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

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

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 15, 2018

Q2 HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-36350**	**20-2706637**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

13785 Research Blvd, Suite 150
Austin, Texas 78750
(512) 275-0072
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Not Applicable

(Former name or former address, if changed since last report)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Emerging growth company ☐

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

Explanatory Note

Q2 Holdings, Inc. (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K") with the Securities and Exchange Commission on October 16, 2018 announcing the consummation of its previously announced acquisition of Cloud Lending, Inc. ("Cloud Lending"). This Amendment to the Original Form 8-K is being filed solely to amend and supplement the Original Form 8-K to include the historical audited consolidated financial statements of Cloud Lending, the unaudited condensed consolidated financial statements of Cloud Lending, and the unaudited pro forma condensed combined financial information. The disclosures and exhibits included in the Original Form 8-K otherwise remain unchanged.

Item 9.01.

Financial Statements and Exhibits.

(a) Financial statements of business acquired.

Condensed consolidated audited financial statements of Cloud Lending and its subsidiaries as of and for the years ended December 31, 2017 and 2016, and the related notes thereto, are attached hereto as Exhibit 99.1 and incorporated herein by reference. Unaudited condensed consolidated financial statements of Cloud Lending and its subsidiaries as of and for the nine months ended September 30, 2018 and 2017, and the related notes thereto, are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information of the Company, for the year ended December 31, 2017, and as of and for the nine months ended September 30, 2018, giving effect to the Cloud Lending acquisition, are attached hereto as Exhibit 99.3 and incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of BDO USA LLP, independent auditors for Cloud Lending, Inc., dated December 28, 2018.
99.1	Consolidated audited financial statements of Cloud Lending and its subsidiaries as of and for the years ended December 31, 2017 and 2016, and the related notes thereto
99.2	Unaudited condensed consolidated financial statements of Cloud Lending as of and for the nine months ended September 30, 2018 and 2017, and the related notes thereto
99.3	Unaudited pro forma condensed combined financial information

SIGNATURES

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

Q2 HOLDINGS, INC.

December 28, 2018

By: /s/ Jennifer N. Harris

Jennifer N. Harris
Chief Financial Officer

EXHIBIT 23.1

Consent of Independent Auditors

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-195981, 333-202062, 333-209522, 333-216156 and 333-223087) of Q2 Holdings, Inc. of our report dated September 21, 2018, relating to the consolidated financial statements of Cloud Lending, Inc., which appears in this Form 8K/A.

/s/ BDO USA, LLP

San Jose, California
December 28, 2018

EXHIBIT 99.1

Cloud Lending, Inc.

Consolidated Financial Statements As of and for the Years Ended December 31, 2017 and 2016

Cloud Lending, Inc.

Contents

Independent Auditor's Report

The Board of Directors and Stockholders
Cloud Lending, Inc.
San Mateo, California

We have audited the accompanying consolidated financial statements of Cloud Lending, Inc. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cloud Lending, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to 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.

/s/ BDO USA LLP
San Jose, California
September 21, 2018

Cloud Lending, Inc.
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 2,196	$ 1,041
Accounts receivable	1,676	1,121
Prepaid expenses and other current assets	220	160
Total current assets	4,092	2,322
Property and equipment, net	82	57
Deferred tax asset	83	11
Other assets	151	150
Total assets	$ 4,408	$ 2,540
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 1,108	$ 368
Accrued compensation	1,102	488
Accrued and other liabilities	562	360
Current portion of deferred revenue	6,141	3,046
Total current liabilities	8,913	4,262
Long-term deferred revenue	83	21
Convertible notes payable, net	2,022	—
Total liabilities	11,018	4,283
Commitments and contingencies (Note 6)		
Convertible preferred stock: Series A, $0.0001 par value - authorized 6,389 shares; issued and outstanding 6,389 at December 31, 2017 and 2016, liquidation preference $13,729	9,904	9,904
Convertible preferred stock: Series A-1, $0.0001 par value - authorized 3,100 shares; issued and outstanding 3,040 shares and NIL at December 31, 2017 and 2016, respectively, liquidation preference $6,000	5,884	—
Stockholders' deficit		
Common stock, $0.0001 par value - authorized 23,471 shares; issued and outstanding 8,995 and 8,573 shares as of December 31, 2017 and 2016, respectively	21	21
Additional paid-in capital	5,023	3,799
Accumulated deficit	(27,417)	(15,317)
Other comprehensive income	(25)	(150)
Total stockholders' deficit	(22,398)	(11,647)
Total liabilities and stockholders' deficit	$ 4,408	$ 2,540

See notes to consolidated financial statements.

Cloud Lending, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands)

	Year Ended December 31,	
	2017	2016
Net revenues	$ 7,656	$ 3,822
Costs of revenues	5,460	1,861
Gross profit	2,196	1,961
Operating expenses		
Sales and marketing	6,634	3,655
Research and development	3,543	2,100
General and administrative	3,823	2,749
Total operating expenses	14,000	8,504
Operating Loss	(11,804)	(6,543)
Interest income	7	4
Interest expense and other, net	(98)	(28)
Loss before income taxes	(11,895)	(6,567)
Provision for income taxes	(205)	(216)
Net loss	(12,100)	(6,783)
Other comprehensive gain (loss)		
Foreign currency translation adjustment	125	(146)
Comprehensive loss	$ (11,975)	$ (6,929)

See notes to consolidated financial statements.

Cloud Lending, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands)

	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Losses	Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2015	6,389	$ 9,904	—	$ —	8,500	$ 21	$ 3,700	$ (8,534)	$ (4)	$ (4,817)
Exercise of stock options	—	—	—	—	73	—	1	—	—	1
Stock-based compensation expense for employees and nonemployees	—	—	—	—	—	—	98	—	—	98
Net income	—	—	—	—	—	—	—	(6,783)	—	(6,783)
Foreign currency translation loss	—	—	—	—			—	—	(146)	(146)
Balance at December 31, 2016	6,389	$ 9,904	—	$ —	8,573	$ 21	$ 3,799	$ (15,317)	$ (150)	$ (11,647)
Exercise of stock options	—	—	—	—	422	—	106	—	—	106
Issuance of Series A-1 convertible preferred stock (net of issuance cost of $116)	—	—	3,040	5,884	—	—	—	—	—	—
Stock-based compensation expense for employees and nonemployees	—	—	—	—	—	—	95	—	—	95
Vesting of restricted shares previously issued to founders	—	—	—	—	—	—	1,023	—	—	1,023
Net income	—	—	—	—	—	—	—	(12,100)	—	(12,100)
Foreign currency translation income	—	—	—	—	—	—	—	—	125	125
Balance - December 31, 2017	6,389	$ 9,904	3,040	$ 5,884	8,995	$ 21	$ 5,023	$ (27,417)	$ (25)	$ (22,398)

See notes to consolidated financial statements.

