ Charlie Youakim
Charlie Youakim

06 / 21 / 2019
Date

Appendix A
Employment Benefits (clause 2)

The following are the benefits currently available in association with your employment with Sezzle Inc., a Delaware corporation (the "Company"). Please note that these are subject to change at the Company's discretion, and are governed by any other applicable policies, plan documents, or related materials.

1 Vacation Benefit.

The Company has a 2 week vacation policy for all new hires. At your 1-year anniversary your vacation benefit will increase to 3 weeks per year. At your 4-year anniversary your vacation benefit will increase to 4 weeks per year. The maximum accumulated vacation balance is 4 weeks. All vacation requests must be approved by your manager and there is no guarantee a request will be approved. If an event comes up that requires additional time off please talk with your manager.

2 Sick/Emergency Leave Benefit.

The Company has a 1 week sick policy. If you are sick, let your supervisor know as soon as you can and please stay home. In the case of an emergency leave request, please let your supervisor know as far in advance as possible.

3 Paternity/Maternity Leave.

We love additions to the Sezzle family, and so should you. Fathers are allowed 4 weeks of paid paternity leave and mothers are allowed 12 weeks of paid maternity leave. You also will be entitled to any leave that is available by law (including, but not limited to, the Family and Medical Leave Act), which shall run concurrently with this paid maternity or paternity leave.

4 Health Insurance.

The Company provides employees with insurance through Health Partners. Please see the attached for details on that plan. The applicable plan documents will govern the terms of the insurance coverage.

5 Vision/Dental Coverage.

The Company also offers a vision and dental package. Please see the attached for details on these plans. The applicable plan documents will govern the terms of the insurance coverage.

6 401k.

The Company offers employees of the company the option of enrolling in both a Roth and traditional 401k. Please see the SEZZLE 401(K) PLAN SUMMARY PLAN DESCRIPTION.

7 Sezzle Employee Stock Option Plan.

The Company has an employee stock option plan that allows the company to reward employees with ownership in the company. Awards are granted based on your performance in the Company. The applicable plan documents will govern the terms of the employee stock option plan and awards granted thereunder.

HELLOSIGN

Audit Trail

TITLE	Charlie's employment agreement
FILE NAME	Charlie Youakim O...20.06.19) v1.DOCX
DOCUMENT ID	46e100997669bfd45ecc65664c4bd3d617efc755
STATUS	● Completed

Document History

SENT	**06/20/2019** 11:42:33 UTC-6	Sent for signature to Charlie Youakim (charlie.youakim@sezzle.com) and Paul Paradis (paul.paradis@sezzle.com) from don.mcconnell@sezzle.com IP: 65.126.92.250
VIEWED	**06/20/2019** 14:49:47 UTC-6	Viewed by Charlie Youakim (charlie.youakim@sezzle.com) IP: 172.56.12.69
SIGNED	**06/20/2019** 14:49:57 UTC-6	Signed by Charlie Youakim (charlie.youakim@sezzle.com) IP: 172.56.12.69
VIEWED	**06/20/2019** 18:41:26 UTC-6	Viewed by Paul Paradis (paul.paradis@sezzle.com) IP: 61.238.159.38
SIGNED	**06/20/2019** 18:41:48 UTC-6	Signed by Paul Paradis (paul.paradis@sezzle.com) IP: 61.238.159.38
COMPLETED	**06/20/2019** 18:41:48 UTC-6	The document has been completed.

20 June 2019

Paul Paradis,

4428 Vincent Avenue S
Minneapolis, MN, 55410

Dear Paul:

Sezzle Inc., a Delaware corporation (the "Company"), is pleased to offer you the revised terms of employment described below, which shall become effective upon **21 June 2019** (the "Effective Date").

1. Position. You will serve in a full-time position as **Chief Revenue Officer**. Your primary duties will be providing vision, leadership, strategy, and executing on the Company's mission. You shall have the normal duties, responsibilities, and authority of an employee serving in your position, subject to any modifications by the Company, and shall perform those duties and responsibilities to the best of your abilities in a diligent, trustworthy, businesslike and efficient manner. While in this position, you shall report directly to the Chief Executive Officer. By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company.

2. Compensation and Employee Benefits. You will be paid a salary at the rate of **US$200,000** per year, payable on the Company's regular payroll dates. You also will be eligible for other Company-provided benefits pursuant to Company policy, which may be changed at the Company's discretion. The benefits currently available in association with your employment with the Company are set out in the attached Appendix A and any other applicable policies, plan documents, or related materials.

