Zebit, Inc.
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Zebit, Inc.
ARBN:	639 736 726
Reporting period:	For the year ended 31 December 2021
Previous period:	For the year ended 31 December 2020

The following financial information included in this Appendix 4E should be read in conjunction with any public announcements made by Zebit, Inc. (**Zebit** or the **Company**) in accordance with the continuous disclosure obligations of the ASX Listing Rules.

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2. Results for announcement to the market

San Diego-based Zebit, Inc. **(ASX: ZBT**) (**Zebit** or the **Company**), is an ESG-focused eCommerce company committed to changing the lives of US credit-challenged consumers. The Company is registered as a 'foreign company' in Australia, under the Corporations Act, under the name Zebit, Inc. (ARBN 639 736 726). All amounts are expressed in US dollars unless otherwise stated. The Company's results for announcement to the market are as follows:

$US 000's	**2021**	**2020**	**% Change**	**Up / Down**
Revenue from ordinary activities[1]	116,617	87,651	33.0%	Up
Gross Profit	30,120	23,012	30.9%	Up
Loss before tax attributable to shareholders	(20,995)	(7,392)	184.0%	Up
Loss after tax and from ordinary activities attributable to shareholders	(21,001)	(7,414)	183.3%	Up

FY21 resulted in US$116.6M of revenue, a 33.0% YoY growth rate to FY20. The Company spent approximately US$9.7M of direct marketing[2] (8.3% of revenue) to acquire over 400K new registrants in FY21, almost three times the total marketing expense in FY20 and the highest annual spend since the Company's inception. The high level of marketing expense to drive the acquisition of new registrants significantly reduced EBITDA and Net Income without the benefit of fully monetizing these registrants in 2021 to generate more top line growth. The Company believes it attracted a portion of its new registrants who were of much higher credit quality and applied for Zebit believing the Company's eCommerce value proposition was more attuned to traditional BNPL versus credit-constrained consumers to which Zebit predominately services.

While Gross Profit was up 30.9% in FY21 vs FY20, Gross Margin in FY21 was slightly less at 25.8% vs 26.3% in FY20 due to strong and consistent demand for e-certificates related to travel, entertainment, and home improvement in 2Q21-3Q21 which carried lower product margins.

Initial Bad Debts estimates for vintages prior to 4Q21 were impacted negatively due to decreased collection rates in late 2Q21 and into 3Q21 after the halo-effect of US COVID-19 cash subsidies ended. The decline in collections, coupled with an increase of fraud activity from third parties using stolen identities on Zebit's platform, as noted in the Company's 4Q21 earnings release, increased terminal Bad Debts rates. Overall, Bad Debts performance did not meet the Company expectations in FY21 and increased losses for the Company; however, the Company believes it has resolved the fraud issue by implementing new technologies in mid-October while also significantly tightening its new customer underwriting.

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[1] Revenue is the gross merchandise value (GMV) plus shipping revenue plus net margin on warranties sold less any post month adjustments for customer rebates. Revenue is recognized at the point the product is delivered to the end buyer.
[2] Direct marketing expense excludes US $381K of employee expense related to marketing.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security[3]	US$0.08	US$0.29

4. Control gained over entities

The Company formed a new subsidiary entity, Zebit CA, LLC. Zebit CA, LLC was incorporated in Delaware on 15 December 2021. The subsidiary was not operational in 2021. It will be used to conduct business with customers who reside in California.

5. Dividends

The company has not declared, and does not propose to pay, any dividends for the year ended 31 December 2021. There are no dividend or dividend reinvestment plans in operation.

6. Associates and joint venture entities

There are no associate or joint venture entities.

7. Accounting standards

US GAAP has been used in compiling the information contained in this Appendix 4E.

8. Other information regarding the financial statements

This Appendix 4E and the included financial information are based on the Consolidated Financial Statements and Notes of Zebit, Inc. which have been audited by BDO USA, LLP. An unqualified opinion has been issued and includes an emphasis of matter paragraph relating to substantial doubt about the Company's ability to continue as a going concern.

Additional information related to Appendix 4E can be found in the notes to the 31 December 2021 Financial Statements and Director's Report.

The following financial report included in this Appendix 4E should be read in conjunction with any public announcements made by Zebit, Inc. in accordance with the continuous disclosure obligations of the ASX listing Rules.

[3] The net tangible assets per ordinary security is defined as total assets minus intangibles minus liabilities divided by the amount of common stock outstanding at year end.

Zebit, Inc.
Directors' report
31 December 2021

The Directors present their report on the Zebit, Inc. (ASX: ZBT) (Zebit or Company) for the year ended 31 December 2021. All amounts are stated in US dollars unless otherwise noted.

Directors
The following persons were Directors of Zebit, Inc. during the whole of the financial year and up to the date of this report, unless otherwise stated:

Jim Feuille	Chairman and Non-Executive Director
Marc Schneider	President and CEO, Executive Director
Sylvia Falzon	Independent Non-Executive Director
Miriam Rivera	Non-Executive Director
Larry Rosenberger	Independent Non-Executive Director
Scott Thompson	Independent Non-Executive Director

Principal activities
San Diego-based Zebit, Inc. (**ASX: ZBT**) (**Zebit** or the **Company**), is an ESG-focused eCommerce company committed to changing the lives of US credit-challenged consumers.

Review of operations
In late October 2020, during the pandemic, Zebit completed its initial public offering (**IPO**) and entered 2021 delivering strong results against its twelve-month Prospectus forecast for the period 1 July 2020 to 30 June 2021. The Company subsequently outlined revenue guidance of US$140M-US$150M for FY21, representing hyper-growth of 60%-71% on FY20, in its May 2021 Annual General Meeting and was on track to deliver against this guidance throughout the first three quarters of last year. However, in its 3Q21 earnings release[1], the Company lowered its revenue guidance for FY21 to US$118M-US$123M, representing 35%-40% growth on FY20, with the intent to manage 4Q21 more conservatively by aligning the Company's growth path and core operating metrics with other eCommerce companies traded on the ASX. While the Company could have continued to pursue its original hyper-growth objectives, after observing the downward trend in the Company's stock price, receiving investor feedback, and taking into account the low valuation attributed to the business after posting positive results, the Board of Directors and Management concluded that it would benefit the Company to pursue a more conservative growth path that included a clear line of sight to profitability, stronger operating metrics, and a lower overall cash burn rate.

The revised approach, implemented in November of 4Q21, is expected to generate increased Contribution Margin[2] by leveraging the strong recurring annual revenue from tenured customers that have historically generated lower Bad Debts and a higher average Contribution Margin per order, while acquiring a smaller set of higher quality new registrants at a lower cost and with more stringent underwriting.[3]

It is important to note that FY20 results were heavily impacted by the Company's constrained growth from March to September 2020 to preserve capital until the Company's IPO in late October 2020. This resulted in a greater mix of orders from tenured customers on the platform which increased the overall Contribution Margin of booked revenue due to lower Bad Debts from these segments. In addition, the Company believes US government cash subsidies greatly improved cash collections from both new and existing customers in 3Q20-4Q20, lowering Bad Debts[4] to historic levels.

Revenue for the financial year ended 31 December 2021 increased 33.0% to US$116.6M from US$87.7M in FY20. The Company spent approximately US$9.7M of direct marketing[5] (8.3% of revenue) to acquire over 400K new registrants in FY21, which was almost three times the total marketing expense in FY20 and the highest annual spend since the Company's inception. The high level of marketing expense to drive the acquisition of new registrants significantly reduced EBITDA and Net Income without the benefit of fully monetizing these registrants to generate top-line growth.

[1] Earnings released entitled: *Zebit Quarterly Activities Report and Growth Strategy Update, 3Q Ending 31 September 2021*, dated 28 October 2021.
[2] Contribution Margin is Gross Margin less the provision for Bad Debts. Gross Margin is defined as the Product Margin less shipping profit or loss, logistics costs, and refunds. Product Margin is defined as the sales price for a product less its cost of goods sold.
[3] Earnings release entitled: *Zebit Quarterly Activities Report, 4Q Ending 31 December 2021*, dated 28 January 2022 noted that tighter underwriting for new registrants included lowering the initial spending limit for new registrants from an average of US$1,325 to US$1,100 and raising their initial down payment at checkout from 20%-35% to 30%-35% in order to drive higher cash collections up front and lower expected Bad Debts on new orders.
[4] The provision for Bad Debts is the estimate of Bad Debts that Zebit expects to book for historical revenue vintages with a positive underlying Accounts Receivable balance. The initial provision is estimated for each monthly revenue cohort by applying historical loss data against a segmented view of the monthly revenue cohort that considers prior repayment history, customer tenure and repayment methods. The initial provision is net of any expectation of recoveries related to payments received after the receivable has been written off. The provision for Bad Debts is not a static number at any point in time, as it is influenced by new revenue months, potential adjustments from prior periods as collection experience matures, and offsets related to recoveries of written off debt and other factors.
[5] Direct marketing expense excludes $381K of employee expense related to marketing.

Gross Margin in for FY21 was 25.8% vs 26.3% in FY20. The slight decline, despite building a much wider assortment of goods, was due to strong and consistent demand for e-certificates related to travel, entertainment, and home improvement in 2Q21-3Q21 that carried lower product margins.

Bad Debts in FY21 were 17.7% of revenue and impacted by changing credit quality emerging from heavy US government cash subsidies in FY20. The Company believes Bad Debts were also impacted by fraud in 2021 as reported in the Company's 4Q21 earnings release entitled *Zebit Quarterly Activities Report, 4Q Ending 31 December 2021*, dated 28 January 2022. The Company believes it has resolved the fraud issues it experienced by implementing new technologies in mid-October while also significantly tightening its new customer underwriting.

The Net Loss for the Company after providing for tax increased by 183.3% to US$21.0M from US$7.4M FY20. Total operating cost and expenses for the year increased by 85.9% to US$50.6M for FY21 from US$27.2M in FY20.

The Company continues focus on improving its financial performance by lowering its overall cost structure and focusing on profitable growth by acquiring better quality new customers and continuing to drive high lifetime value with tenured customers that produce a material part of revenue at a higher Contribution margin per order. This strategy was put into place in November 2021 and remains the strategic approach being executed in FY22. The Company's overarching goal is to achieve EBITDA and Net Income profitability in FY23. Key projects related to customer engagement, credit and fraud risk, cost reduction, and automation have been prioritized and are being executed to support this goal.