Cloud Lending, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	$ (12,100)	$ (6,783)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	87	34
Stock-based compensation expense	1,118	98
Changes in operating assets and liabilities:		
Accounts receivable	(554)	(600)
Prepaid expenses and other current assets	(61)	(34)
Deferred tax asset	(72)	(11)
Other assets	(1)	20
Accounts payable	740	63
Accrued compensation and expenses	837	477
Deferred revenue	3,157	1,770
Net cash used in operating activities	(6,849)	(4,966)
Cash flows from investing activities:		
Purchases of property and equipment	(111)	(40)
Net cash used in investing activities	(111)	(40)
Cash flows from financing activities:		
Issuance of Series A-1 preferred stock, net of issuance cost	5,884	—
Proceeds from convertible notes	2,000	—
Payments on convertible notes	—	(66)
Proceeds from exercise of stock options	106	1
Net cash provided by (used in) financing activities	7,990	(65)
Effect of exchange rate changes on cash and cash equivalents	125	(147)
Net increase (decrease) in cash and cash equivalents	1,155	(5,218)
Cash and cash equivalents, beginning of year	1,041	6,259
Cash and cash equivalents, end of year	$ 2,196	$ 1,041
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 395	$ 16
Cash paid for interest	$ —	$ 14

See notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

Cloud Lending, Inc. (the "Company") was originally incorporated as MFIFlex Inc. in the state of California on February 9, 2012 and was merged into a Delaware corporation on July 3, 2014. The Company changed its name to Cloud Lending, Inc. in 2015. The Company provides cloud-based lending platform that simplifies the borrowing experience, helping lenders close loans faster and reduce operational inefficiencies through automation and configuration.

The Company has wholly-owned subsidiaries in India (Mfiflex Technologies Private Limited), United Kingdom (Cloud Lending UK Ltd) and Australia (Cloud Lending Australia PTY Ltd).

Going Concern

As of December 31, 2017, the Company had an accumulated deficit of $27.4 million and negative working capital of $4.8 million which raise substantial doubt about the Company's ability to continue as a going concern. Management plans to continue product and marketing development efforts and to finance its operations through debt and equity financing. In February 2018 and August 2018, the Company entered into debt agreements totaling $8.5 million to fund its operations. As described in Note 10, the Company has also entered into a definitive agreement with Q2 Holdings to be acquired.

There can be no assurance that the actions previously described will provide adequate capital to allow the Company to successfully complete and achieve widespread market acceptance of its products and services. If such capital is not sufficient, significant reductions in spending and the delay or cancellation of planned activities will be necessary. These actions could have a material adverse effect on the Company's business, results of operations and prospects. These matters raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Consolidation

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 consolidated financial statements include the accounts of the Company's wholly owned subsidiaries. All intercompany transactions and balances have been eliminated through consolidation. The functional currency of the subsidiary in India is the Indian Rupee, while the functional currency of the subsidiaries in United Kingdom and Australia is the U.S. dollar. The assets and liabilities of the India subsidiary are translated at the rates of exchange on the balance sheet date, and the revenues and expenses of the India subsidiary are translated at average rates of exchange during the year. Resulting translation gains or losses are included in the accompanying consolidated statements of stockholders' equity and comprehensive income (loss) as a component of accumulated other comprehensive income. Foreign currency transaction gains and losses are included as a component of other income or expense.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts and disclosures. Estimates are based on historical factors, current circumstances and the experience and judgment of management. Assumptions and estimates are evaluated on an ongoing basis. Significant estimates and assumptions are used for, but not limited to, revenue recognition, allowance for uncollectible accounts receivable; the useful lives of property and equipment; and equity related transactions; and income tax and valuation allowances. Actual results could materially differ from those estimates.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1 – Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Observable Inputs (other than quoted prices included in Level 1), such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, certain other accrued liabilities and debt. Cash and cash equivalents include investments in money market funds with a maturity of generally three months or less, and are carried at cost, which approximates market value. The carrying amounts of accounts receivable, accounts payable, and other accrued liabilities approximate their fair values due to the short-term nature of those instruments.

At December 31, 2017, the fair value of the long-term debt was $1.9 million. The fair value of the long-term debt has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

Concentrations of Credit Risk

The financial instruments that potentially subject the Company to credit risk consist principally of cash equivalents and accounts receivable. The Company mitigates its credit risk with respect to cash by making deposits only with large, reputable financial institutions. The Company mitigates its credit risk with respect to accounts receivable by performing ongoing credit evaluations and monitoring of its customers' accounts receivable balances.

No customer accounted for greater than 10% of the Company's total net revenues for the years ended December 31, 2017 and 2016. Four customers accounted for 17%, 14%, 13% and 11% of the Company's total net accounts receivable at December 31, 2017. Two customers accounted for 23% and 14% of the Company's total net accounts receivable at December 31, 2016.

Significant Risks and Uncertainties

The Company is subject to those risks common to growth-stage companies, including, but not limited to, technological obsolescence; dependence on key personnel and customers; the successful protection of its proprietary technologies; compliance with government regulations; and the possibility of not being able to obtain additional financing, when needed.

Cash and Cash Equivalents

The Company considers all liquid investment instruments purchased with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of funds held at a financial institution as deposits for the Company's credit card arrangement. This is included in prepaid expenses and other current assets in the consolidated financial statements amounting to $22 and $20 as of December 31, 2017 and 2016, respectively.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount. The Company performs evaluations of the customers' financial condition and generally do not require collateral. The Company makes judgments as to its ability to collect outstanding receivables and provide allowances when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding invoices. For those invoices not specifically provided for, provisions, if necessary, are recorded at differing rates, based upon the age of the receivable. In determining these percentages, the Company analyzes its historical collection experience and current payment trends. The determination of past-due accounts is based on contractual terms. As of December 31, 2017 and 2016, the Company determined an allowance for doubtful accounts was not necessary.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over three years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or remaining lease term.

