



2019 Tax Guide for Retail Investors

January 2020

Note: The information in this Tax Guide is provided specifically for retail investors who hold Prosper Notes and file a federal Form 1040. This Tax Guide is designed to provide general information about certain tax forms you may receive from Prosper. Prosper is not providing 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.

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I. Introduction / Overview

This Tax Guide is designed to provide general information about certain tax forms you may receive in connection with your Prosper investments. Specifically, you may receive one or all of the following information returns from Prosper for the 2019 calendar year: Form 1099-OID, *Original Issue Discount*, Form 1099-MISC, *Miscellaneous Income*, and Form 1099-B, *Proceeds from Broker and Barter Exchange Transactions*.

Please note that Prosper is not providing tax, financial or legal advice and this document is not intended to be used for tax, financial or legal advice. As a result, Prosper recommends that you consult with your financial or tax advisor if you have any questions.

The 2019 Forms 1099 will be available to you no later than January 31, 2020. It is your responsibility to check your account and review all information provided by Prosper before filing your income tax return.

Overview of Tax Forms Provided by Prosper:¹

Form Name	Description
1099-OID	Reports net interest of \$10 or more received in calendar year 2019
1099-MISC	Reports other income of \$600 or more (such as late fees) received in calendar year 2019
1099-B	Reports gross proceeds from sales or recoveries received in calendar year 2019 from Notes corresponding to loans charged-off in 2019 or prior years

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

The IRS will match the amounts reported on the tax forms listed above to the amounts reported on your income tax return using your tax identification number (e.g., SSN, EIN, ITIN, etc.).

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II. Form 1099-OID (Original Issue Discount)

Investors who earned \$10 or more in “net interest” payments in the 2019 tax year will receive a Form 1099-OID. The amount reported as “net interest” equals the amount of interest income earned in 2019 less any collection or servicing fees.

If you are the holder of a taxable OID obligation, such as a Prosper Note, you are generally required to include the amount reported in Box 1 of Form 1099-OID in your annual gross income by reporting it on the interest income line of Form 1040EZ, Form 1040A, Form 1040, and Schedule B (if required).

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		1 Original issue discount for 2019 * \$680.89 * This may not be the correct figure to report on your income tax return. See instructions on the back. 2 Other periodic interest	OMB No. 1545-0117 2019 Form 1099-OID	Original Issue Discount
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	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.
FATCA filing requirement <input type="checkbox"/>		7 Description ORIGINAL ISSUE DISCOUNT FOR 2019	8 Original issue discount on U.S. Treasury obligations *	
Account number (see instructions)		9 Investment expenses	10 Bond premium	
11 Tax-exempt OID	12 State CA	13 State Identification no.	14 State tax withheld	

Form 1099-OID (keep for your records) www.irs.gov/Form1099OID Department of the Treasury - Internal Revenue Service

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III. Form 1099-MISC (Miscellaneous Income)

If you received \$600 or more of other income (e.g., late fees) in 2019, then you will receive a Form 1099-MISC.

The amounts you received during the year will be reported as "Other Income" in Box 3 of Form 1099-MISC. This amount must generally be reported as Other Income on Line 8 of your Form 1040.

This type of income is typically taxed as ordinary income (rather than as capital gains).

Form 1099-MISC		<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0115		2019	Miscellaneous Income
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		1 Rents		Form 1099-MISC			
PAYER'S TIN 45-4526070		2 Royalties		4 Federal income tax withheld			
RECIPIENT'S TIN		3 Other income	\$1,297.08	6 Medical and health care payments			
RECIPIENT'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		5 Fishing boat proceeds		8 Substitute payments in lieu of dividends or interest			
Account number (see instructions)		7 Nonemployee compensation		10 Crop insurance proceeds			
FATCA filing requirement <input type="checkbox"/>		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		11			
15a Section 409A deferrals		11		12			
15b Section 409A income		13 Excess golden parachute payments		14 Gross proceeds paid to an attorney			
		16 State tax withheld		17 State/Payer's state no. MO			
				18 State income			

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

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IV. Form 1099-B (Proceeds from Broker and Barter Exchange Transactions)

You may receive a Form 1099-B for the 2019 tax year if you:

- (a) held any Notes where the corresponding loans were charged-off in 2019,
 - (b) received any recovery proceeds from Notes where the corresponding loans were charged-off either in 2019 or a prior calendar year, or
 - (c) received gross proceeds from Notes corresponding to charged-off loans that were sold to third parties in 2019.
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You will receive a consolidated Form 1099-B with a detailed breakdown of this information for each Note held. Prosper will also provide you with a year-end statement that summarizes your account activity, including the amount of interest earned and information regarding Notes corresponding to loans that were written off.

As background, the gains or losses resulting from sales or recoveries of charged-off loans may be categorized as either short-term or long-term capital gains or losses, depending on how long you held the corresponding Notes. Specifically, if you held the corresponding Notes for **at least one year**, then the capital gains or losses will be considered long-term. Similarly, if you held the corresponding Notes for **less than one year**, then the capital gains or losses will be classified as short-term.

The Form 1099-B may also contain information related to your adjusted basis in the Notes. See below for further detail.

