



2018 Tax Guide for Retail Investors

January 2019

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I. Introduction / Overview

In connection with your investment at Prosper, you may receive 1099-OID, 1099-MISC, and 1099-B tax forms for the 2018 calendar year.

This Tax Guide is designed to provide general information about the tax forms and answers to frequently asked tax questions. Prosper does not provide tax, financial or legal advice and this document is not intended to be tax, financial or legal advice. Prosper recommends that you consult with your financial or tax advisor if you have any questions.

The 2018 1099 forms will become available no later than January 31, 2019. It is your responsibility to check your account and review all information provided before filing your tax return.

Overview of Tax Forms Provided by Prosper:¹

Form Name	Description
1099-OID	Net interest received in calendar year 2018
1099-MISC	Other income (such as late fees) received in calendar year 2018
1099-B	Recoveries, proceeds and cost basis on Notes corresponding to charged-off loans in calendar year 2018

¹ Note that investors may only receive select forms as applicable to their account and financial situation

The IRS uses a tax ID-based matching program to ensure that filers report required income amounts on their tax returns.

II. Form 1099-OID

Investors who earned \$10 or more in net interest payments in the 2018 tax year will receive a Form 1099-OID. Form 1099-OID includes interest income minus any collection and servicing fees.

Original issue discount ("OID") on a taxable obligation is taxable as interest over the life of the obligation. If you are the holder of a taxable OID obligation, such as a Prosper Note, you are generally required to include the amount in Box 1 in your annual gross income by reporting it on the interest line of Form 1040EZ, Form 1040A, Form 1040, and (if required) Schedule B.

Prosper recommends that you consult your financial or tax advisor to determine how the amounts reported affect your income tax return and to answer any questions.

Form 1099-OID

☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. PROSPER FUNDING LLC 221 MAIN STREET SUITE 300 SAN FRANCISCO, CA 94105 4155905625		1 Original issue discount for 2018 * \$195.10 * This may not be the correct figure to report on your income tax return. See instructions on the back.	OMB No. 1545-0117 2018 Form 1099-OID	Original Issue Discount Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
PAYER'S TIN 45-4526070	RECIPIENT'S TIN	3 Early withdrawal penalty	4 Federal income tax withheld	
RECIPIENT'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		5 Market discount	6 Acquisition premium	
FATCA filing requirement <input type="checkbox"/>		7 Description ORIGINAL ISSUE DISCOUNT FOR 2018	9 Investment expenses	
Account number (see instructions)		8 Original issue discount on U.S. Treasury obligations *	10 Bond premium	
		12 State ME	13 State identification no.	11 Tax-exempt OID
		14 State tax withheld		

Form 1099-OID

(keep for your records)

www.irs.gov/Form1099OID

Department of the Treasury - Internal Revenue Service

III. Form 1099-MISC

You will receive a Form 1099-MISC if you received at least \$600 of other income (such as late fees) in 2018. Box 3 of Form 1099-MISC indicates the amount of other income that you received in 2018. Generally, you are required to report the amount in Box 3 on the Other Income line of Form 1040.

Prosper recommends that you consult your financial or tax advisor to determine how the amounts reported affect your income tax return and to answer any questions.

Form 1099-MISC

☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. PROSPER FUNDING LLC 221 MAIN STREET SUITE 300 SAN FRANCISCO, CA 94105 4155905625		1 Rents 2 Royalties 3 Other income \$3,257.89	OMB No. 1545-0115 2018 Form 1099-MISC	Miscellaneous Income
PAYER'S TIN 45-4526070	RECIPIENT'S TIN RECIPIENT'S name, street address, city or town, state or province, country, and ZIP or foreign postal code	4 Federal income tax withheld 5 Fishing boat proceeds 6 Medical and health care payments 7 Nonemployee compensation 8 Substitute payments in lieu of dividends or interest 9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> 10 Crop insurance proceeds 11 12	Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
Account number (see instructions) 15a Section 409A deferrals	FATCA filing requirement <input type="checkbox"/> 15b Section 409A income	13 Excess golden parachute payments 16 State tax withheld	14 Gross proceeds paid to an attorney 17 State/Payer's state no. CA	18 State income