The cost and related accumulated depreciation of any property or equipment disposed of are eliminated from the accounts, and any gain or loss is included in the consolidated statements of operations.

Revenue Recognition

The Company generates revenue from (1) the sale of subscription and support services; (2) professional services; and (3) usage fees.

Subscription and support revenue includes subscription fees from customers accessing cloud-based application suite and support fees from customers purchasing support. The arrangements with customers do not provide the customer with the right to take possession of the software supporting the cloud-based application service at any time. Professional services include fees from implementation services, consultation services to support the business process mapping, project management services, technical knowhow assistance and quality assurance. Usage fees include fees charged to customers based on monthly loan balance for portfolio fees and usage over and above a certain monthly minimum for Application Programming Interface ("API") calls.

The Company begins to recognize revenue for a customer when all of the following conditions are satisfied:

- there is persuasive evidence of an arrangement;
- the service has been or is being provided to the customer;
- the collection of the fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

In most instances, revenue from a new customer acquisition is generated under sales agreements with multiple elements, comprised of subscription and support fees from customers accessing the cloud-based application suite and professional services associated with consultation services. The Company evaluates each element in a multiple-element arrangement to determine whether it represents a separate unit of accounting. An element constitutes a separate unit of accounting when the delivered item has standalone value and delivery of the undelivered element is probable and within the control of the Company. Subscription and support have standalone value because the Company routinely sells them separately. Professional services have standalone value because the Company has sold professional services separately, and there are several third party vendors that routinely provide similar professional services to the customers on a standalone basis.

The Company allocates revenue to each element in an arrangement based on a selling price hierarchy. The selling price for a deliverable is based on its vendor-specific objective evidence ("VSOE"), if available, third-party evidence ("TPE"), if VSOE is not available, or estimated selling price ("ESP"), if neither VSOE nor TPE is available. As the Company has been unable to establish VSOE or TPE for the elements of our sales arrangements, the Company establishes the ESP for each element primarily by considering the weighted average of actual sales prices of professional services sold on a standalone basis. For subscription and support services including various add-on modules, ESP for each element is established based on a combination of the weighted average of actual sales prices for standalone sales, the Company's standard pricing strategy including selling combined subscription and support, customer geography and standard margins. The consideration allocated to subscription and support is recognized as revenue over the contract period commencing when the subscription service is made available to the customer upon implementation. The consideration allocated to professional services is recognized on completion of these services as these services have value to the customer when put in production. Usage fees become fixed and determinable when related reports are generated and the Company has no remaining obligations. The usage fees are contingent and are concluded to be at no incremental discount as the pricing is based on consistent methodology across all customer base. As such these fees are recognized as revenue in the month it is delivered and billed to customer.

The total arrangement fee for a multiple element arrangement is allocated based on the relative ESP of each element. However, since the professional services are generally completed prior to completion of delivery of subscription and support services, the revenue recognized for professional services in a given reporting period does not include fees subject to delivery of subscription and support services. This results in the recognition of revenue for professional services that is generally no greater than the contractual fees for those professional services.

For single element sales agreements, subscription and support revenue is recognized ratably over the contract term beginning on the provisioning date of the contract. The Company recognizes professional services revenue using the proportional performance method for single element arrangements unless the service relates to implementation which are recognized upon completion.

Research and Development

Costs related to research and development is expensed as incurred.

Advertising and other promotional costs

Advertising and other promotional costs are charged to operations as incurred and included in sales and marketing expenses. These costs totaled $44 and $66 for the year ended December 31, 2017 and December 31, 2016, respectively.

Stock-Based Compensation

The Company applies Accounting Standards Codification ("ASC") 718, "Compensation – Stock Compensation," which requires the measurement and recognition of compensation expense for all share based payment awards made to employees and directors, including employee stock options, based on estimated fair values recognized over the requisite service period. For options granted and valued in accordance with ASC 718, the Company uses the straight line method for expense attribution.

The fair value of options is estimated on the grant date using the Black-Scholes option-valuation model. This valuation model for stock compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation, including the expected term, the volatility of the Company's common stock, an assumed risk free interest rate, and the estimated forfeiture rate of unvested stock options. To the extent actual forfeitures differ from the estimates, the difference will be recorded as an adjustment in the period estimates are revised. No compensation cost is recorded for options that do not vest. The Company follows the guidance in Staff Accounting Board ("SAB") No. 110, "Share-Based Payment," and estimates the expected term based on an average of the vesting period and the exercise period for each option. Since the Company's stock has not been actively traded in the past, the volatility is based on an average of the historical volatilities of the common stock of several entities with characteristics similar to those of the Company. The risk free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected term of the option. The Company has never paid cash dividends and has no present intention to pay cash dividends in the future; as a result, the expected dividend is zero. The Company estimated its forfeiture rate based on an analysis of historical pre-vesting forfeitures and has reduced stock based compensation expense accordingly.

The Company recognizes fair value of stock options granted to nonemployees as a stock-based compensation expense over the period in which the related services are received. Stock-based compensation expense related to stock options granted to nonemployees is recognized on an accelerated basis as the stock options are earned. The Company believes that the estimated fair value of stock options is more readily measurable than the fair value of the services received.

Income Taxes

The Company accounts for income taxes using an asset and liability approach. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax reporting purposes, net operating loss (NOL) carryforwards, and other tax credits measured by applying currently enacted tax laws. Valuation allowances are provided when necessary to reduce deferred tax assets to an amount that is more likely than not to be realized.

The Company follows ASC 740-10, "Accounting for Uncertainty in Income Taxes." ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740-10. The first step is to evaluate each uncertain tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in stockholders' equity that result from transactions and economic events other than those with stockholders. For the years ended December 31, 2017 and 2016, the Company's comprehensive loss is composed of net loss and foreign currency translation adjustments from the India subsidiary.