Financial position

As of 31 December 2021, the Company had US$7.7M of unrestricted cash as working capital to fund the activities of the Company, and US$15.4M drawn in debt from its facility ("Facility") with Bastion Consumer Funding II ("Bastion").

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Dividends

The company has not declared, and does not propose to pay, any dividends for the year ended 31 December 2021. There are no dividend or dividend reinvestment plans in operation.

Jurisdiction of Incorporation

The Company is incorporated in the State of Delaware, United States of America and is a registered foreign entity in Australia. As a foreign company registered in Australia, the Company is subject to different reporting and regulatory regimes than Australian companies.

Delaware law, Certificate of Incorporation and Amended and Restated Bylaws

As a foreign company registered in Australia, the Company is not subject to Chapter 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of Shares (including substantial shareholdings and takeovers).

Under the provisions of Delaware General Corporation Law ("DGCL"), Shares are freely transferable subject to restrictions imposed by US federal or state securities laws, by the Company's Certificate of Incorporation or Amended and Restated Bylaws, or by an agreement signed with the holders of the Shares at issuance. The Company's Amended and Restated Certificate of Incorporation and Bylaws do not impose any specific restrictions on transfer. However, provisions of the DGCL, the Company's Certificate of Incorporation and the Company's Amended and Restated Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover, a proxy contest or otherwise), or to remove incumbent officers and Directors of the Company. These provisions could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with the Board.

Matters subsequent to the end of the financial year

In February 2022, the Company's Facility with Bastion was amended to (i) reduce the borrowing base limitation to 80% of the cost of goods sold on eligible receivables, with respect to any eligible receivables originated on or after January 1, 2022, (ii) reduce the principal borrowing amount from US$35.0 million to US$23.0 million, and (iii) amend the financial covenant for the minimum unrestricted cash balance from US$5.0 million to US$2.0 million.

The reduction in advance rate and other amendments to the Facility were reported in the Company's 4Q21 earnings release. The advance rate is the proportion of the cost of goods sold that is funded by the Facility. The Company reduced the credit line size from US$35M to US$23M to align with its more measured growth and to avoid paying additional expenses on unused funds.

The Company made a formal request for removal from the official list of ASX (the **Delisting**). The ASX has provided its consent to the Delisting on the conditions which are set out in the announcement titled *Zebit, Inc. Announces Voluntary Delisting* that was released on 11 February 2022. The Company plans to hold a special meeting of Shareholders (**Special Meeting**) for the purpose of approving the Company's delisting from the ASX on 16 March 2022 as indicated in the Notice of Meeting released to the market on 21 February 2022.

The Board of Directors and Management invite all shareholders to vote and attend the Special Meeting, and strongly encourage investors to vote yes on the resolution for the Company to Delist from the ASX. Upon a favourable vote to delist, the Company would become a US private company. Being private potentially opens avenues to a new class of investors to further capitalize the business. The reduced cost structure from being a private entity versus public, coupled with potential access to additional capital, will support the Company's future operations.

No other matters or circumstances have arisen since 31 December 2021 that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations
Any other information on likely developments in the operations of the Company and its prospective future have not been included in this report because the Directors believe it to be commercial-in-confidence and as a result likely to result in unreasonable prejudice to the Company.

Environmental regulation
The Company is not subject to any environmental regulation under Australian Commonwealth or State law.

Ecommerce and Consumer Financial Protection
The regulatory framework for eCommerce companies, including Zebit, is developing and evolving, and it is possible that new laws and regulations will be adopted in the U.S., or existing laws and regulations may be interpreted in new ways, that could affect the operation of Zebit and the way in which it interacts with its registered users and active customers.

Regulators, including the Consumer Financial Protection Bureau and the Federal Trade Commission, other Federal agencies, and State executive agencies have broad discretion with respect to the creation, interpretation, implementation and enforcement of the laws and regulations that apply to Zebit, including through enforcement actions that could subject Zebit to civil money penalties, customer remediation, increased compliance costs, and limits or prohibitions on its ability to offer certain products and services or to engage in certain activities.

Information on Directors

Name:	Jim Feuille
Title:	Chairman and Non-Executive Director
Qualifications:	Jim received an A.B. in Chemistry from Dartmouth College, a J.D. from the Stanford University Law School, and an MBA from the Stanford University Graduate School of Business.
Experience and expertise:	Jim Feuille has 40 years of experience in the equity capital markets including the past 20 years as a highly accomplished principal investor in venture capital at Crosslink Capital. Jim's investment focus areas at Crosslink have included enterprise software/SaaS, internet digital media and consumer services, analytics, advertising technologies, and financial technology. Jim has led Crosslink's investments in six companies which achieved billion dollar plus market cap exits or now carry billion dollar plus valuations—Omniture (NASDAQ: OMTR, IPO 2006, acquired by Adobe 2009 for $1.8B), Ancestry.com (NASDAQ: ACOM, IPO 2009, acquired by Permira 2012 for $1.6B), Pandora (NYSE: P, IPO 2011, average market cap at fund exit $5.5B), Coupa (NASDAQ: COUP, IPO 2016, average market cap at fund exit $5.1B), Personal Capital (acquired by Empower Retirement in 2020 for $1B), and Chime ($14.5B valuation in September 2020 Series F financing). Jim's experience relevant to Zebit includes his investment in the Series A Preferred Stock round for Sezzle (ASX: SZL), a leading company in the BNPL sector, which investment has increased 47X in value as of the date of this filing. In addition to his role at Crosslink Capital, Jim has also served as the Executive Director of the Center for Private Equity and Venture Capital at the Tuck School of Business at Dartmouth College since August 2018.
Other current directorships:	None
Former directorships (last 3 years):	None
Committee:	Member of Audit and Risk Committee, Member of Credit Committee
Interests in Shares:	22,172,085 Shares* *(equivalent to 22,172,085 CDIs).*
Contractual rights to Shares:	0 Warrants
Interests in Options:	Nil**

** Shares held through as per detail below:*

- *4,377,835 held through Crosslink Crossover Fund VI, L.P.*
- *6,708,209 held through Crosslink Crossover Fund VII, L.P.*
- *11,086,041 held through Crosslink Ventures V Liquidating Fund, LLC*

** *In July 2021, the Board decided commencing 1 July 2021 to provide ongoing remuneration to non-executive directors equivalent to US$75,000 per year of Company options according to the Company's 2020 Equity Incentive Plan, subject to shareholder approval at the next annual general meeting. In February 2022, the Board of Directors resolved to waive any remuneration of cash compensation due non-executive directors for their services provided from 1 July 2021. The Board of Directors agreed to reconsider this issue when the Company has more certainty on its capital requirements.*

Name:	Marc Schneider
Title:	President & CEO and Executive Director
Qualifications:	Marc has a B.S. in economics and accounting from The Wharton School at the University of Pennsylvania and his M.B.A. in marketing and statistics from the University of Chicago's Graduate School of Business.
Experience and expertise:	Marc is an entrepreneur and seasoned operator with over 30 years of experience in start-ups, turnarounds, and scaling businesses across a variety of different industries. Marc began his career working for the World Bank and Inter-American Development Bank. After graduating with his MBA from the University of Chicago, he was a management consultant who worked hands-on with his clients to reduce costs, streamline operations, and launch new ventures in the U.S. and abroad. After 5 years in consulting, Marc led strategic planning for RR Donnelley and Sons in the catalogue, magazine, and retail inserts businesses. He then transitioned to Mexico City where he worked for Milestone Merchants Partners as a General Manager of private equity. Marc moved back to the U.S. with his family and led operations for a former SEC Chairman, Richard Breeden who was accountable to manage the victim trust funds of WorldCom, Adelphia, and Enron. In 2006, Marc joined Provide Commerce and spent over 4 years managing customer service operations and led M&A integration for the company. In 2010, Marc joined Zulily, a private sales eCommerce sales site where he was COO and grew revenues to over $150 million run rate during his tenure. After moving back to San Diego from Seattle, Marc was the SVP of Operations for Global Analytic Holdings and ran a $100 million lending platform in the UK with operations in India. In 2015, Marc co-founded Zebit and built the Company from the ground up, including its technology, risk, and operational processes.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in Shares:	105,490 Shares *(equivalent to 105,490 CDIs).*
Interests in options:	7,083,926 Options

Name:	Sylvia Falzon
Title:	Non-Executive Director
Qualifications:	Sylvia has received a Masters of Industrial Relations and Human Resource Management (Honours) (Thesis on Retirement Incomes Policy) from the University of Sydney and a Bachelor of Business from the University of Western Sydney. She graduated with a Diploma in Applied Finance and Investment from FINSIA. She has been awarded a Senior Fellowship from FINSIA and a Fellow of the Australian Institute of Company Directors.
Experience and expertise:	Sylvia has over 35 years of experience across a range of regulated and customer facing industries including financial services, health, aged care and retail. Sylvia has significant business transformation, initial public offering, mergers and acquisitions, divestments and funds management experience. Prior to commencing her non-executive director career, Sylvia held senior roles at Aviva Investors Australia, Alpha Investment Management and National Mutual Funds Management / AXA in Australia and Globally).
Other current directorships:	Sylvia is currently a director of Suncorp Group Limited (ASX: SUN), Premier Investments (ASX: PMV), and Chairman of Cabrini Australia.
Former directorships (last 3 years):	Prior to joining the Board of Zebit, Sylvia had previously held a board position with Perpetual Limited (ASX: PPT).
Committee:	Chair of Nomination and Remuneration Committee
Interests in Shares:	126,582 CDIs.
Interests in options:	200,000 Options*

** Issued under nil consideration under the Zebit, Inc 2020 Equity incentive Plan to Sylvia Falzon which will comprise her remuneration for her services until 30 June 2021. In July 2021, the Board decided commencing 1 July 2021 to provide ongoing remuneration to non-executive directors equivalent to US$75,000 per year of Company options according to the Company's 2020 Equity Incentive Plan, subject to shareholder approval at the next annual general meeting. In February 2022, the Board of Directors resolved to waive any remuneration of cash compensation due non-executive directors for their services provided from 1 July 2021. The Board of Directors agreed to reconsider this issue when the Company has more certainty on its capital requirements.*