3. Employee Stock Option Plan.

A. Eligibility. You are entitled to participate in the Company's Employee Stock Option Plan, under the terms and conditions set forth therein.

B. Effect of Termination on Employee Stock Option Plan. The Company agrees that, if a Change of Control occurs and your employment is terminated by the Company any successor or other new owner either (a) in connection therewith or (b) within 36 months following the Change of Control, all options issued to you under the Company's Employee Stock Option Plan will immediately vest and become exercisable in accordance with their terms. For the purpose of this paragraph 3 and its subparts, "Change of Control" has the meaning given to that term in the Company's Employee Stock Option Plan from time to time.

4. Proprietary Information, Inventions, Non-Competition and Non-Solicitation. If you previously have entered into a Proprietary Information, Inventions, Non-Competition and Non-Solicitation Agreement with the Company ("Fair Competition Agreement"), that Fair Competition Agreement shall remain in full force and effect, and shall not be altered or superseded by this letter, except with respect to a matter where this letter and the Fair Competition Agreement directly conflict (such as with respect to your term of employment), in which case this letter shall control. If you have not entered into any Fair Competition Agreement with the Company, you will be required to do so as a condition of your employment with the Company, and as consideration for the promises and obligations provided by the Company in this letter.

5. Term of Employment. You shall be employed by the Company indefinitely, except that, subject to the remaining provisions of this paragraph 5, the employment relationship may be terminated:

(a) at any time upon written agreement between yourself and the Company;

(b) by the Company immediately and without prior notice upon a Termination for Cause;

(c) immediately upon your death or a Permanent Disability (as defined below);

(d) by the Company, other than a Termination for Cause, with advance written notice of at least 12 months; or

(e) by yourself, with advance written notice of at least 12 months.

A. Termination for Cause. Notwithstanding any other provision in this letter, your employment relationship will end immediately upon a Termination for Cause. Termination for Cause will exist if the Company terminates the employment relationship due to: (i) materially dishonest or disparaging statements or acts by you pertaining to your employment and causing the Company to incur material damage, loss, or other harm; (ii) your failure or refusal to perform adequately your duties and responsibilities or comply with any valid and legal directive; (iii) a material violation by you of any applicable policies or rules; (iv) your negligence or willful misconduct in connection with your employment causing the Company to incur material damage, loss, or other harm; or (v) a material breach by your of your obligations under this letter or any Fair Competition Agreement. In the event of a Termination for Cause, you shall be entitled to your salary only through your final date of employment, and you shall not be entitled to compensation for any portion of the Notice Period.

B. Notice Period. In the event the Company provides you with written notice of termination as set forth above, except in the event of a Termination for Cause, the Company may decide, in its sole discretion, to:

(a) elect to make payment to you in lieu of notice instead of requiring or permitting you to work for part, or all, of the notice period, in which case your employment ends at the time elected; or

(b) remove any or all of your job duties and authority during the Notice Period, with the understanding that you shall nevertheless receive your regular compensation through the conclusion of the Notice Period ("Notice Period Compensation").

C. Release Agreement. In exchange for any Notice Period Compensation, the Company may require you to accept and enter into a release agreement, in a form acceptable to the Company, that releases any claims or causes of action you may have against the Company and certain affiliated individuals and entities.

D. Permanent Disability. A "Permanent Disability" will exist if you, because of accident, disability, or physical or mental illness, become incapable either on an indefinite basis or for a period amounting in the aggregate to 90 days within any one period of 365 days of performing your key duties to the Company or any Company-Related Party, as determined by a licensed physician reasonably selected by the Company's CEO. The physician's determination that you have a Permanent Disability will be final and binding for purposes of determining the rights and obligations of you and the Company under this Agreement.

6. Outside Activities. While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the written consent of the Company, and you shall comply with the terms of any Fair Competition Agreement.

7. Taxes, Withholding and Required Deductions. All forms of compensation or benefits referred to in this letter are subject to all applicable taxes, withholding and any other deductions required by applicable law.

8. Miscellaneous.

(a) **Company Policies.** In addition to the obligations set forth in this letter, you will be responsible for following all applicable Company rules, policies, and procedures. The Company shall make such rules, policies, and procedures available to you in writing.

(b) **Governing Law.** The validity, interpretation, construction and performance of this letter, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of state of Minnesota, without giving effect to principles of conflicts of law.