Newly Adopted and Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has recently issued several amendments to the standard, including clarification on accounting for licenses of intellectual property and identifying performance obligations. These new standards are effective for annual periods beginning after December 15, 2019 and interim periods for annual periods beginning after December 15, 2020. The Company is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to improve financial reporting and disclosures about leasing transactions. This ASU will require companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases, where lease terms exceed 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease; both types of leases will be recognized on the balance sheet. The ASU will also require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for the Company's consolidated financial statements for the year ending December 31, 2020. The Company is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Based Compensation (Topic 718): Improvements to Employee-Share-Based Payment Accounting" ("ASU 2016-09"), which impacts the accounting for stock-based compensation. ASU 2016-09 requires tax benefits or deficiencies associated with stock-based compensation award activity to be reflected in income tax expense in the combined statement of operations. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of this guidance did not result in a material impact to the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance on eight specific cash flow issues. Among these issues, this standard requires, at the settlement of zero coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowings, the portion of the cash payment attributable to the accreted interest related to the debt discount to be classified as cash flows for operating activities, and the portion of the cash payments attributable to the principal to be classified as cash outflows for financing activities. This standard is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. This ASU is not expected to have a material impact on the consolidated financial statements.

In November 2015, FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." This update eliminates the current requirement for organizations to present deferred tax assets and liabilities as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments are effective for annual reporting periods beginning after December 15, 2016 and interim periods within those annual periods. The amendments may be applied prospectively to all deferred assets and liabilities, or retrospectively for all periods presented. The Company adopted this ASU retrospectively, and the December 31, 2017 and 2016 balance sheets reflect the new guidance for classification of deferred taxes.

2. Property and Equipment

Property and equipment as of December 31, consist of the following:

	2017	2016
Leasehold improvements	$ 44	$ 5
Furniture, fixtures, and equipment	11	8
Computer equipment and software	150	78
Total	205	91
Less accumulated depreciation and amortization	(123)	(34)
Property and equipment - net	$ 82	$ 57

Depreciation expense for the years ended December 31, 2017 and 2016, was $87 and $34, respectively.

3. Accrued and Other Liabilities

Accrued and other liabilities as of December 31, 2017 and 2016, consist of the following:

	2017	2016
Other accrued expenses	$ 456	$ 126
Income taxes payable	106	234
	$ 562	$ 360

4. Convertible Note Payable

In August 2017, the Company issued convertible promissory note (the "Note") for consideration of $2.0 million. The Note bears interest at the rate of 3% per annum and principal and accrued interest shall become fully due and payable on the earlier of August 2019, or upon occurrence of an event of default. The note may not be prepaid in whole or in part at any time by the Company without the prior written consent of the holder.

The Note automatically converts upon completion of a qualified financing defined as an event whereby the Company sells Capital Stock (other than the Common Stock or a class of stock equivalent to Common Stock) primarily for financing purposes to one or more investors, in one transaction or a series of related transactions, for aggregate proceeds to the Company of at least $6.0 million. The Note may also convert at the option of the holder upon completion of a nonqualified financing. In the event of an acquisition, the Note including unpaid interest will become due and payable immediately prior to the closing of the

acquisition and the holder shall also have the right to convert outstanding principal into common stock prior to the closing of such acquisition. The Note originally allowed the Company to defer the maturity date by up to two consecutive 6-month period at an interest rate of 6% per annum until its amendment in July 2018. The accrued interest was $22 as of December 31, 2017.

5. Factoring Arrangement

In October 2017, the Company entered into an account receivables financing arrangement with a lender, whereby selected acceptable accounts receivable are financed for an advance of 80% of the face value of the factored receivables. The factoring arrangement is full recourse and the Company continues to assume the credit risk and retains the title of those receivable. The maximum facility amount under the arrangement is up to $1.5 million with an interest rate at prime plus 1% per annum. To date, there have been no accounts receivables financed under this arrangement.

6. Commitments and Contingencies

The Company leases office space under various noncancelable operating leases that expire at various times; U.S. facility through June 2019 and India facility through October 2020. Rent expense related to the Company's operating leases was approximately $0.6 million and $0.5 million for the years ended December 31, 2017 and 2016, respectively. Future annual minimum lease payments under these noncancelable operating leases and operating costs as of December 31, 2017, are approximately as follows:

Year Ended December 31,		
2018	$	459
2019		362
2020		207
Future minimum lease payments	$	1,028

Contingencies

Certain of the Company's agreements indemnify its customers for expenses or liabilities resulting from claimed infringements of patent, trademark, or copyright by third parties related to the intellectual property content of the Company's products. Certain of these indemnification provisions are perpetual from execution of the agreement, and in some instances, the maximum amount of potential future indemnification is not limited. To date, the Company has not paid any such claims or been required to defend any lawsuits with respect to a claim. Accordingly, the Company has not recorded any amounts related to infringements.

The Company has entered into indemnification agreements with its executive officers. Under these agreements, the Company has agreed to indemnify such individuals against liabilities that arise by reason of their status as officers.

7. Stockholders' Equity

Convertible Preferred Stock

Under the Company's certificate of incorporation, as amended, the Company has authorized the issuance of 9,489 shares of convertible preferred stock, with a par value of $0.0001, at December 31, 2017, which have been designated as Series A convertible preferred stock (Series A) and Series A-1 convertible preferred stock (Series A-1).

The rights, preferences, and privileges of Series A and Series A-1 preferred stock are as follows:

Dividends

The holders of Series A and Series A-1 shall be entitled to receive dividends at such times and in such amounts, if any, as are received by the holders of outstanding shares of common stock, pro rata based on the number of shares of common stock held by each, determined on an as-if-converted basis.

Liquidation Preference

In the event of the liquidation of the Company, the holders of Series A and Series A-1 shall be entitled to receive an amount per share equal to the greater of $2.1490 and $1.9737 respectively, multiplied by the number of preferred shares held respectively, plus all declared but unpaid dividends, before any amount shall be paid to the holders of common stock, or such amount per share as would have been payable had all shares of Series A and Series A-1 been converted into common stock immediately prior to such liquidation event. If the amounts available for distribution upon a liquidation event are insufficient to make payment in full to each holders of Series A and Series A-1, such holders of Series A and Series A-1 shall share ratably in proportion to the full respective liquidation preference to which they are entitled. For purposes of this provision, any of the following events shall be considered a liquidation: (1) the sale or disposition of substantially all of the Company's assets and (2) the merger of the Company with another entity in which a transfer of control of the Company occurs.