Name:	Miriam Rivera
Title:	Non-Executive Director
Qualifications:	As a first-generation college student and scholarship recipient, Miriam graduated from Stanford University, where she earned the AB, AM and JD/MBA degrees. She has been honoured with the Stanford Medal, awarded to fewer than 1 percent of alumni.
Experience and expertise:	Miriam Rivera is co-founder and managing director of Ulu Ventures, an early seed stage venture fund. Ulu has six investments that have achieved billion dollar plus market cap exits or now carry billion dollar plus valuations – Palantir (NASDAQ: PLTR IPO $46B), SoFi (going public via SPAC with an $8.65B valuation), Proterra (going public via SPAC with an $1.5B valuation), Figure Technologies ($1.2B in December 2019 Series C), Krux acquired by Salesforce for $1B+ October 2016, and Guild Education ($1B+ in November 2020 Series D). She is dedicated to increasing diversity in both the entrepreneurial and investment communities. Prior to Ulu Ventures, Miriam was vice president / deputy general counsel at Google, which she joined in 2001 as the second attorney. There she helped build and lead an award-winning global legal department. Her work to re-design and simplify contracts helped Google scale from $85M to $10B in revenues in five years.
Other current directorships:	None
Former directorships (last 3 years):	None
Committee:	Member of Nomination and Remuneration Committee, Member of Credit Committee
Interests in Shares:	6,094,133 Shares* *(equivalent to 6,094,133 CDIs) and 2,000,000 CDIs*.*
Interests in options:	Nil**
Contractual rights to Shares:	0 Warrants

** Shares and held through Ulu Ventures Fund II, L.P. and CDIs held through Ulu Ventures Fund III, L.P.*
*** In July 2021, the Board decided commencing 1 July 2021 to provide ongoing remuneration to non-executive directors equivalent to US$75,000 per year of Company options according to the Company's 2020 Equity Incentive Plan, subject to shareholder approval at the next annual general meeting. In February 2022, the Board of Directors resolved to waive any remuneration of cash compensation due non-executive directors for their services provided from 1 July 2021. The Board of Directors agreed to reconsider this issue when the Company has more certainty on its capital requirements.*

Name:	Larry Rosenberger
Title:	Non-Executive Director
Qualifications:	Rosenberger graduated from Massachusetts Institute of Technology (MIT) with a BS in Physics, and earned a Masters in Physics and two Masters in Operations Research from the University of California Berkeley.
Experience and expertise:	Larry is a pioneer in the field of predictive, decision, learning, and behavioral analytics. He has a strong background in using data and analytics to invent solutions that positively impact people in the credit, insurance, retailing, health/wellness, safety, and education spaces.
Other current directorships:	None
Former directorships (last 3 years):	None
Committee:	Chair of Credit Committee, Member of Audit and Risk Committee
Interests in Shares:	1,183,825 Shares *(equivalent to 1,183,825 number of CDIs).*
Interests in options:	200,000 Options*

** Issued 4 February 2020 under nil consideration under the Zebit, Inc 2015 Equity incentive Plan to Larry Rosenberger which comprised his remuneration for his services until 30 June 2021. In July 2021, the Board decided commencing 1 July 2021 to provide ongoing remuneration to non-executive directors equivalent to US$75,000 per year of Company options according to the Company's 2020 Equity Incentive Plan, subject to shareholder approval at an annual general meeting. In February 2022, the Board of Directors resolved to waive any remuneration of cash compensation due non-executive directors for their services provided from 1 July 2021. The Board of Directors agreed to reconsider this issue when the Company has more certainty on its capital requirements.*

Name:	Scott Thompson
Title:	Non-Executive Director
Qualifications:	Scott holds a bachelor's degree in accounting from Stonehill College.
Experience and expertise:	Scott is the CEO of Tuition.io which focuses on reducing student loan debt. He joined Tuition.io from ShopRunner where he served as CEO and led the company's rapid retail and member network expansion over four years. Prior to ShopRunner, Thompson was CEO of Yahoo. Before that, he served as President of PayPal during its most rapid growth period. During his tenure, he helped grow revenues from $1 billion to $4.4 billion and established PayPal as the leading global online payment service. Previously, Thompson held executive positions with Inovant (a subsidiary of Visa), Barclays Global Investors, and Coopers & Lybrand.
Other current directorships:	Coupa (NASDAQ: COUP, IPO 2016)
Former directorships (last 3 years):	None
Committee:	Chair of Audit and Risk Committee, Member of Nomination and Remuneration Committee
Interests in Shares:	116,859 Shares *(equivalent to 116,859 CDIs).*
Interests in options:	260,000 Options*

** 200,000 options were issued 4 February 2020 under nil consideration under the Zebit, Inc 2015 Equity incentive Plan to Scott Thompson which comprised remuneration for his services until 30 June 2021. In July 2021, the Board decided commencing 1 July 2021 to provide ongoing remuneration to non-executive directors equivalent to US$75,000 per year of Company options according to the Company's 2020 Equity Incentive Plan, subject to shareholder approval at an annual general meeting. In February 2022, the Board of Directors resolved to waive any remuneration of cash compensation due non-executive directors for their services provided from 1 July 2021. The Board of Directors agreed to reconsider this issue when the Company has more certainty on its capital requirements.*

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Justin Clyne

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2021, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee[1]		Audit and Risk Committee[2]		Credit Committee[3]	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Jim Feuille[2,3]	12	12	1	3	4	4	3	3
Marc Schneider	12	12	3	3	4	4	3	3
Sylvia Falzon[1]	12	12	3	3	4	4	1	3
Miriam Rivera[1,3]	12	12	3	3	3	4	3	3
Larry Rosenberger[2,3]	11	12	0	3	3	4	3	3
Scott Thompson[1,2]	12	12	2	3	4	4	1	3

Held: represents the number of meetings held during the time the Director held office.
[1] Denotes a board member who is a committee member on the Nomination and Remuneration Committee
[2] Denotes a board member who is a committee member on the Audit and Risk Committee
[3] Denotes a board member who is a committee member on the Credit Committee

Shares under options
Unissued Shares of Zebit, Inc. under option at the date of this report are as follows:

Type of Security	Number under option	Exercise Price	Expiry date
2015 Stock Plan	1,935,604	US$0.40	10 years from grant date
2015 Stock Plan	1,666,000	US$0.39	10 years from grant date
2015 Stock Plan	5,805,425	US$0.19	10 years from grant date
2020 Stock Plan	83,375	US$1.04	10 years from grant date
2020 Stock Plan	1,612,000	US$0.98	10 years from grant date
2020 Stock Plan	30,000	US$0.97	10 years from grant date
2020 Stock Plan	476,554	US$0.84	10 years from grant date
2020 Stock Plan	2,188,500	US$0.75	10 years from grant date
2020 Stock Plan	130,000	US$0.69	10 years from grant date
2020 Stock Plan	1,520,000	US$0.59	10 years from grant date
2020 Stock Plan	152,000	US$0.43	10 years from grant date
2020 Stock Plan	270,000	US$0.26	10 years from grant date
	15,869,458		

Shares under warrants
As at the date of this report, there were 60,000 unissued Shares of Zebit, Inc. under warrants. These warrants were issued between December 2015 and September 2017 with an exercise price of US$1.00.

Shares issued on the exercise of options
The following shares of Zebit, Inc were issued during the year ended 31 December 2021 as a result of exercising options.

Date options granted	Exercise Price	Number of Shares Issued
9/09/2015	US$0.39	2,500
14/09/2016	US$0.40	44,791
27/04/2017	US$0.40	1,000
15/06/2017	US$0.40	708
14/09/2017	US$0.40	15,625
17/11/2017	US$0.40	2,187
24/01/2018	US$0.40	13,541
7/03/2018	US$0.40	10,937
14/09/2018	US$0.19	86,788
21/02/2019	US$0.19	5,416
8/05/2019	US$0.19	500
4/02/2020	US$0.19	4,280
6/03/2020	US$0.19	3,750
		192,023

Shares issued on the exercise of Warrants
There were no shares of Zebit, Inc. issued on the exercise of warrants during the year ended 31 December 2021 and up to the date of this report.

Indemnity and insurance of officers
The Company's Certificate of Incorporation and By-laws provide for the indemnification of its Directors and Officers to the maximum extent permitted by the DGCL. The Company has entered into indemnification agreements with each Officer, Director, and proposed Director.

Under these indemnification agreements, the Company has agreed to indemnify, to the maximum extent and in the manner permitted by Delaware law, each officer, Director and proposed Director in respect of certain liabilities which such person may incur arising by reason of the fact that such person was or is an agent of Zebit. These liabilities include losses or liabilities actually and reasonably incurred by the Director or proposed Director by reason of the fact that the indemnified is or was an agent of Zebit, or by reason of anything done or not done by the indemnified in any such capacity, including legal expenses to the extent such losses or liabilities relate to action 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 had no reasonable cause to believe that the 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.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Zebit, Inc.
Directors' report
31 December 2021

This Report is made in accordance with a resolution of the Directors on 25 February 2022.

On behalf of the Directors

Jim Feuille

Chairman of the Board

25 February 2022

Zebit, Inc.

Consolidated Financial Statements
As of and for the Years Ended December 31, 2021 and 2020

Zebit, Inc.