Charge-offs:

As a matter of policy, Prosper generally charges-off all loans that are at least 120 days past due. In some cases, it may charge-off loans before this date if a borrower declares bankruptcy or Prosper learns of the borrower's death. You may be able to claim a loss for federal income tax purposes if any of the Notes you held were charged-off during the calendar year.

In such case, the adjusted basis of any Notes corresponding to charged-off loans will be reported in Box 1e. The adjusted basis generally equals the purchase price of the Note, less any repaid principal on the Note.

Proceeds from Previously Charged-Off Loans:

In certain cases, Prosper may recover a portion of the principal, interest, or late fees associated with a loan that was charged-off in a prior year.

The proceeds received from any recoveries will be reported in Box 1d of Form 1099-B and will include the total gross proceeds received from any Notes corresponding to loans that were charged-off prior to 2019 (less applicable recovery fees). The adjusted basis associated with these Notes will be zero. Prosper will also indicate whether the gains or losses associated with these sales are short-term or long-term (Box 2).

Proceeds from Debt Sales:

In certain cases, Prosper may sell charged-off loans to a third party. The gross proceeds received from these sales will be reported in Box 1d of Form 1099-B. The amount reported will equal the gross proceeds received from the sale less any applicable fees. The adjusted basis associated with these Notes will be reported in Box 1e. Prosper will also indicate whether the gains or losses associated with these sales are short-term or long-term (Box 2).

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The sample Form 1099-B shown below reflects how recoveries, sales proceeds and adjusted basis information may be reflected on your consolidated Form 1099-B.

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

Tax Year 2019 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	No
1b.	Date acquired	8.	Profit or (loss) realized in 2019 on closed contracts	0.00
1c.	Date sold or disposed	9.	Unrealized profit or (loss) on open contracts - 12/31/2018	0.00
1d.	Proceeds	10.	Unrealized profit or (loss) on open contracts - 12/31/2019	0.00
1e.	Cost or other basis	11.	Aggregate profit or (loss) on contracts	0.00
1f.	Accrued market discount	12.	If checked, basis reported to IRS	No
1g.	Wash sale loss disallowed	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	Error
3	If checked, proceeds from Collectibles		CUSIP number	
	If checked, proceeds from QOF		FATCA filing requirement	No
4	Federal income tax withheld		Applicable check box on Form 8949	**
5	If checked, noncovered security			
6	Reported to IRS:			
	Gross proceeds			
	Net proceeds			

** See Details

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The following sample form shows how information may be reported to you if your capital gains / losses are classified as short-term.

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. 21.43 Box 1f. 0.00 Box 1g. 0.00 Box 2. Short-term Box 4. 0.00 Box 5. No Box 7. No Box 12. No Box 13. 0.00 Box 14. CA Box 16. 0.00 FATCA filing requirement No Applicable checkbox on Form 8949 B
03/25/2019	04/27/2018	0.00		1022517-303 CHARGEOFF	Box 1e. 22.06 Box 1f. 0.00 Box 1g. 0.00 Box 2. Short-term Box 4. 0.00 Box 5. No Box 7. No Box 12. No Box 13. 0.00 Box 14. CA Box 16. 0.00 FATCA filing requirement No Applicable checkbox on Form 8949 B
04/24/2019	04/27/2018	2.46		1022517-303 DEBTSALE	Box 1e. 0.00 Box 1f. 0.00 Box 1g. 0.00 Box 2. Short-term Box 3. Collectibles Box 4. 0.00 Box 5. No Box 7. No Box 12. No Box 13. 0.00 Box 14. CA Box 16. 0.00 FATCA filing requirement No Applicable checkbox on Form 8949 B
08/15/2019	08/21/2018	0.00		1099324-250 CHARGEOFF	Box 1e. 23.33 Box 1f. 0.00 Box 1g. 0.00 Box 2. Short-term Box 4. 0.00 Box 5. No Box 7. No Box 12. No Box 13. 0.00 Box 14. CA Box 16. 0.00 FATCA filing requirement No Applicable checkbox on Form 8949 B

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The following sample form shows how information may be reported to you if your capital gains / losses are classified as long-term.

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
05/06/2019	11/08/2017	0.00		916915-307 CHARGEOFF	Box 1e. 20.93 Box 1f. 0.00 Box 1g. 0.00 Box 2. Long-term Box 4. 0.00 Box 5. No Box 7. No Box 12. No Box 13. 0.00 Box 14. CA Box 16. 0.00 FATCA filing requirement No Applicable checkbox on Form 8949 E
01/16/2019	10/25/2017	2.50		911745-534 DEBTSALE	Box 1e. 0.00 Box 1f. 0.00 Box 1g. 0.00 Box 2. Long-term Box 3. Collectibles Box 4. 0.00 Box 5. No Box 7. No Box 12. No Box 13. 0.00 Box 14. CA Box 16. 0.00 FATCA filing requirement No Applicable checkbox on Form 8949 E

General Commentary on Gain and Loss:

The Notes you purchase from Prosper are generally considered capital assets because they are owned for investment purposes. Therefore, gains and losses from recoveries, sales or charge-offs related to Prosper Notes are generally characterized as capital gains or losses for federal income tax purposes and are reported on Schedule D and Form 8949 (if required) of Form 1040.

Typically, capital losses are first offset against 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 the capital losses are utilized.

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