Form 1099-MISC (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

IV. Form 1099-B

You will receive a Form 1099-B if you:

- (a) held any Notes corresponding to loans that charged-off in 2018,
 - (b) received any recovery proceeds, including proceeds from debt sales, in 2018 from Notes corresponding to loans that charged-off in prior fiscal years, or
 - (c) received any recovery proceeds, including proceeds from debt sales, in 2018 from Notes corresponding to loans that charged-off in 2018.
-

You will receive one Form 1099-B with a detailed breakdown of recoveries, sale proceeds, and cost basis from charged-off loans as well as summary information. Information on this form may be categorized as short-term or long-term capital gains or losses, depending on how long an investor held the relevant Notes. Proceeds from recoveries and sales of charged-off loans are generally considered long-term if you have held the corresponding Note for **at least one year**, and short-term if you have held the corresponding Note for **less than one year**.

For charge-offs, Form 1099-B shows cost basis information only. For recoveries and sales, Form 1099-B shows both proceeds and cost basis information. Each transaction will be individually stated on a separate page included with the Form 1099-B. Prosper reports cost basis information to the IRS.

Charge-offs:

Prosper charges-off loans that are more than 120 days past due, and Prosper may charge off borrower loans that are defaulted prior to 121 days past due where appropriate (for example, where a borrower declares Chapter 7 or Chapter 13 bankruptcy and the bankruptcy is discharged, or the borrower is deceased). You may be able to claim a loss on Notes for which the loan is charged-off.

For each Note, the cost basis reported is the purchase price of the Note minus any principal repaid on the Note.

Box 1e of the Form 1099-B contains your cost basis for Notes corresponding to loans that were charged-off in 2018 as of the date the loan was charged-off.

Proceeds from Previously Charged-Off Loans:

Prosper may recover subsequent payments of principal, interest, or late fees on a loan that was charged-off in a prior year.

Box 1d of the Form 1099-B contains the proceeds you received from any Notes corresponding to loans that were charged-off prior to 2018, minus any Prosper fees. Your cost basis in these Notes is zero.

Proceeds from Debt Sales:

Prosper may sell charged-off loans to a third party.

Box 1d of the Form 1099-B contains the proceeds you received from any Notes for which the charged-off loan was sold to a third party, minus any Prosper fees.

Box 1e of the Form 1099-B contains your cost basis for such Notes as of the date the corresponding loan was charged-off.

The sample Form 1099-B shown below reflects the recoveries, sale proceeds, or cost basis on Notes corresponding to charged-off loans for calendar year 2018.

PROSPER FUNDING LLC
221 MAIN STREET SUITE 300
SAN FRANCISCO, CA 94105
4155905625

Tax Year 2018 Combined Form

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Recipient's Information

Payer's Information

PROSPER FUNDING LLC
Federal ID Number: 45-4526070

Taxpayer ID Number:
Account Number:

Form 1099-B: Proceeds From Broker and Barter Exchange Transactions

Original

Box	Description		Box	Description	
1a.	Description of property (Example: 100 sh.XYZ Co.)	**	7	If checked, loss is not allowed based on amount in 1d	**
1b.	Date acquired	**	8.	Profit or (loss) realized in 2018 on closed contracts	\$0.00
1c.	Date sold or disposed	**	9.	Unrealized profit or (loss) on open contracts - 12/31/2017	\$0.00
1d.	Proceeds	\$1,125.57	10.	Unrealized profit or (loss) on open contracts - 12/31/2018	\$0.00
1e.	Cost or other basis	\$9,028.95	11.	Aggregate profit or (loss) on contracts	\$0.00
1f.	Accrued market discount	\$0.00	12.	Check if proceeds from collectibles	**
1g.	Wash sale loss disallowed	\$0.00	13.	Bartering	\$0.00
2	Short-term gain or loss	**	14.	State name	**
	Long-term gain or loss	**	15.	State identification no.	**
	Ordinary	**	16.	State tax withheld	**
3	If checked, basis reported to IRS	**		CUSIP number	**
4	Federal income tax withheld	\$0.00		FATCA filing requirement	**
5	If checked, noncovered security	**		Applicable check box on Form 8949	**
6	Reported to IRS:				
	Gross proceeds	**			
	Net proceeds	**			

** See Details

The following sample shows the total proceeds received categorized as short-term. The short-term proceeds total is located at the end of the short-term transactions section.