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Independent Auditor's Report

Board of Directors
Zebit, Inc.
San Diego, California

Opinion

We have audited the consolidated financial statements of Zebit, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As describe in Note 1 to the consolidated financial statements, the Company has experienced recurring losses and negative cash flows from operations and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

San Diego, California
February 24, 2022

Consolidated Financial Statements

Zebit, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

December 31,		**2021**		2020
Assets				
Current assets				
Cash and cash equivalents	$	**7,720**	$	22,437
Receivables, net of allowance for doubtful accounts of $6,430 and $6,385 as of December 31, 2021 and December 31, 2020,		**22,312**		28,568
Inventories		**216**		501
Prepaids and other current assets		**1,628**		2,053
Total current assets		**31,876**		53,559
Property and equipment, net		**67**		40
Operating lease right-of-use assets, net		**145**		554
Intangibles, net		**829**		697
Restricted cash		**150**		150
Other non-current assets		**166**		333
Total assets	$	**33,233**	$	55,333
Liabilities and stockholders' equity				
Current liabilities				
Accounts payable	$	**7,152**	$	7,423
Accrued liabilities		**2,186**		3,055
Operating lease liabilities, current portion		**259**		463
Current portion of long-term debt, net of issuance costs		**15,190**		768
Total current liabilities		**24,787**		11,709
Operating lease liabilities, net of current portion		**-**		259
Debt, net of current portion and issuance costs		**-**		15,380
Total liabilities		**24,787**		27,348
Commitments and contingencies (Note 14)				
Stockholders' equity				
Common stock, $0.0001 par value; 250,000,000 shares authorized as of December 31, 2021 and December 31, 2020; 94,635,213 and 94,443,190 issued and outstanding as of December 31, 2021 and December 31, 2020, respectively		**9**		9
Additional paid-in capital		**94,856**		93,394
Accumulated deficit		**(86,419)**		(65,418)
Total stockholders' equity		**8,446**		27,985
Total liabilities and stockholders' equity	$	**33,233**	$	55,333

See accompanying notes to the consolidated financial statements.

Zebit, Inc.

Consolidated Statements of Operations

(in thousands, except per share amounts)

Year ended December 31,		**2021**		2020
Revenue	$	**116,617**	$	87,651
Cost of revenue		**86,497**		64,639
Gross Profit		**30,120**		23,012
Operating expenses:				
Provision for uncollectible accounts		**20,668**		9,194
General and administrative		**19,929**		14,309
Sales and marketing		**10,041**		3,739
Total operating expenses		**50,638**		27,242
Loss from operations		**(20,518)**		(4,230)
Interest and amortization of debt issuance costs		**(2,143)**		(1,503)
Interest income		**5**		17
Change in fair value of warrant liabilities		**-**		(146)
Change in fair value of debt instrument		**-**		(1,540)
Paycheck Protection Program loan forgiveness		**1,148**		-
Other income		**513**		10
Loss before income taxes		**(20,995)**		(7,392)
Income tax provision		**6**		22
Net loss	$	**(21,001)**	$	(7,414)
Net loss per share, basic and diluted	$	**(0.22)**	$	(0.24)
Weighted-average shares of common stock outstanding, basic and diluted		**94,574**		31,245

See accompanying notes to the consolidated financial statements.

Zebit, Inc.

Consolidated Statements of Stockholders' Equity

(in thousands, except share and par amounts)

	Series Seed		Series A		Series B		Common Stock				
	Shares	Par Amount	Shares	Par Amount	Shares	Par Amount	Shares	Par Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2019	3,022,527	$ 302	12,278,336	$ 1,228	34,460,892	$ 3,446	16,029,022	$ 1,603	$ 64,439	$ (58,004)	$ 6,442
Stock-based compensation expense	-	-	-	-	-	-	-	-	870	-	870
Exercise of stock options	-	-	-	-	-	-	240,298	24	63	-	63
Conversion of preferred to common stock	(3,022,527)	(302)	(12,278,336)	(1,228)	(34,460,892)	(3,446)	49,761,755	4,976	-	-	-
Conversion of convertible notes to common stock	-	-	-	-	-	-	6,260,206	626	6,923	-	6,924
Reclassification of warrants from liabilities to equity	-	-	-	-	-	-	-	-	169	-	169
Issuance of common stock in IPO, net of issuance costs $3,750	-	-	-	-	-	-	22,151,899	2,215	20,930	-	20,931
Warrant exercise	-	-	-	-	-	-	10	-	-	-	-
Net loss	-	-	-	-	-	-	-	-	-	(7,414)	(7,414)
Balance as of December 31, 2020	-	$ -	-	$ -	-	$ -	94,443,190	$ 9,444	$ 93,394	$ (65,418)	$ 27,985
Stock-based compensation expense	-	-	-	-	-	-	-	-	1,374	-	1,374
Exercise of stock options	-	-	-	-	-	-	192,023	19	88	-	88
Net loss	-	-	-	-	-	-	-	-	-	(21,001)	(21,001)
Balance as of December 31, 2021	-	$ -	-	$ -	-	$ -	94,635,213	$ 9,463	$ 94,856	$ (86,419)	$ 8,446

See accompanying notes to the consolidated financial statements.

Zebit, Inc.

Consolidated Statements of Cash Flows *(in thousands)*

Year ended December 31,		**2021**		2020
Operating activities				
Net loss	$	**(21,001)**	$	(7,414)
Adjustments to reconcile net loss to net cash used in operating activities				
Allowance for doubtful accounts		**20,668**		9,194
Stock-based compensation expense		**1,374**		870
Depreciation and amortization		**522**		528
Gain on forgiveness of Paycheck Protection Program loan		**(1,148)**		-
Amortization of right-of-use asset		**409**		367
Non-cash interest expense		**-**		8
Amortization of debt issuance costs		**103**		301
Change in fair value of warrant liabilities measured at fair value		**-**		146
Change in fair value of IPO convertible notes measured at fair value		**-**		1,540
Changes in operating assets and liabilities:				
Accounts receivable		**(14,411)**		(16,645)
Inventories		**285**		(5)
Prepaid expenses and other current assets		**425**		(642)
Other assets		**(107)**		(173)
Accounts payable		**(271)**		2,341
Accrued liabilities		**(869)**		(8)
Operating lease liability		**(463)**		(288)
Net cash used in operating activities		**(14,484)**		(9,880)
Investing activities				
Purchase of property and equipment		**(58)**		(13)
Purchase or development of intangible assets		**(624)**		(267)
Net cash used in investing activities		**(682)**		(280)
Financing activities				
Principal payments on debt		**(3,539)**		(12,555)
Proceeds from debt, net of issuance costs		**3,900**		15,000
Proceeds from Paycheck Protection Program loan		**-**		1,140
Proceeds from issuance of convertible notes, net of issuance costs		**-**		1,263
Proceeds from initial public offering, net of issuance costs		**-**		20,931
Proceeds from exercise of stock options		**88**		63
Net cash provided by financing activities		**449**		25,842
Net increase (decrease) in cash, cash equivalents and restricted cash		**(14,717)**		15,682
Cash, cash equivalents and restricted cash at beginning of period		**22,587**		6,905
Cash, cash equivalents and restricted cash at end of period	$	**7,870**	$	22,587
Supplemental disclosures of cash flows information				
Cash paid for income taxes	$	**6**	$	16
Cash paid for interest	$	**1,935**	$	1,020
Cash paid for operating lease	$	**492**	$	367
Supplemental disclosure of non-cash financing activities				
Gain of forgiveness of Paycheck Protection Program Loan	$	**1,148**	$	-
Conversion of convertible notes and accrued interest to common stock	$	**-**	$	6,924
Conversion of preferred stock to common stock	$	**-**	$	49,762
Reclassification of stock warrant liabilities to equity	$	**-**	$	169

See accompanying notes to the consolidated financial statements.

1. Organization and Significant Accounting Policies

Description of Business

Zebit, Inc. ("Company") is an e-commerce company incorporated in 2015 in the state of Delaware. The Company's headquarters is in San Diego, California. Zebit was built to disrupt the way credit-challenged consumers shop and access products by offering a wide assortment of products that can be financed over six months with no interest, late fees, or other penalties.

Liquidity

The Company has funded its operations primarily through the issuance of common stock, preferred stock and convertible notes, as well as borrowings under debt and credit facilities. The Company has incurred losses and negative cash flows from operations since its inception. The Company recorded revenues of $116.6 million and $87.7 million for the years ended December 31, 2021 and 2020, respectively. The Company recorded net losses of $21.0 million and $7.4 million for the years ended December 31, 2021 and 2020, respectively, and has an accumulated deficit of $86.4 million as of December 31, 2021.

As of December 31, 2021, the Company had cash and cash equivalents of $7.7 million, and restricted cash of $150,000. Existing cash resources are not expected to be sufficient to fund forecasted future negative cash flows from operations and obligations as they become due through one year following the issuance of these financial statements, without additional funding. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects that may result should the Company be unable to continue as a going concern. On February 9, 2022, the Company formally applied to the Australian Stock Exchange ("ASX") to be delisted from the official list of the ASX. The ASX has provided its formal consent to the delisting of the Company from the official list, subject to compliance with the specified conditions. As one of the conditions, the delisting will be put forward for securityholder approval at a special meeting to be held on March 16, 2022. Following the special meeting to approve the Company's delisting from the ASX, the Company will begin exploring raising additional capital. The Company cannot conclude that management's plan to alleviate the substantial doubt about the Company's ability to continue as a going concern through one year following the issuance of these financial statements is probable of being successfully implemented.

Initial Public Offering

In October 2020, the Company completed its initial public offering (the "IPO") on the ASX, in which it sold an aggregate of 22,151,899 shares of the Company's common stock at a public offering price of AUD 1.58 (USD 1.11) per share. The Company received gross cash proceeds of $24.7 million before deducting offering costs of $3.8 million, resulting in net proceeds of $20.9 million.

In addition, each of the following occurred in connection with the completion of the IPO:

- The conversion of all outstanding shares of convertible preferred stock into an aggregate 49,761,755 shares of common stock;
- The conversion, of all outstanding preferred stock warrants into common stock warrants;

the fair value on date of conversion of the preferred stock warrant liability of $168,734 was reclassified as additional paid-in-capital; and,

- The conversion of an aggregate of $5.5 million of outstanding convertible notes and accrued interest into an aggregate of 6,260,206 shares of common stock.