(c) **Entire Agreement.** This letter sets forth the entire agreement and understanding of the parties relating to the subject matter herein and, except as noted below, supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof (including, but not limited to, by superseding the terms of any prior offer letter between you and the Company). Notwithstanding the foregoing in this subparagraph, this letter shall not alter or supersede the terms of any Indemnification Agreement between you and the Company or, as set forth further above, the terms of any Fair Competition Agreement between you and the Company. The terms and conditions of this letter may not be changed other than by an express written agreement signed by you and executed by the Company.

(d) **Counterparts.** This letter may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

(e) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents or notices related to this letter, securities of the Company or any of its affiliates or any other matter, including documents and/or notices required to be delivered to you by applicable securities law or any other law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. You hereby consent to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agree to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Signature Page Follows]

If you wish to accept this revised letter, please sign and date both the enclosed duplicate original of this letter and return them to me. This offer, if not accepted, will expire at the close of business on **21 June 2019**.

SEZZLE INC.

By: /s/ Charles G. Youakim
Charles G. Youakim

Title: Chief Executive Officer

ACCEPTED AND AGREED TO BY:

/s/ Paul V. Paradis
Paul V. Paradis

06 / 21 / 2019
Date

Appendix A

Employment Benefits (clause 2)

The following are the benefits currently available in association with your employment with Sezzle Inc., a Delaware corporation (the "Company"). Please note that these are subject to change at the Company's discretion, and are governed by any other applicable policies, plan documents, or related materials.

1 Vacation Benefit.

The Company has a 2 week vacation policy for all new hires. At your 1-year anniversary your vacation benefit will increase to 3 weeks per year. At your 4-year anniversary your vacation benefit will increase to 4 weeks per year. The maximum accumulated vacation balance is 4 weeks. All vacation requests must be approved by your manager and there is no guarantee a request will be approved. If an event comes up that requires additional time off please talk with your manager.

2 Sick/Emergency Leave Benefit.

The Company has a 1 week sick policy. If you are sick, let your supervisor know as soon as you can and please stay home. In the case of an emergency leave request, please let your supervisor know as far in advance as possible.

3 Paternity/Maternity Leave.

We love additions to the Sezzle family, and so should you. Fathers are allowed 4 weeks of paid paternity leave and mothers are allowed 12 weeks of paid maternity leave. You also will be entitled to any leave that is available by law (including, but not limited to, the Family and Medical Leave Act), which shall run concurrently with this paid maternity or paternity leave.

4 Health Insurance.

The Company provides employees with insurance through Health Partners. Please see the attached for details on that plan. The applicable plan documents will govern the terms of the insurance coverage.

5 Vision/Dental Coverage.

The Company also offers a vision and dental package. Please see the attached for details on these plans. The applicable plan documents will govern the terms of the insurance coverage.

6 401k.

The Company offers employees of the company the option of enrolling in both a Roth and traditional 401k. Please see the SEZZLE 401(K) PLAN SUMMARY PLAN DESCRIPTION.

7 Sezzle Employee Stock Option Plan.

The Company has an employee stock option plan that allows the company to reward employees with ownership in the company. Awards are granted based on your performance in the Company. The applicable plan documents will govern the terms of the employee stock option plan and awards granted thereunder.

HELLOSIGN

Audit Trail

TITLE	Paul's employment agreement
FILE NAME	Paul Paradis Offe...t (20.06.19).DOCX
DOCUMENT ID	990ec784690a3b703f8327c00bb02253d5688766
STATUS	● Completed

Document History

SENT	**06/20/2019** 11:46:16 UTC-6	Sent for signature to Charles G. Youakim (charlie.youakim@sezzle.com) and Paul V. Paradis (paul.paradis@sezzle.com) from don.mcconnell@sezzle.com IP: 65.126.92.250
VIEWED	**06/20/2019** 14:49:27 UTC-6	Viewed by Charles G. Youakim (charlie.youakim@sezzle.com) IP: 172.56.12.69
SIGNED	**06/20/2019** 14:49:39 UTC-6	Signed by Charles G. Youakim (charlie.youakim@sezzle.com) IP: 172.56.12.69
VIEWED	**06/20/2019** 18:40:26 UTC-6	Viewed by Paul V. Paradis (paul.paradis@sezzle.com) IP: 61.238.159.38
SIGNED	**06/20/2019** 18:41:17 UTC-6	Signed by Paul V. Paradis (paul.paradis@sezzle.com) IP: 61.238.159.38
COMPLETED	**06/20/2019** 18:41:17 UTC-6	The document has been completed

20 June 2019

Karen Hartje Miller
251 1st Avenue N., Suite 200
Minneapolis, MN, 55401

Dear Karen:

Sezzle Inc., a Delaware corporation (the "Company"), is pleased to offer you the revised terms of employment described below, which shall become effective upon **21 June 2019** (the "Effective Date").