Conversion

The holders of preferred stock may convert their shares into shares of the Company's common stock on a one-for-one basis (subject to adjustment for events of dilution), at any time, at their option. All shares of preferred stock shall automatically be converted into shares of the Company's common stock upon the closing of an initial public offering of the Company's common stock, in which the gross proceeds to the Company are at least $100.0 million, at a price per share equal to at least two times the Series A-1 original issue price (as adjusted for stock splits, stock dividends, combinations, recapitalizations, and the like).

Voting Rights

The voting rights of the preferred stockholders are equal to those of the common stockholders.

Redemption Rights

The Series A and A-1 preferred stock outstanding has a redemption right if there is a change in control. Because of the respective redemption rights, the preferred shares are included within temporary or mezzanine equity on the consolidated Balance Sheets. The redemption price is equal to the original issue price, plus declared but unpaid dividends (dividends are non-cumulative). The change in control isn't considered probable until the change in control occurs and accordingly the Company does not adjust the Series A and A-1 preferred stock to redemption value until the redemption is probable.

Restricted Shares Previously Issued to Founders

In January 2017, in connection with the issuance of Series A-1 convertible preferred stock, certain of the Company's founders entered into stock restriction agreements, whereby 3,500 of previously unrestricted shares of common stock became subject to repurchase by the Company upon the stockholder's termination of employment or service to the Company. The Company's repurchase rights lapse in equal increments on each monthly anniversary date over a two year period. The stock restriction agreements resulted in the deemed cancellation and reissuance of restricted common shares. As such, the Company recognizes the measurement date fair value of the restricted stock over the vesting period as compensation expense. As of January 2017, the aggregate fair value of the common shares subject to repurchase was $2.1 million. For the year ended December 31, 2017, the Company recognized stock-based compensation for these awards of $1.0 million. As of December 31, 2017, approximately 1,836 shares of common stock were subject to repurchase by the Company. As of December 31, 2017, the unvested stock liability related to these awards was $1.1 million.

Common Stock Warrant

In January 2015, the Company issued a fully vested warrant to purchase 36 shares of common stock in conjunction with the issuance of a convertible note. The convertible note was converted to Preferred Series A in September 2015. The warrant has total exercise price of $0.01 and expires ten years from date of grant. The estimated fair value of the warrant using the Black-Scholes option pricing model was immaterial.

Upon the issuance of the Preferred Series A in September 2015, an additional warrant was issued to purchase 39 shares of common stock under the terms and conditions of the original warrant agreement. The estimated fair value of this additional warrant using the Black-Scholes option pricing model was immaterial. Common stock warrants are accounted for as equity.

Reserved Shares

As of December 31, 2017, the Company has reserved shares of common stock for future issuance as follows:

Number of Shares

Common Stock Reserved For Issuance:	
Preferred Series A issued and outstanding	6,389
Preferred Series A-1 issued and outstanding	3,040
Common stock warrants	74
Stock options outstanding	2,953
Stock options available for future issuance	818
	13,274

Stock Option Plan

In September 2014, the Company adopted the 2014 Stock Option Plan (the "Plan"). Under the Plan, the Company may grant either incentive stock options, nonqualified stock options to employees, nonemployees and consultants who provide services to the Company.

Employees are eligible to receive incentive stock options (ISOs), and nonemployees may be granted nonqualified stock options (NSOs). The board of directors has the authority to set the exercise prices of all options granted with the following stipulations: the exercise price of an ISO shall not be less than 100% of the fair value of the Company's common stock (as determined by the board of directors) on the date of grant; the exercise price of an ISO granted to a stockholder who holds 10% or more of the Company's stock shall not be less than 110% of the fair value of the common stock on the date of grant; the exercise price of an NSO shall not be less than 85% of the fair value of the common stock on the date of grant; and the exercise price of an NSO granted to a stockholder who holds 10% or more of the Company's stock shall not be less than 110% of the fair market value of the common stock.

Generally, the Company's outstanding options vest at a rate of 25% per year. The term of the options is generally 10 years. Options granted to stockholders who hold 10% or more of the Company's stock may not have a term that exceeds five years.

The option activity for the years ended December 31, 2017 and 2016 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
Balance - December 31, 2015	1,628	$ 0.20	8.93
Granted	1,050	0.49	
Exercised	(73)	0.22	
Canceled	(110)	0.28	
Balance - December 31, 2016	2,495	0.32	7.00
Granted	1,610	0.64	
Exercised	(422)	0.22	
Canceled	(730)	0.24	
Balance - December 31, 2017	2,953	0.53	9.09
Exercisable - December 31, 2017	810	0.37	8.21
Vested and expected to vest - December 31, 2017	2,494	$ 0.51	9.01

At December 31, 2017, 818 options were available for future grant under the Plan.

The fair value of options vested was approximately $82 and $88 for the years ended December 31, 2017 and 2016, respectively. The options granted weighted-average fair value was $0.28 per share and $0.23 per share for the years ended December 31, 2017 and 2016, respectively. The aggregate intrinsic value of options exercised was approximately $0.2 million and $24 for the years ended December 31, 2017 and 2016, respectively.

Stock-Based Compensation Expense

The Company estimates the fair value of stock options granted on the grant date using the Black Scholes option valuation model and applies the straight-line method of expense attribution. The following assumptions are used to value stock options granted to employees: volatility of 40% and 43% in 2017 and 2016, respectively; average risk-free interest rate of 2.04% and 1.56% in 2017 and 2016, respectively; expected term of 6.05 years and 5.97 years respectively; and a dividend rate of $0.

The Company recorded stock compensation expense for the years ended December 31, 2017 and 2016, as follows:

	2017	2016
Cost of revenues	$ 5	$ 1
Sales and marketing	43	38
Research and development	8	5
General and administrative	25	5
Total employee stock-based compensation expense	$ 81	$ 49

As of December 31, 2017, there was approximately $0.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options, which is expected to be recognized over the weighted-average remaining period of 1.47 years.