COVID-19 Pandemic

In March 2020, the World Health Organization announced the novel coronavirus COVID-19 as a global pandemic. COVID-19 began causing disruptions in the U.S. and Australia, causing significant volatility in capital markets around the world. COVID-19 continues to spread in the United States and globally and as a result the Company is subject to additional risks and uncertainties. To comply with laws and regulations, the Company and its suppliers have temporarily reduced on-site business operations to comply with social distancing requirements. The degree to which the Company's business will continue to be affected by the COVID-19 pandemic is uncertain. While the Company expects the disruption to be temporary, the duration of the disruption is uncertain at this time. Further, there may be long-term negative effects of the COVID-19 pandemic. The negative effects of COVID-19 could have a material adverse impact on the Company's financial results in the future. As an effort to mitigate potential impacts from COVID-19, the Company took cost saving measures including but not limited to (i) eliminated all 401(k) matching contributions, which was reinstated on July 1, 2021, (ii) a reduction in force consisting of 20 employees, (iii) temporarily reduced all employees' salaries from 100% to a range of 85-90% of base salary, with a return to regular salaries phased over June to November 2020, (iv) executed a 6 month interest-only amendment to the previously-outstanding SVB Term Loan, (v) negotiated a two-month payment deferral on the Company's office space for July and August 2020, (vi) entered into an agreement to sublease all of the square footage of the Company's primary office space, effective beginning February 2021, and in November 2020, management moved the Company to a much smaller and lower cost office space while COVID-19 restrictions continue to make working from an office challenging, and (vii) took on additional borrowings in the form of a $1.1M Paycheck Protection Program Loan ("the PPP Loan") as part of the United States Government stimulus or Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was fully forgiven in January 2021.

Financial Statement Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Company's consolidated financial statements are prepared on a consolidated basis and include the accounts of the Zebit Be Free, 2020-1 Statutory Trust ("Zebit Be Free") for which the Company is the sole beneficial owner, and responsible for the organizational expenses of the trust. Zebit Be Free was established in 2020 in connection with the Company's credit facility discussed in Note 6. Prior to this, the Company consolidated the Zebit Be Free, 2018-1 Statutory Trust, which had been established in 2018 in connection with the Company's previous credit facility, and for which the Company was also the sole beneficial owner. Upon termination of the previous credit facility in October 2020, Zebit Be Free, 2018-1 was dissolved. All transactions between Zebit, Inc. and Zebit Be Free, and Zebit, Inc. and Zebit Be Free, 2018-1, have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, management evaluates its estimates, including those related to the accounts receivable allowance, useful lives and impairment of intangible assets and property and equipment, the fair value of a convertible debt instrument for which the fair value option has been elected, the fair value of common stock and expense for stock-based compensation awards, the fair value of certain stock warrants classified as liabilities, and income taxes, among others. The convertible debt instrument and the liability-classified stock warrants were previously recorded at fair value, until their conversion to common stock and common stock warrants, respectively, upon the October 2020 IPO. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

The Company considers highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The Company maintains its cash in depository accounts that may exceed the Federal Deposit Insurance Corporation limits.

Restricted Cash

As of December 31, 2021 and 2020, restricted cash is composed of a restricted cash account under the control of a trustee related to the Company’s obligation to indemnify certain parties pursuant to the Zebit Be Free, 2020-1 trust agreement.

Inventories

Inventories consist of inventory in-transit from the Company’s vendors to the Company’s customers as the Company takes ownership of inventory at the point of shipment from the vendor’s location until delivered to its customers. All inventory in-transit is recorded at cost on the balance sheet. No substantial losses on inventory were incurred during the years ended December 31, 2021 or 2020. The Company does not estimate that any losses will be incurred on inventories and therefore had no allowance for losses on inventories as of December 31, 2021 or 2020.

Accounts Receivable, Net

Accounts receivable consist of trade receivables that are generated in the normal course of business. The Company records accounts receivable at the amount invoiced to the customer, less the down payment made by the customer at the time of order. The Company records an allowance for estimated uncollectible amounts against accounts receivable. In determining the amount of the allowance, the Company makes estimates based on historical collection experience and current economic trends. The Company’s business primarily serves underserved customers with limited access to credit, and as such the Company can experience significant credit losses on accounts receivable.

Property and Equipment, Net

Property and equipment, net is stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the following asset categories:

Asset Category	Estimated Useful Life in Years
Computer equipment	3
Furniture and fixtures	5
Leasehold improvements	Lesser of remaining lease term or 5 years

Internal-Use Software

The Company capitalizes costs related to purchased and developed internal use software, which are included in intangible assets in the balance sheet. Capitalization of costs for the development of internal-use software begins when the application development stage is reached and ends when the post implementation stage is reached. Amortization of software is recorded using the straight-line method over the estimated useful life of the developed software, which is three years.

Operating Lease

The Company recognizes right-of use assets and leases liabilities for all lease agreements, or agreements containing a lease component, in accordance with ASC Topic 842, Leases (“ASC 842”). At inception of a lease, the Company determines the classification of the lease as either an operating lease or a finance lease. The lease liability is amortized on a straight-line basis for operating leases and is amortized using the effective interest method for finance leases. Refer to Note 14 for further information.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers (“ASC 606”). Revenue recognition is determined using the five-step process provided in ASC 606: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and, (v) recognize revenue when (or as) the entity satisfies a performance obligation. Refer to Note 2 for further information.

Cost of Revenues

Cost of revenues consists of the purchase price of goods sold to customers, outbound shipping costs, and dropship processing fees. Dropship processing fees represent vendor charges for fulfilling orders, including receiving, inspecting, picking, packaging and preparing goods for shipment. Shipping costs for the years ended December 31, 2021 and 2020 were $3.1 million and $2.8 million, respectively.

Selling and Marketing Expenses

Selling and marketing expenses are expensed as incurred and consist primarily of sales and marketing employee compensation, targeted online marketing costs, such as display advertising, keyword search campaigns and social media advertising, as well as offline marketing costs such as email and radio, and broker commissions. Broker commissions are paid to partners for each prospective customer referred by the broker and underwritten and approved by Zebit. Advertising costs for the years ended December 31, 2021 and 2020 were $9.7 million and $3.4 million, respectively.

Stock-Based Compensation

The Company has an equity incentive plan under which it has historically only granted stock options to purchase shares of the Company's common stock. The Company recognizes stock-based compensation expense based on the estimated fair value of the award on the date of grant determined using the Black-Scholes option pricing model. Stock-based compensation expense is amortized on a straight-line basis over the requisite service period of the award, generally four years. Forfeitures are accounted for as they occur.

Fair Value Election

Prior to the conversion to common stock, the Company accounted for 2019 IPO convertible notes issued in December 2019 at fair value, pursuant ASC Topic 825, Financial Instruments ("ASC 825"). The Company determined to elect the fair value option due to complexity associated with various potential settlement outcomes per the terms of the notes. Upon the completion of the IPO, the convertibles notes and accrued interest were converted into common stock.

Fair Value Measurements

Prior to the conversion to common stock, the Company used fair value measurements for the 2019 IPO convertible notes issued in December 2019 for which the Company had elected the fair value option pursuant to ASC 825. In addition, prior to their conversion to common stock warrants, the Company used fair value measurements for certain liability-classified stock warrants. Upon the completion of the IPO, the convertibles notes (and accrued interest) were converted into common stock, and the warrants were converted into common stock warrants and were no longer liability-classified and subject to fair value measurement.

ASC 820, Fair Value Measurement ("ASC 820"), establishes a framework for measuring fair value and requires disclosures about fair value measurements. The standard establishes a fair value hierarchy which distinguishes between inputs that are observable in the marketplace, and therefore more objective, and those that are unobservable and therefore more subjective. Companies are required to use observable inputs when available. Additional disclosures are required for unobservable inputs.

The three levels of inputs that may be used to measure fair value are defined as follows:

> Level 1 - Observable inputs, such as quoted prices in active markets for identical assets or liabilities.
>
> Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> Level 3 - Valuations based on unobservable inputs to the valuation methodology and including data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

Income Taxes

The Company is a C-corporation and is subject to federal and state income taxes. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions and is subject to examination by U.S. federal tax authorities for returns filed for the prior three years and by state tax authorities for returns filed for the prior four years. In addition, during an audit, tax authorities may redetermine the correct taxable loss for a closed year to determine the correct amount of the loss carryforward deduction for the year under audit.

The Company uses the asset and liability method of accounting for income taxes in accordance with FASB ASC Topic 740, Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In accordance with ASC 740, the Company provides a valuation allowance against its deferred tax assets when circumstances indicate that it is more likely than not that its deferred tax assets will not be realized.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The result of the CARES Act on the business was the receipt of a $1.1 million PPP Loan, received in May 2020 and forgiven by the U.S. Small Business Administration ("SBA") in January 2021.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the same period. Diluted net loss per share is computed by dividing net loss by the weighted average number of common and common equivalent shares outstanding during the same period. The Company excludes common stock equivalents from the calculation of diluted net loss per share when the effect is anti-dilutive.

For purposes of the diluted net loss per share calculation, the convertible preferred stock, convertible notes, stock warrants, and stock options are considered to be dilutive securities. Basic and diluted net loss attributable to common stockholders per share is presented in conformity with the two-class method required for participating securities as the convertible preferred stock is considered a participating security. The Company's participating securities do not have a contractual obligation to share in the Company's losses. As such, the net loss was attributed entirely to common stockholders. Accordingly, for the years ended December 31, 2021 and 2020, there is no difference in the number of shares used to calculate basic and diluted shares outstanding.

The following securities that could potentially decrease net loss per share in the future were not included in the determination of diluted loss per share as their effect is anti-dilutive:

December 31,	**2021**	2020
Outstanding stock options	**15,869,458**	13,245,814
Warrants to purchase common stock	**60,000**	568,935
	15,929,458	13,814,749

Operating Segment

Management has determined that the Company operates as one operating segment. The chief executive officer, who is the Company's chief operating decision maker, reviews financial information on an aggregate basis for purposes of allocating resources and evaluating the financial performance of the Company. The Company's revenues have been entirely sourced in the United States and all long-lived assets are maintained in the United States.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The new guidance requires companies to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard update eliminates the probable initial recognition threshold in current GAAP and, instead, reflects an entity's current estimate of all expected credit losses over the contractual term of its financial assets. The standard update broadens the information that an entity can consider when measuring credit losses to include forward-looking information. Further, in May 2019, the FASB issued ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*, which provides transition relief in the application of Topic 326 by permitting companies within the scope of Subtopic 326-20 (financial instruments measured at amortized cost) with an option to irrevocably elect the fair value option in Subtopic 825-10 for eligible instruments, upon adoption of Topic 326. These ASUs are effective for the Company beginning January 1, 2023, with early application permitted. The standard updates will be applicable to the Company's trade accounts receivable balances. The Company has not yet evaluated the impact that the standard update could have on its financial statements.