1. Position. You will serve in a full-time position as **Chief Financial Officer**. Your primary duties will be providing vision, leadership, strategy, and executing on the Company's mission. You shall have the normal duties, responsibilities, and authority of an employee serving in your position, subject to any modifications by the Company, and shall perform those duties and responsibilities to the best of your abilities in a diligent, trustworthy, businesslike and efficient manner. While in this position, you shall report directly to the Chief Executive Officer. By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company.

2. Compensation and Employee Benefits. You will be paid a salary at the rate of **US$195,000** per year, payable on the Company's regular payroll dates. You also will be eligible for other Company-provided benefits pursuant to Company policy, which may be changed at the Company's discretion. The benefits currently available in association with your employment with the Company are set out in the attached Appendix A and any other applicable policies, plan documents, or related materials.

3. Employee Stock Option Plan.

A. **Eligibility.** You are entitled to participate in the Company's Employee Stock Option Plan, under the terms and conditions set forth therein.

B. **Effect of Termination on Employee Stock Option Plan.** The Company agrees that, if a Change of Control occurs and your employment is terminated by the Company any successor or other new owner either (a) in connection therewith or (b) within 36 months following the Change of Control, all options issued to you under the Company's Employee Stock Option Plan will immediately vest and become exercisable in accordance with their terms. For the purpose of this paragraph 3 and its subparts, "Change of Control" has the meaning given to that term in the Company's Employee Stock Option Plan from time to time.

4. Proprietary Information, Inventions, Non-Competition and Non-Solicitation. If you previously have entered into a Proprietary Information, Inventions, Non-Competition and Non-Solicitation Agreement with the Company ("Fair Competition Agreement"), that Fair Competition Agreement shall remain in full force and effect, and shall not be altered or superseded by this letter, except with respect to a matter where this letter and the Fair Competition Agreement directly conflict (such as with respect to your term of employment), in which case this letter shall control. If you have not entered into any Fair Competition Agreement with the Company, you will be required to do so as a condition of your employment with the Company, and as consideration for the promises and obligations provided by the Company in this letter.

5. Term of Employment. You shall be employed by the Company indefinitely, except that, subject to the remaining provisions of this paragraph 5, the employment relationship may be terminated:

(a) at any time upon written agreement between yourself and the Company;

(b) by the Company immediately and without prior notice upon a Termination for Cause;

(c) immediately upon your death or a Permanent Disability (as defined below);

(d) by the Company, other than a Termination for Cause, with advance written notice of at least 6 months; or

(e) by yourself, with advance written notice of at least 6 months.

A. Termination for Cause. Notwithstanding any other provision in this letter, your employment relationship will end immediately upon a Termination for Cause. Termination for Cause will exist if the Company terminates the employment relationship due to: (i) materially dishonest or disparaging statements or acts by you pertaining to your employment and causing the Company to incur material damage, loss, or other harm; (ii) your failure or refusal to perform adequately your duties and responsibilities or comply with any valid and legal directive; (iii) a material violation by you of any applicable policies or rules; (iv) your negligence or willful misconduct in connection with your employment causing the Company to incur material damage, loss, or other harm; or (v) a material breach by your of your obligations under this letter or any Fair Competition Agreement. In the event of a Termination for Cause, you shall be entitled to your salary only through your final date of employment, and you shall not be entitled to compensation for any portion of the Notice Period.

B. Notice Period. In the event the Company provides you with written notice of termination as set forth above, except in the event of a Termination for Cause, the Company may decide, in its sole discretion, to:

(a) elect to make payment to you in lieu of notice instead of requiring or permitting you to work for part, or all, of the notice period, in which case your employment ends at the time elected; or

(b) remove any or all of your job duties and authority during the Notice Period, with the understanding that you shall nevertheless receive your regular compensation through the conclusion of the Notice Period ("Notice Period Compensation").

C. Release Agreement. In exchange for any Notice Period Compensation, the Company may require you to accept and enter into a release agreement, in a form acceptable to the Company, that releases any claims or causes of action you may have against the Company and certain affiliated individuals and entities.