Options Issued to Consultants

During fiscal years ended December 31, 2017 and 2016, the Company issued options to purchase 120 and 171 shares of common stock to nonemployees, respectively, at exercise price of $0.68 and $0.49 per share and recorded $14 and $49 as compensation expense, respectively. The fair value of the options granted to nonemployees was estimated using the Black-Scholes option pricing model with the following assumptions: risk free interest rate within the range of 1.81% to 2.53%, expected dividends of 0%, volatility within the range of 47% to 49%, and term of 10 years. The compensation expense with respect to the unvested options is subjected to adjustment as the fair value of the Company's common stock change and as they vest. The fair value of these options is expensed over the vesting period, which generally vests over two years.

8. Income Taxes

The provision for income taxes for the years ended December 31, 2017 and 2016, was as follows:

	2017	2016
Current provision		
U.S. Federal tax	$ —	$ —
U.S. State tax	1	1
Foreign tax	276	226
Total current provision for income taxes	$ 277	$ 227
Deferred charitable contribution		
U.S. Federal tax	$ —	$ —
U.S. State tax	—	—
Foreign tax	(72)	(11)
Total deferred (benefit) for income taxes	(72)	(11)
Total provision for income taxes	$ 205	$ 216

The components of the net deferred tax assets are as follows as of December 31:

	2017	2016
Deferred tax assets:		
Accruals and reserves	$ 135	$ 972
Fixed assets	3	—
Net operating losses and credit carryover	4,905	2,850
Stock compensation	25	25
Other	—	—
Gross deferred tax assets	5,068	3,847
Valuation allowance	(4,985)	(3,836)
Total deferred tax assets	$ 83	$ 11

Income tax expense differed from the amount computed by applying the federal statutory income tax rate of 34% to pretax income for the years ended December 31, 2017 and 2016 as a result of the following:

	2017	2016
Federal tax at statutory rate	34.0 %	34.0 %
Valuation allowance	(9.6)	(37.7)
Tax Cuts and Job Act of 2017	(21.7)	—
Stock compensation adjustment	(3.2)	(0.2)
Other	(1.2)	0.6
Total	(1.7)%	(3.3)%

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets in the U.S. have been fully offset by a valuation allowance as it is more likely than not that some portion of the these assets will not be realized. The Valuation Allowance increased by $1.1 million and $2.5 million for the years ended December 31, 2017 and 2016, respectively. Net deferred tax assets primarily relate to foreign components of accruals and reserves. The Company has determined that the deferred tax assets in its foreign jurisdictions are more likely than not to be utilized.

As of December 31, 2017, the Company had total net operating loss carryforwards for federal, state and foreign income tax purposes of $20.3 million, $8.2 million and zero, respectively. If not utilized, the federal and state operating loss carryforwards will both begin to expire in 2033. As of December 31, 2016, the Company had total net operating loss carryforwards for federal, state and foreign income tax purposes of $7.6 million, $4.2 million and zero, respectively.

Utilization of the net operating loss carry-forwards and credit carry-forwards may be subject to a substantial annual limitation due to the limitations set forth in Sections 382 and 383 of the Internal Revenue Code of 1986, as amended ("Internal Revenue Code"), and similar state provisions. The Company has not concluded a detailed analysis to determine whether an ownership change under Section 382 of the Internal Revenue Code had occurred. The effect of an ownership change would be the imposition of an annual limitation on the use of the net operating loss carry-forwards and credit carry-forwards attributable to periods before the change.

The Company files U.S. and state income tax returns with varying statutes of limitation. The federal and state returns statute of limitations remains open for tax years from 2013 and 2012 respectively and thereafter. The foreign returns statute of limitations remains open since 2011 for India and since inception for UK and Australia. There are currently no income tax audits underway by U.S., state, or foreign tax authorities.

As of December 31, 2017, the Company had $0.1 million in unrecognized tax benefits and does not anticipate any significant changes to its unrecognized tax benefits within the next 12 months. The company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. There was $1 and zero interest and penalties accrued as of December 31, 2017 and 2016, respectively.

	2017	2016
Beginning balance	$ 21	$ —
Gross increase for tax positions of current year	80	21
Gross increase for tax positions of prior years	—	—
Ending balance	$ 101	$ 21

The Company has not provided for U.S. income taxes on undistributed earnings of its foreign subsidiaries, because it intends to permanently re-invest these earnings outside the United States. Undistributed earnings of foreign subsidiaries is immaterial for all periods presented.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("TCJA"), thereby enacting the law. This law will have significant impact on the Company's U.S. taxes. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21%, effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. The Company has calculated its best estimate of the impact of the Act in its year end income tax provision in accordance with its understanding of the Act and guidance available as of the date of this filing.

SAB 118 was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. The FASB has indicated that private companies may also apply SAB 118, which established that companies' financial statements should include:

1. Income tax effects of TCJA for which the ASC 740 accounting is complete; or

2. Provisional income tax effects for specific TCJA components for which the ASC 740 accounting is incomplete but a reasonable estimate can be made; or

3. For specific TCJA components for which a reasonable estimate cannot be made, the registrant should apply pre-TCJA law when determining the tax effects to include in the financial statements.

In accordance with SAB 118, the Company has made reasonable estimates for the re-measurement of certain deferred tax assets and liabilities as well as a one-time transition tax on foreign earnings. The Company recorded $2.6 million in connection with the re-measurement of certain deferred tax assets and liabilities, and corresponding valuation allowance of $2.6 million at December 31, 2017. Additional work is necessary for a more detailed analysis of its deferred tax assets and liabilities. In addition, the Company has estimated a one-time transition tax inclusion on the mandatory deemed repatriation of foreign earnings of $0.2 million.

The TCJA subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company is currently evaluating the impact of the GILTI provisions.

9. Employee Benefit Plan

The Company has a defined contribution retirement plan (the 401(k) Plan) that qualifies under Section 401(k) of the Internal Revenue Code of 1996. The 401(k) Plan covers essentially all employees. Eligible employees may make voluntary contributions to the 401(k) Plan up to statutory annual limitations, and the Company is allowed to make discretionary contributions. The Company has made no discretionary contributions to date.

10. Subsequent Events

In February 2018, the Company issued convertible promissory notes (the "Notes") with certain existing shareholders for consideration of $5.5 million. The Notes bear interest at the rate of 7% per annum and principal and accrued interest shall become fully due and payable on August 18, 2019.