In August 2020, the FASB issued ASU 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 certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, ASU 2020-06 simplifies accounting for the issuance of convertible instruments by removing major separation models required under current GAAP. In addition, the ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and simplifies the diluted earnings per share (EPS) calculation in certain areas. ASU 2020-06 will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, beginning in fiscal years which begin after December 15, 2020, including interim periods within those fiscal years. The FASB has specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The amendment is to be adopted through either a modified retrospective or fully retrospective method of transition. The Company early adopted ASU 2020-06 under a modified retrospective approach as of January 1, 2021. As a result of the adoption, there was no impact on retained earnings or other components of equity or to earnings per share in the Company's condensed consolidated financial statements.

In May 2021, the FASB issued ASU No. 2021-04, *Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. The ASU addresses the previous lack of specific guidance in the accounting standards codification related to modifications or exchanges of freestanding equity-classified written call options (such as warrants) by specifying the accounting for various modification scenarios. The ASU is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted for any periods after issuance to be applied as of the beginning of the fiscal year that includes the interim period. The Company has not yet evaluated the impact that the standard update could have on its financial statements.

2. Revenue

The Company recognizes revenue in accordance with ASC 606. Revenue recognition is determined using the five-step process provided in ASC 606: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and, (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company sells goods to customers on its ecommerce website, including physical products as well as e-certificates. An e-certificate allows the customer to redeem the e-certificate value for the purchase of merchandise from a merchant store. The Company has determined that its performance obligations under its sales contracts with customers are to deliver the purchased goods. Accordingly, revenue is recognized at the point in time when the delivery obligation is satisfied, which is consistent with the time in which the customer obtains control of the goods. For physical products, delivery occurs when the product is physically delivered to the customer's location. For e-certificates, delivery occurs when the e-certificate is delivered to the customer's designated email address. The Company recognizes revenue as the amount of consideration the Company expects to receive in exchange for transferring the goods, which is the fixed contract price for the purchased goods.

Customer payment terms provide for payment of the contract price up to a six-month period following the sale. In determining whether revenue recognition is appropriate at the time of sale, the Company assesses collectability of the contractual price it expects to be entitled to and will only recognize revenue for sales in which it has estimated that collection is probable. Based upon the Company's standards for customer creditworthiness, the Company has historically only entered into contracts with customers for which it believed collection was probable at the time of sale. The Company records an estimate of bad debt expense at the time revenue is recognized. The Company does not offer any significant rebates, coupons or other forms of concession to customers.

The Company collects a down payment upon the customer's completion of the order. The amount that the Company collects from customers prior to the delivery of goods and the recognition of revenue is recorded as a customer deposit in accrued liabilities until the goods are delivered. As of December 31, 2021 and 2020, the liability for customer deposits was not material.

In the sale of goods, the Company has determined that it is the principal in satisfying the performance obligations to customers, primarily because the Company has full latitude to source the goods from any vendor and full discretion to establish customer pricing, and the Company's vendors, who are resellers of the goods, are not visible to customers and have no contractual obligations to customers. For e-certificates, the Company is purchasing these from vendors who have purchased and carry inventory stock of e-certificates, and the Company has a non-cancellable right during the terms of the contracts with these vendors to purchase and resell the e-certificates. As the principal in satisfying the performance obligations to customers, the Company recognizes revenue at the gross amount of consideration it is entitled to collect from customers.

The Company also sells product warranties to customers, although such sales have not been material to date. For these sales, the Company arranges for the warranties to be provided to customers by the warrantor and is an agent in satisfying the performance obligations for these sales. Accordingly, revenue is recognized for the amount of consideration expected to be collected from the customer, net of the amount paid or due to the warrantor for purchase of the warranties by the Company.

The Company has elected the following practical expedients permitted in the application of ASC 606.

- As the Company expects at the inception of all contracts with customers that the transaction price will be paid by the customer within twelve months of delivery of the product, the Company elects not to adjust the promised amount of consideration for the effects of any significant financing component in determining the transaction price.

- The Company elects to exclude sales and other similar taxes collected from customers from the transaction price.

The Company's revenues have been entirely sourced in the United States. The following tables shows the Company's revenues for the years ended December 31, 2021 and 2020 by significant product type (in thousands):

Year ended December 31,		**2021**		2020
E-certificates	$	**63,220**	$	45,253
Electronics		**35,728**		27,413
All other		**17,669**		14,985
Total revenue	$	**116,617**	$	87,651

3. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

December 31,		**2021**		2020
Computer equipment	$	**171**	$	113
Furniture and fixtures		**51**		51
Leasehold improvements		**5**		5
Property and equipment, gross		**227**		169
Less accumulated depreciation		**(160)**		(129)
Total property and equipment, net	$	**67**	$	40

Depreciation expense was $30,459 and $33,165 for the years ended December 31, 2021 and 2020, respectively.

4. Intangible Assets, Net

Intangible assets consisted of the following (in thousands):

December 31,		**2021**		2020
Patents and trademarks	$	**18**	$	18
Software (purchased or developed)		**2,204**		1,580
Intangible, gross		**2,222**		1,598
Less accumulated amortization		**(1,393)**		(901)
Total intangibles, net	$	**829**	$	697

Amortization expense was $491,610 and $495,136 for the years ended December 31, 2021 and 2020, respectively. The net carrying value of intangible assets as of December 31, 2021 is expected to be recognized over a weighted average amortization period of 2.04 years. As of December 31, 2021, future amortization expense for intangible assets is $462,851 in 2022, $256,711 in 2023 and $109,270 in 2024.

5. Fair Value Measurement

Prior to their conversion to common stock, the Company used fair value measurements for convertible notes issued in December 2019 (“2019 IPO Notes”) for which the Company had elected the fair value option pursuant to ASC 825. In addition, prior to their conversion to common stock warrants, the Company used fair value measurements for certain liability-classified stock warrants. These liabilities were subject to recurring measurement and measured using Level 3 inputs per the fair value hierarchy established in ASC 820. Refer to Note 6 regarding the 2019 IPO Notes and Note 9 regarding the stock warrants. Upon the completion of the IPO, the convertibles notes (and accrued interest) were converted into common stock, and the warrants were converted into common stock warrants, at which time both of these instruments were no longer liability-classified and subject to fair value measurement and were reclassified to equity.

The Company did not transfer any assets or liabilities measured at fair value on a recurring basis to or from Level 3 for the years ended December 31, 2021 and 2020.

The changes in the fair values of these instruments for the year ended December 31, 2020 were as follows (in thousands):

	2019 IPO Notes	Stock Warrants
Fair value as of December 31, 2019	$ 4,121	23
Issuance	1,263	-
Change in fair value	1,540	146
Conversion to common stock/common stock warrants	(6,924)	(169)
Fair value as of December 31 30, 2020	$ -	$ -

Until their conversion to common stock upon the IPO in October 2020, the fair value of the 2019 IPO Notes was determined by assessing the discounted probability-weighted expected return which are considered Level 3 inputs. The fair value of the 2019 IPO notes immediately prior to their conversion was estimated based on the number of share of common stock into which the notes would convert upon an IPO, using the IPO offering price of $1.11, with a 100% probability assigned to the outcome that the notes would convert to common stock on the date of the IPO.

The fair value of stock warrants was estimated using the Black-Scholes option pricing model. The expected term is the estimated probability weighted-average time to exit that accounts for different exit, financing, or dissolution scenarios, which is a Level 3 (unobservable) input.

The carrying amounts of the Company's other current financial assets and liabilities are considered to be representative of their respective fair values because of the short-term nature of these instruments.

6. Debt and Credit Facilities

Bastion Credit Facility

In September 2020, the Company entered into a credit facility with Bastion Consumer Funding II LLC. The initial facility provided up to $15.0 million in principal borrowings, subject to a borrowing base limitation of 90% of the cost of goods sold on eligible customer receivables. In February 2021, the facility was amended to increase the principal borrowing amount to $35.0 million. In July 2021, the facility was amended to provide that if the Company's unrestricted cash is less than $10.0 million, the borrowing base limitation shall be reduced to 80% of the cost of goods sold on eligible customer receivables. In February 2022, the facility was amended to (i) reduce the borrowing base limitation to 80% of the cost of goods sold on eligible receivables, with respect to any eligible receivables originated on or after January 1, 2022, (ii) reduce the principal borrowing amount from $35.0 million to $23.0 million, and (iii) amend the financial covenant for the minimum unrestricted cash balance from $5.0 million to $2.0 million.

The facility can be drawn upon until the day before the date that is 30 months following the closing date, or through March 15, 2023, or earlier upon an event of default or early amortization event, as defined in the agreement. All principal amounts borrowed are due 36 months from the closing date, or September 15, 2023, unless due earlier as a result of the borrowing base limitation or an event of default.

Borrowings are collateralized by all of the Company's personal property, including eligible receivables which are required to be held in a separate, wholly-owned legal entity, the Zebit Be Free 2020-1 Statutory Trust ("Zebit Be Free"). Zebit Be Free is the debtor under the credit facility and the Company is the servicer responsible for servicing the eligible receivables. An eligible customer receivable is one that meets the eligibility criteria of the agreement. Customer payments on eligible receivables are required to be remitted into a lockbox account and the payments deposited into the lockbox account are transferred to a collections account (subject to a deposit account control agreement) whereby such available collections are distributed to make the interest payment and any required principal payment with the excess amount funded to the parent company, Zebit, Inc., as beneficial owner of the trust certificate. Outstanding borrowings bear interest, payable monthly, at a rate of 3-month LIBOR (subject to a 1% LIBOR floor) plus 12%, unless outstanding loan amounts exceed $20.0 million in which such rate shall be 3-month LIBOR plus 10.5%.

The Company must adhere to certain covenants during the term of the agreement. Failure to meet financial covenants, which are measured monthly, including a minimum unrestricted cash balance of $2.0 million at the end of the month, constitutes an event of default. In addition, the agreement includes a subjective acceleration clause as such term is defined in the ASC 470-10 Glossary whereby any event that has occurred or is in continuance which has a material adverse effect on the business constitutes an event of default. Upon the occurrence of an event of default, the lender may immediately terminate any remaining commitment and declare all outstanding principal and interest due and payable. Also, pursuant to the agreement, the Company will be prohibited from issuing any other additional senior debt and will be prohibited from making any other distributions or paying any dividends except that the Company will be permitted to make tax distributions and other distributions to its members once cumulative retained earnings are positive, but at such time distributions will be limited to 50% of current year earnings. As of December 31, 2021, the Company was in compliance with the covenants. Due to the existence of the subjective acceleration clause, the Company's history of recurring net losses, and the Company's financial condition as of December 31, 2021, the borrowings have been classified as a short-term debt obligation in the consolidated balance sheet as of December 31, 2021.