D. Permanent Disability. A "Permanent Disability" will exist if you, because of accident, disability, or physical or mental illness, become incapable either on an indefinite basis or for a period amounting in the aggregate to 90 days within any one period of 365 days of performing your key duties to the Company or any Company-Related Party, as determined by a licensed physician reasonably selected by the Company's CEO. The physician's determination that you have a Permanent Disability will be final and binding for purposes of determining the rights and obligations of you and the Company under this Agreement.

6. Outside Activities. While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the written consent of the Company, and you shall comply with the terms of any Fair Competition Agreement.

7. Taxes, Withholding and Required Deductions. All forms of compensation or benefits referred to in this letter are subject to all applicable taxes, withholding and any other deductions required by applicable law.

8. Miscellaneous.

(a) **Company Policies.** In addition to the obligations set forth in this letter, you will be responsible for following all applicable Company rules, policies, and procedures. The Company shall make such rules, policies, and procedures available to you in writing.

(b) **Governing Law.** The validity, interpretation, construction and performance of this letter, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of state of Minnesota, without giving effect to principles of conflicts of law.

(c) **Entire Agreement.** This letter sets forth the entire agreement and understanding of the parties relating to the subject matter herein and, except as noted below, supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof (including, but not limited to, by superseding the terms of any prior offer letter between you and the Company). Notwithstanding the foregoing in this subparagraph, this letter shall not alter or supersede the terms of any Indemnification Agreement between you and the Company or, as set forth further above, the terms of any Fair Competition Agreement between you and the Company. The terms and conditions of this letter may not be changed other than by an express written agreement signed by you and executed by the Company.

(d) **Counterparts.** This letter may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

(e) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents or notices related to this letter, securities of the Company or any of its affiliates or any other matter, including documents and/or notices required to be delivered to you by applicable securities law or any other law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. You hereby consent to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agree to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Signature Page Follows]

If you wish to accept this revised letter, please sign and date both the enclosed duplicate original of this letter and return them to me. This offer, if not accepted, will expire at the close of business on **21 June 2019**.

SEZZLE INC.

By: /s/ Charles G. Youakim
Charles G. Youakim
Title: Chief Executive Officer

ACCEPTED AND AGREED TO BY:

/s/ Karen Hartje Miller
Karen Hartje Miller

06 / 20 / 2019
Date

Appendix A

Employment Benefits (clause 2)

The following are the benefits currently available in association with your employment with Sezzle Inc., a Delaware corporation (the "Company"). Please note that these are subject to change at the Company's discretion, and are governed by any other applicable policies, plan documents, or related materials.

1 Vacation Benefit.

The Company has a 2 week vacation policy for all new hires. At your 1-year anniversary your vacation benefit will increase to 3 weeks per year. At your 4-year anniversary your vacation benefit will increase to 4 weeks per year. The maximum accumulated vacation balance is 4 weeks. All vacation requests must be approved by your manager and there is no guarantee a request will be approved. If an event comes up that requires additional time off please talk with your manager.

2 Sick/Emergency Leave Benefit.

The Company has a 1 week sick policy. If you are sick, let your supervisor know as soon as you can and please stay home. In the case of an emergency leave request, please let your supervisor know as far in advance as possible.

3 Paternity/Maternity Leave.

We love additions to the Sezzle family, and so should you. Fathers are allowed 4 weeks of paid paternity leave and mothers are allowed 12 weeks of paid maternity leave. You also will be entitled to any leave that is available by law (including, but not limited to, the Family and Medical Leave Act), which shall run concurrently with this paid maternity or paternity leave.

4 Health Insurance.

The Company provides employees with insurance through Health Partners. Please see the attached for details on that plan. The applicable plan documents will govern the terms of the insurance coverage.

5 Vision/Dental Coverage.

The Company also offers a vision and dental package. Please see the attached for details on these plans. The applicable plan documents will govern the terms of the insurance coverage.

6 401k.

The Company offers employees of the company the option of enrolling in both a Roth and traditional 401k. Please see the SEZZLE 401(K) PLAN SUMMARY PLAN DESCRIPTION.

7 Sezzle Employee Stock Option Plan.

The Company has an employee stock option plan that allows the company to reward employees with ownership in the company. Awards are granted based on your performance in the Company. The applicable plan documents will govern the terms of the employee stock option plan and awards granted thereunder.

HELLOSIGN

Audit Trail

TITLE	Karen’s employment agreement
FILE NAME	Karen Hartje Offe...t (20.06.19).DOCX
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