In the event that the Company consummates a liquidation event prior to maturity, the Company shall pay to the holders an amount equal to (a) all outstanding principal and accrued interest plus (b) an amount equal to one and one-half times the then outstanding principal amount.

In the event that any indebtedness remains outstanding on the maturity date, at the election of the holders the then outstanding principal shall be converted into a number of shares of a newly created preferred stock by certain conversion price.

In conjunction with the Notes, the Company issued fully vested warrants to purchase 809 shares of common stock.

In August 2018, the Company entered into a definitive agreement to be acquired by Q2 Holdings (the "Acquisition"), Inc. for approximately $105 million cash consideration plus potential additional consideration that may become payable at certain measurement dates in the future upon the achievement by the acquired business of certain financial metrics on such dates. The acquisition is subject to certain closing conditions including delivery of audited financial statements for fiscal years ended December 31, 2016 and December 31, 2017 and review of the Company's financial statements for the interim period beginning January 1, 2018 and ending June 30, 2018.

In August 2018, the Company entered into a term loan agreement (the "Loan") with a financial institute for a consideration of $3.0 million. The Loan bears interest at the bank prime rate plus 1% per annum. Accrued interest is due and payable monthly and the principal become fully due and payable on the earlier of November 30, 2018 or the closing of the Acquisition.

The Company's management has evaluated subsequent events through September 21, 2018, the date these consolidated financial statements were available for issuance.

EXHIBIT 99.2

Cloud Lending, Inc.

Contents

Cloud Lending, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, in thousands, except per share data)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 1,244	$ 2,196
Accounts receivable	2,340	1,676
Prepaid expenses and other current assets	684	220
Deferred implementation costs	297	—
Deferred commission costs, current portion	452	—
Total current assets	5,017	4,092
Property and equipment, net	102	82
Deferred commission costs, net of current portion	537	—
Deferred tax asset	39	83
Other assets	131	151
Total assets	$ 5,826	$ 4,408
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 1,112	$ 1,108
Accrued compensation	1,054	1,102
Accrued and other liabilities	1,128	562
Short-term debt	3,000	—
Convertible notes, current portion	5,073	—
Derivative put liability	7,079	—
Current portion of deferred revenue	5,495	6,141
Total current liabilities	23,941	8,913
Convertible notes, net of current portion	—	2,022
Long-term deferred revenue	266	83
Total liabilities	24,207	11,018
Commitments and contingencies (Note 6)		
Convertible preferred stock: Series A, $0.0001 par value - authorized 6,389 shares, issued and outstanding 6,389 shares at September 30, 2018 and December 31, 2017, liquidation preference $13,729	9,904	9,904
Convertible preferred stock: Series A-1, $0.0001 par value - authorized 3,100 shares, issued and outstanding 3,040 shares at September 30, 2018 and December 31, 2017, liquidation preference $6,000	5,884	5,884
Stockholders' deficit		
Common stock, $0.0001 par value - authorized 23,471 shares; issued and outstanding 9,531 and 8,995 shares as of September 30, 2018 and December 31, 2017, respectively	22	21
Additional paid-in capital	7,260	5,023
Accumulated deficit	(41,111)	(27,417)
Other comprehensive income	(340)	(25)
Total stockholders' deficit	(34,169)	(22,398)
Total liabilities and stockholders' deficit	$ 5,826	$ 4,408

See notes to consolidated financial statements.

Cloud Lending, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2018	2017
Net revenues	$ 11,247	$ 5,638
Costs of revenues	6,697	3,483
Gross profit	4,550	2,155
Operating expenses		
Sales and marketing	6,351	4,618
Research and development	3,152	2,627
General and administrative	4,714	2,725
Total operating expenses	14,217	9,970
Operating Loss	(9,667)	(7,815)
Change in fair value of derivative put liability	(3,823)	—
Interest income	8	6
Interest expense and other, net	(1,820)	(84)
Loss before income taxes	(15,302)	(7,893)
Provision for income taxes	(278)	(149)
Net loss	(15,580)	(8,042)
Other comprehensive gain (loss)		
Foreign currency translation adjustment	(315)	113
Comprehensive loss	$ (15,895)	$ (7,929)

See notes to consolidated financial statements.

Cloud Lending, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2018	**2017**
Cash flows from operating activities:		
Net loss	$ (15,580)	$ (8,042)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	33	40
Stock-based compensation expense	1,092	822
Change in derivative put liability	3,823	—
Non-cash Interest expense	1,430	—
Changes in operating assets and liabilities:		
Accounts receivable	(664)	89
Prepaid expenses and other current assets	(465)	(115)
Deferred implementation, solution, and other costs	600	—
Deferred tax asset	44	11
Other assets	20	3
Accounts payable	4	524
Accrued compensation and expenses	830	712
Deferred revenue	(462)	1,107
Net cash used in operating activities	(9,295)	(4,849)
Cash flows from investing activities:		
Purchases of property and equipment	(53)	(99)
Net cash used in investing activities	(53)	(99)
Cash flows from financing activities:		
Issuance of Series A-1 preferred stock, net of issuance cost	—	5,884
Proceeds from convertible notes	5,500	2,000
Proceeds from notes payable	3,000	—
Proceeds from issuance of common stock and exercise of warrants	204	—
Proceeds from exercise of stock options	6	85
Net cash provided by financing activities	8,710	7,969
Effect of exchange rate changes on cash and cash equivalents	(315)	112
Net increase (decrease) in cash, cash equivalents, and restricted cash	(953)	3,133
Cash, cash equivalents, and restricted cash beginning of year	2,218	1,061
Cash, cash equivalents, and restricted cash end of year	$ 1,265	$ 4,194
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	$ 264	$ 184
Cash paid for interest	$ —	$ —
Supplemental Non-cash Financing Activities		
Bifurcation of derivative put liability related to 2018 Notes	$ 3,256	$ —
Issuance of warrants in connection with the 2018 Notes	$ 284	$ —
Beneficial conversion feature related to the to 2018 Notes	$ 651	$ —
Reconciliation of Cash and Cash Equivalents and Restricted Cash as Shown in the Statement of Cash Flows:		
Cash and cash equivalents	$ 1,244	$ 4,172
Restricted cash	21	22
Total Cash and Cash Equivalents and Restricted Cash	$ 1,265	$ 4,194

See notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

Cloud Lending, Inc. (the "Company") was originally incorporated as MFIFlex Inc. in the state of California on February 9, 2012 and was merged into a Delaware corporation on July 3, 2014. The Company changed its name to Cloud Lending, Inc. in 2015. The Company provides cloud-based lending platform that simplifies the borrowing experience, helping lenders close loans faster and reduce operational inefficiencies through automation and configuration.