The Company incurred $290,600 in costs related to entry into the credit facility, which were recorded as an offset to the debt liability and are being amortized on a straight-line basis over the term of the credit facility.

As of December 31, 2021, the principal balance outstanding was $15.4 million and the interest rate applicable to the principal balance outstanding was 13.0%. As of December 31, 2021, the aggregate receivables held by Zebit Be Free pursuant to the terms of the credit facility agreement was $27.8 million.

Paycheck Protection Program

In April 2020, the Company received loan proceeds of $1.1 million pursuant to the Paycheck Protection Program ("the PPP") under the CARES Act administered by the SBA).

The PPP Loan was originally scheduled to mature in April 2022 and bore a stated interest rate of 1.00% per annum. Under the terms of the CARES Act, recipients of loans under the PPP can apply for and be granted forgiveness for all or a portion of such loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and certain other eligible costs. In December 2020, the Company applied for forgiveness of the PPP loan, and in January 2021, the Company received notice that the entire principal balance and accrued interest were forgiven. The Company accounted for the loan forgiveness as a gain on debt extinguishment under ASC Topic 470, Debt ("ASC 470") and was excluded from operating income. No payments of principal or interest were required or made prior to forgiveness.

In order to apply for the PPP Loan, the Company was required to certify, among other things, that the current economic uncertainty made the PPP Loan necessary to support the Company's ongoing operations. This certification further required the Company to take into account the maintenance of its workforce, the Company's need for additional funding to continue operations, and the Company's ability to access alternative forms of funding to support its ongoing business operations.

Silicon Valley Bank Term Debt

In December 2015, the Company entered into a Loan and Security Agreement with Silicon Valley Bank ("SVB") which, as amended, provided for term loans in an aggregate amount up to $3,000,000.

The Company used IPO proceeds to repay all amounts due to SVB in October 2020.

December 2019 IPO Convertible Notes

In December 2019, the Company issued subordinated convertible promissory notes ("2019 IPO Notes") to certain accredited investors, whereby the Company agreed to sell, and the accredited investors agreed to purchase, convertible notes in the aggregate principal amount $4,114,450. During the year ended December 31, 2020, the Company issued additional notes in the aggregate principal amount of $1,262,500 (net of the note repurchase, discussed below). The 2019 IPO Notes bore an interest rate of 4% per annum calculated on the basis of a 365-day year. The outstanding principal, together with unpaid accrued interest (the "Outstanding Amount"), plus an amount equal to 20% of the outstanding principal was due upon the earlier of (i) December 31, 2020 or (ii) the occurrence of an event of default. The Outstanding Amount would automatically convert into common stock upon a qualified IPO, at a conversion price per share equal to the lesser of 80% of the price per share at which shares are sold in the qualified IPO, or $1.00. The 2019 IPO Notes were entered into with existing beneficial owners of the Company, on the same terms as all other purchases of the 2019 IPO Notes.

In June 2020, the Company repurchased a $900,000 IPO Note from an investor that was originally issued in March 2020. The repurchase price was equal to the original transaction price of $900,000, and the investor agreed to waive all interest accrued on the note. In a related transaction in June 2020, the Company issued a new $900,000 IPO Note to a secondary investor. The Company, the original note investor and the secondary investor are all related parties. The repurchase and the issuance of the new note were approved by the Company's board of directors, and the holders of 2019 IPO Notes who were required to approve the transactions.

The Company elected to account for the 2019 IPO Notes at fair value pursuant to ASC 825, Financial Instruments. Refer to Note 1.

In October 2020, the Company completed a qualified IPO, as defined in the 2019 IPO Notes, and the outstanding principal amount of the notes of $5,376,950 and $162,092 of accrued interest automatically converted into 6,260,206 shares of common stock, at a conversion price of $0.8848 per share.

7. Convertible Preferred Stock

In October 2020, in connection with the completion of the Company's IPO, the convertible preferred stockholders, pursuant to the election available in the then-effective certificate of incorporation, as amended, consented to the conversion of preferred stock to common stock. All outstanding preferred stock was converted to common stock.

8. Common Stock

As of December 31, 2021 and 2020, the Company was authorized to issue up to 250,000,000 of $0.0001 par value common stock. As of December 31, 2021 and 2020, 94,635,213 and 94,443,190 shares, respectively, were issued and outstanding. Each holder of common stock is entitled to one vote for each share of common stock held. The holders of common stock are entitled to receive dividends when, as and if declared by the board of directors.
In October 2020, the Company completed its IPO, in which it sold an aggregate of 22,151,899 shares of the Company's common stock at a public offering price of AUD 1.58 (USD 1.11) per share. The Company received gross cash proceeds of $24.7 million, before deducting offering costs of $3.8 million.

In addition, each of the following occurred in connection with the completion of the IPO:

- The conversion of all outstanding shares of convertible preferred stock into an aggregate 49,761,755 shares of common stock; and,
- The conversion of an aggregate of $5.5 million of the outstanding 2019 IPO Notes and accrued interest into an aggregate of 6,260,206 shares of common stock.

Registration Rights Agreement

In October 2020, the Company entered into a registration rights agreement with certain holders of its common stock, including certain members of, and affiliates of, the Company's directors, and its chief executive officer, which provides the holders of common stock with certain registration rights, including the rights to demand that the Company file a registration statement or request that their shares be covered by a registration statement that the Company is otherwise filing. The rights to demand that the Company file a registration statement are effective after the earlier of (i) five (5) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the registration statement for the Company's first underwritten public offering of its Common Stock under the U.S. Securities Act of 1933 (the "Securities Act"). If the Company receives a request from holders of at least thirty percent (30%) of the registerable securities then outstanding that the Company file a registration statement, and if net offering proceeds would exceed $15 million, then the Company shall give notice to all other holders, and in any event within thirty 30 days of such request, file a registration statement under the Securities Act covering all securities requested to be registered.

9. Stock Warrants

Prior to completion of the IPO in October 2020, the Company's preferred shares that may have been issuable upon the exercise of warrants contained a contingent redemption feature, which would have required the Company to transfer cash and/or other assets to the holders upon the occurrence of certain events, such as a deemed liquidation event (as defined in the Company's then-current certificate of incorporation). Accordingly, the Company accounted for these warrants as liabilities at their estimated fair values, which were subject to re-measurement at each balance sheet date. Changes in fair value of the stock warrant liabilities were recognized in the statement of operations. Upon the IPO, all outstanding preferred stock warrants were converted into common stock warrants. At that time, the warrant liabilities were adjusted to their fair value at the date of conversion, with changes to the fair value recorded in the statements of operations and the final fair value of $168,734 was then reclassified to additional paid-in capital.

As of December 31, 2021 there were 60,000 warrants to purchase common stock outstanding with an exercise price of $1.00 per share. The warrants are exercisable any time prior to their expiration. Of the 60,000 warrants outstanding, 40,000 expire ten years from their issuance date of December 18, 2015 and, 20,000 expire ten years from their issuance date of September 30, 2017. During the year ended December 31, 2021, 508,935 warrants expired unexercised pursuant to the original terms of the warrants.

10. Equity Incentive Plan

The Company's board of directors adopted the 2020 Equity Incentive Plan on August 12, 2020 (the "Plan"). The Plan allows the Company to grant restricted stock, restricted stock units, stock appreciation rights and stock option awards, all issuable in shares of common stock of the Company, to directors, employees and consultants of the Company. To date, no awards have been issued pursuant to restricted stock, restricted stock unit, or stock appreciation rights agreements. The Plan is administered by the Company's board of directors who determines the vesting provisions, exercise price and other terms for each award, provided that the exercise price of a stock option may not be less than the fair market value of a share of stock on the effective date of grant. The Incentive Plan contains an "evergreen" provision that allows annual increases in the number of shares available for issuance on the first day of each calendar year in an amount equal to the lesser of: (i) 5% of the total number of shares of common stock outstanding as of December 31 of the preceding calendar year, or (ii) such lesser number of shares as determined by the Board. The Plan is also increased by awards cancelled without having been exercised under the Company's predecessor equity incentive plan. As of December 31, 2021, up to 8,992,567 shares of common stock were authorized for issuance under the Plan and 2,530,138 shares remained available for future issuance. Under this evergreen provision, on January 1, 2022, an additional 4,731,760 shares became available for future issuance under the Plan, as approved by the Board, based on 5% of common stock outstanding as of December 31, 2021. Restricted stock unit awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more performance goals.

Currently, all employees are eligible to receive stock option awards. Option grants require the approval of the Company's board of directors and generally vest over a four-year service period, with 25% of the shares subject to an option vesting on the one-year anniversary of the grant date and the remainder vesting in equal monthly installments over the subsequent 36-month period.

The Company uses the Black-Scholes option pricing model to estimate the fair value of each option on the date of grant. The Company recognizes the estimated fair value of option awards as stock-based compensation expense using the straight-line method over the requisite service period. The Company accounts for forfeitures when they occur.

The following is a description of the significant assumptions used in the Black-Scholes option pricing model:

- Fair value of common stock – Subsequent to the IPO completed in October 2020, the fair of the shares of common stock underlying stock options is determined based on the closing trading price of the Company's common stock on the effective date of the grant. Prior to the IPO, the fair value of the shares of common stock underlying stock options was determined by the board of directors. Because there was no public market for the Company's common stock prior to the IPO in October 2020, the fair value was estimated at the time of grant using a number of variables including the common stock value of comparable, public companies, sales of the Company's preferred stock, the Company's historical and projected financial performance, general and industry-specific economic outlook, and a marketability adjustment to reflect the lack of liquidity for the Company's common stock, amongst other factors.

- Expected term – The expected term is the period that options are expected to be outstanding. As the Company does not have significant historical exercise behavior, it determines the expected life assumption using the simplified method, which is an average of the contractual option term and its vesting period.