1099-B

(OMB No. 1545-0715)

Short-term transactions for which basis is not reported to the IRS--Report on Form 8949, Part I, with Box B checked.

1c. Date sold or disposed	1b. Date acquired	1d. Proceeds	6. Reported to IRS	1a. Description of property	Other
					Box 1e. \$0.00 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Short-term Box 3. No Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. WI Box 16. \$0.00 FATCA filing requirement No Applicable check box on Form 8949 B
03/04/2018	05/08/2017	\$0.00		792096-202 CHARGE OFF	Box 1e. \$34.16 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Short-term Box 3. No Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. WI Box 16. \$0.00 FATCA filing requirement No Applicable check box on Form 8949 B
03/16/2018	04/13/2017	\$2.76		777294-27 DEBTSALE	Box 1e. \$0.00 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Short-term Box 3. No Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. WI Box 16. \$0.00 FATCA filing requirement No Applicable check box on Form 8949 B
02/08/2018	04/13/2017	\$0.00		777294-27 CHARGE OFF	Box 1e. \$24.17 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Short-term Box 3. No Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. WI Box 16. \$0.00 FATCA filing requirement No Applicable check box on Form 8949 B

Note: The information in this Tax Guide is directed at retail investors who hold Prosper Notes and file a Federal Form 1040. This Tax Guide is designed to provide general information about the tax forms and answers to frequently asked tax questions. Prosper does not provide tax, financial or legal advice. The information herein is general and educational in nature and is not intended to be, and should not be considered, tax, financial, or legal advice. Prosper recommends that you consult your financial or tax advisor if you have any questions.

The following sample shows the total proceeds received categorized as long-term. The long-term proceeds total is located at the end of the long-term transactions section.

1099-B

(OMB No. 1545-0715)

Long-term transactions for which basis is not reported to the IRS--Report on Form 8949, Part II, with Box E checked.

1c. Date sold or disposed	1b. Date acquired	1d. Proceeds	6. Reported to IRS	1a. Description of property	Other
08/17/2018	11/02/2016	\$4.08		698458-23 DEBTSALE	<div>Box 1e. \$0.00</div> <div>Box 1f. \$0.00</div> <div>Box 1g. \$0.00</div> <div>Box 2. Long-term</div> <div>Box 3. No</div> <div>Box 4. \$0.00</div> <div>Box 5. No</div> <div>Box 7. No</div> <div>Box 12. No</div> <div>Box 13. \$0.00</div> <div>Box 14. WI</div> <div>Box 16. \$0.00</div> <div>FATCA filing requirement No</div> <div>Applicable check box on Form 8949 E</div>
06/21/2018	11/02/2016	\$0.78		698458-23 RECOVERY	<div>Box 1e. \$0.00</div> <div>Box 1f. \$0.00</div> <div>Box 1g. \$0.00</div> <div>Box 2. Long-term</div> <div>Box 3. No</div> <div>Box 4. \$0.00</div> <div>Box 5. No</div> <div>Box 7. No</div> <div>Box 12. No</div> <div>Box 13. \$0.00</div> <div>Box 14. WI</div> <div>Box 16. \$0.00</div> <div>FATCA filing requirement No</div> <div>Applicable check box on Form 8949 E</div>

General Commentary on Gain and Loss:

Prosper Notes are generally considered capital assets because they are owned for investment purposes. Generally, gains and losses from recoveries, sales or charge-offs related to Prosper Notes are reported for tax purposes as capital gains or losses on Schedule D and Form 8949 (if required in addition to Schedule D).

Typically, realized capital losses are first offset against realized capital gains. For individuals, any excess capital losses may generally be used to offset ordinary income up to \$3,000 (\$1,500 if married filing separately). Capital losses in excess of this limit may be carried-forward to subsequent years to reduce capital gains or ordinary income until the full balance of these capital losses is utilized.

You may be subject to special tax rules if, among other things, you are not a resident of the United States, you are a securities dealer or broker, or you hold the Notes as part of a straddle or hedge. For more information, please consult your financial or tax advisor.