- Expected volatility – Since the Company's stock was not traded in an active market until October 2020, the Company calculates volatility by using the stock price volatility of similar public companies for a historical period the same as the expected term of the Company's options, and averaging the volatilities of these companies.

- Risk-free interest rate – The Company bases the risk-free interest rate on the market yield in effect at the time of option grant provided from the Federal Reserve Board's statistical releases and historical publications from the U.S. Department of Treasury constant maturities rates for terms equivalent to the expected term of the option.

Dividends – The Company has not and does not expect to pay dividends over the expected term of options. Therefore, the Company uses an expected dividend yield of zero.

The following weighted-average assumptions were used to estimate the fair value of options granted for the years ended December 31, 2021 and 2020:

Year ended December 31,	**2021**	2020
Common stock price	**$0.76**	$0.97
Risk free interest rate	**1.17%**	1.01%
Expected term (years)	**6.1**	6.0
Expected volatility	**73%**	56%
Dividend rate	**0%**	0%
Weighted average grant date fair value	**$0.46**	$0.73

Following is a summary of the Company's stock option activity for the years ended December 31, 2021 and 2020:

	Number of Shares Underlying Outstanding Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)
Outstanding at December 31, 2019	8,440,309	$0.29	7.12
Granted	5,568,831	$0.43	
Exercised	(240,298)	$0.26	
Forfeited and expired	(523,028)	$0.23	
Outstanding at December 31, 2020	13,245,814	$0.35	7.51
Granted	4,414,304	$0.76	
Exercised	(192,023)	$0.29	
Forfeited and expired	(1,598,637)	$0.32	
Outstanding at December 31, 2021	15,869,458	$0.47	6.85
Exercisable at December 31, 2021	8,864,275	$0.33	5.15
Vested and expected to vest at December 31, 2021	15,869,458	$0.47	6.85

Options granted during the years ended December 31, 2021 and 2020 had a weighted average grant date fair value of $0.46 and $0.73, respectively. Options vested during the years ended December 31, 2021 and 2020 had an aggregate fair value of $1,275,019 and $744,458, respectively.

The intrinsic value of an option is the difference between the option exercise price and fair value of the common stock. As of December 31, 2021, the exercise prices of outstanding stock options exceeded the fair value of the common stock, therefore the intrinsic value of outstanding options was zero. Options exercised during the years ended December 31, 2021 and 2020 had an aggregate intrinsic value of $109,168 and $37,587, respectively.

The Company recognized stock-based compensation expense for the years ended December 31, 2021 and 2020 as follows in the statements of operations (in thousands):

Year ended December 31,		**2021**		2020
General and administrative	**$**	**1,356**	$	828
Sales and marketing		**18**		42
Total stock-based compensation	**$**	**1,374**	$	870

As of December 31, 2021, there was $3,214,182 of unrecognized stock-based expense to be recognized over a weighted-average remaining service period of 2.87 years.

11. CARES Act

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act was signed into law on March 27, 2020. The CARES Act, among other things, includes tax provisions relating to refundable payroll tax credits, deferment of employer's social security payments, net operating loss utilization and carryback periods, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property ("QIP"). As to net operating loss utilization and carry back periods, net operating losses generated in tax years 2018, 2019, and 2020 can be carried back five years, allowing corporate taxpayers to amend earlier tax returns and potentially obtain a tax refund. In addition, losses generated and utilized prior to January 1, 2021 are not subject to the 80 percent limitation that was previously applied to losses generated after December 31, 2017 under the Tax Cuts and Jobs Act of 2017. The tax provisions of the CARES Act had no material impact on the Company's income tax provision for the years ended December 31, 2021 and 2020. The Company continues to evaluate the impact of the CARES Act on its financial position, results of operations and cash flows. The CARES Act also established the Paycheck Protection Program under which financing options were made available to small businesses. The Company applied for and was granted a loan of $1.1 million under the Paycheck Protection Program during 2020, which was fully forgiven in January 2021.

12. Income Taxes

For the years ended December 31, 2021 and 2020, income tax expense consisted of the following components (in thousands):

Year ended December 31,		**2021**		2020
Current				
Federal	**$**	**-**	$	-
State		**6**		22
Deferred				
Federal		**(4,419)**		(929)
State		**(432)**		(206)
Valuation allowance		**4,851**		1,135
Net income tax provision	**$**	**6**	$	22

Significant components of the Company's net deferred tax assets were as follows (in thousands):

December 31,		**2021**		2020
Net operating loss carryforward	**$**	**13,475**	$	9,166
Reserves and allowances		**1,413**		1,429
R&D and other tax credit carryforwards		**78**		78
Disallowed interest		**706**		279
Accrued liabilities		**(58)**		(56)
Other		**311**		178
Net deferred tax assets before valuation allowance		**15,925**		11,074
Valuation allowance		**(15,925)**		(11,074)
Net deferred tax assets	**$**	**-**	$	-

The Company has established a full valuation allowance against its net deferred tax assets due to significant uncertainty surrounding the realization of such assets considering the cumulative operating losses incurred by the Company through December 31, 2021.

As of December 31, 2021 and 2020, the Company does not have any unrecognized tax benefits. The Company has not recorded any material interest or penalties in its historical financial statements. Any interest or penalties incurred in future periods will be recorded as a component of income tax expense (provision).

As of December 31, 2021, the Company had federal and state net operating loss carryforwards of approximately $59.2 million and $18.1 million, respectively. Federal net operating losses originating after 2017 have no expiration date, however utilization of these net operating loss carryforwards to offset future taxable income is limited to 80% of taxable income each year beginning after December 31, 2020. The total amount of federal operating loss carryforwards originating prior to 2018 of $18.4 million, and state operating loss carryforwards, will begin to expire in 2035. Pursuant to Internal Revenue Code Sections 382 and 383, use of the Company's federal net operating loss and credit carryforwards may be limited upon a cumulative change in ownership of more than 50% within a three-year period. The Company has not performed an analysis to determine if an ownership change has occurred.

The Company's income tax returns may be subject to examination by federal and state taxing authorities for the years 2018 to 2021. Because application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, amounts reported in the consolidated financial statements could be changed later upon final determination by taxing authorities. Management believes that the Company has no uncertain tax positions that could materially affect its financial statements.

13. Vendor Concentrations

During the year ended December 31, 2021, the Company had three vendors that accounted for approximately $59.7 million or 69.0% of the Company's total cost of revenue. As of December 31, 2021, the total amount payable to these vendors was $5.3 million. During the year ended December 31, 2020 the Company had three vendors that accounted for approximately $45.6 million or 70.6% of the Company's total cost of revenue. As of December 31, 2020, the total amount payable to these vendors was $6.1 million.

14. Commitments and Contingencies

Operating Lease

The Company recognizes right-of use assets and lease liabilities for all lease agreements, or agreements containing a lease component, in accordance with ASC 842. At inception of a lease, the Company determines the classification of the lease as either an operating lease or a finance lease. The lease liability is amortized on a straight-line basis for operating leases and is amortized using the effective interest method for finance leases.

The Company has made the following policy elections in its ongoing application of ASC 842:

- For all asset classes, the Company has elected to not recognize right-of-use assets and lease liabilities for leases with a term of twelve months or less; and

- For the office space lease asset class, the Company has elected not to separate non-lease components from lease components to which they relate.

The Company currently has a lease arrangement for its 17,306-square foot office location. The lease term is approximately four years ending in July 2022 with no renewal options. In December 2020, and effective February 2021, the Company entered into an agreement to sublease all of the square footage of its office location to a third party beginning in February 2021 for a term ending contemporaneously with the term of the Company's lease agreement for the lease of the office location. The monthly sublease rate is approximately 90% of the monthly rate the Company pays to lease the location, a result of the suppressed commercial real estate market driven by COVID-19. The loss upon exit of the lease facility was not material. Sublease income is classified within Other Income in the statement of operations.

The Company's office lease is classified as an operating lease. The Company applied a discount rate of 6.25% to the minimum lease payments to determine the value of the right-of-use asset and lease liability. Unless the rate implicit in a lease is determinable, ASC 842 requires the use of the rate of interest that a lessee would pay to borrow on a collateralized basis over a similar term for a similar amount to the lease payments in a similar economic environment. The Company noted that the implicit rate in the office lease was not determinable and therefore determined its incremental borrowing rate based on the Company's borrowing rate on existing collateralized debt for a similar borrowing period and amount.

Operating lease expense for the years ended December 31, 2021 and 2020 was $460,416 and $434,633, respectively.

As of December 31, 2021, future annual minimum lease payments for the office lease were as follows (in thousands):

Year ending December 31,		
2022	$	263
Total lease payments		263
Less: imputed interest		(4)
Lease liability as of December 31, 2021	$	259

Employee Benefit Plan

The Company had a defined contribution 401(k) benefit plan (the "401(k) Plan") for all eligible employees. The 401(k) Plan permits participants to contribute up to the amount allowable under federal limits of annual pre-tax compensation to the 401(k) Plan. The Company matches 100% of the first 4% of the employee's contribution, which fully vests upon contribution. From June 2020 to June 2021, as an effort to mitigate potential impacts from COVID-19, the Company suspended its matching contributions to the 401(k) Plan. The Company contributed $74,889 and $62,300 to the 401(k) Plan for the years ended December 31, 2021 and 2020, respectively.

Litigation

In the normal course of business, the Company is at times subject to pending and threatened legal actions. In management's opinion, any potential losses resulting from the resolution of these matters will not have a material effect on the results of operations, financial position or cash flows of the Company.

15. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date, before the financial statements are issued. The Company recognizes in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date, and before the financial statements were issued.

The Company evaluated subsequent events through February 24, 2022, the date the financial statements were issued.

In February 2022, the Company's debt facility was amended to (i) reduce the borrowing base limitation to 80% of the cost of goods sold on eligible receivables, with respect to any eligible receivables originated on or after January 1, 2022, (ii) reduce the principal borrowing amount from $35.0 million to $23.0 million, and (iii) amend the financial covenant for the minimum unrestricted cash balance from $5.0 million to $2.0 million.

On February 9, 2022, the Company formally applied to the ASX to be delisted from the official list of the ASX. The ASX has provided its formal consent to the delisting of the Company from the official list, subject to compliance with the specified conditions. As one of these conditions, the delisting will be put forward for securityholder approval at a special meeting to be held on March 16, 2022.