The Company has wholly-owned subsidiaries in India ("Mfiflex Technologies Private Limited"), United Kingdom ("Cloud Lending UK Ltd") and Australia ("Cloud Lending Australia PTY Ltd") whose operations primarily involve providing sales support to the Company. The India subsidiary also performs research and development activities.

Going Concern

As of September 30, 2018, the Company had an accumulated deficit of approximately $41.1 million and negative working capital of approximately $18.9 million which raise substantial doubt about the Company's ability to continue as a going concern. Management plans to continue product and marketing development efforts and to finance its operations through debt and equity financing.

There can be no assurance that the actions previously described will provide adequate capital to allow the Company to successfully complete and achieve widespread market acceptance of its products and services. If such capital is not sufficient, significant reductions in spending and the delay or cancellation of planned activities will be necessary. These actions could have a material adverse effect on the Company's business, results of operations and prospects. These matters, among others, raise substantial doubt about the ability of the Company to continue as a going concern within one year after the date the financial statements are available to be issued. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

In August 2018, Q2 Holdings, Inc. ("Q2 Holdings") and the Company entered into an Agreement and Plan of Merger pursuant to which Q2 Holdings has agreed to acquire the Company for a closing purchase price of $105 million, plus additional consideration that may become payable at certain measurement dates in the future upon the achievement by the Company of certain financial metrics on such dates. The closing is subject to customary closing conditions. Q2 Holdings consummated the acquisition of the Company on October 15, 2018.

Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated through consolidation. The functional currency of the subsidiary in India is the Indian Rupee, while the functional currency of the subsidiaries in United Kingdom and Australia is the U.S. dollar. The assets and liabilities of the India subsidiary are translated at the rates of exchange on the balance sheet date, and the revenues and expenses of the India subsidiary are translated at average rates of exchange during the year. Resulting translation gains or losses are included in the accompanying condensed consolidated statements of stockholders' equity and comprehensive loss as a component of accumulated other comprehensive income. The operations of the UK and Australian subsidiaries are immaterial for the nine months ended September 30, 2018. Foreign currency transaction gains and losses are included as a component of other income or expense.

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and reflect all adjustments, which only include normal recurring adjustments, which are in the opinion of management necessary for a fair statement of the Company's financial position, results of operations and cash flows for the interim period and are not necessarily indicative of results to be expected for the full fiscal year or for any other future annual or interim periods. The unaudited condensed consolidated

financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2017.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts and disclosures. Estimates are based on historical factors, current circumstances and the experience and judgment of management. Assumptions and estimates are evaluated on an ongoing basis. Significant estimates and assumptions are used for, but not limited to, revenue recognition including determining the nature and timing of satisfaction of performance obligation, variable consideration and other revenue items requiring significant judgment, allowance for uncollectible accounts receivable; the useful lives of property and equipment; debt and equity related transactions; valuation of derivative put liability and income tax and valuation allowances. Actual results could materially differ from those estimates.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Observable Inputs (other than quoted prices included in Level 1), such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in
the inputs to the model.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, certain other accrued liabilities and debt. Cash and cash equivalents include investments in money market funds with a maturity of generally three months or less, and are carried at cost, which approximates market value. The carrying amounts of accounts receivable, accounts payable, and other accrued liabilities approximate their fair values due to the short-term nature of those instruments.

At September 30, 2018 and December 31, 2017, the fair value of the debt was approximately $7.5 million and $1.9 million, respectively. The fair value of the debt has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

In February 2018, the Company entered into convertible notes with existing investors which included bifurcated derivatives (see Note 4). The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis as of September 30, 2018, and indicate the fair value hierarchy of the valuation:

As of September 30, 2018:

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative put liability	$ —	$ —	$ 7,079	$ 7,079
Total	$ —	$ —	$ 7,079	$ 7,079

A summary of the activity of the fair value of the Level 3 liabilities is as follows (in thousands):

	Beginning value of Level 3 liabilities	Recognition of derivative liability	Change in fair value of Level 3 liability	Ending fair value of Level 3 liability
Nine months ended September 30, 2018	$ —	$ 3,256	$ 3,823	$ 7,079

Concentrations of Credit Risk

The financial instruments that potentially subject the Company to credit risk consist principally of cash equivalents and accounts receivable. The Company mitigates its credit risk with respect to cash by making deposits only with large, reputable financial institutions. The Company mitigates its credit risk with respect to accounts receivable by performing ongoing credit evaluations and monitoring of its customers' accounts receivable balances.

No customer accounted for greater than 10% of the Company's total net revenues for the nine months period ended September 30, 2018 and 2017. Four customers accounted for 16%, 15%, 11% and 11% of the Company's total net accounts receivable at September 30, 2018, and four customers accounted for 17%, 14%, 13% and 11% of the Company's total net accounts receivable at December 31, 2017.

Significant Risks and Uncertainties

The Company is subject to those risks common to growth-stage companies, including, but not limited to, technological obsolescence; dependence on key personnel and customers; the successful protection of its proprietary technologies; compliance with government regulations; and the possibility of not being able to obtain additional financing, when needed.

Cash and Cash Equivalents

The Company considers all liquid investment instruments purchased with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of funds held at a financial institution as deposits for the Company's credit card arrangement. This is included in prepaid expenses and other current assets in the condensed consolidated financial statements amounting to $21 and $22 as of September 30, 2018 and December 31, 2017, respectively.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount. The Company performs evaluations of the customers' financial condition and generally do not require collateral. The Company makes judgments as to its ability to collect outstanding receivables and provide allowances when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding invoices. For those invoices not specifically provided for, provisions, if necessary, are recorded at differing rates, based upon the age of the receivable. In determining these percentages, the Company analyzes its historical collection experience and current payment trends. The determination of past-due accounts is based on contractual terms. As of September 30, 2018 and December 31, 2017, the Company determined an allowance for doubtful accounts was not necessary.

Deferred Implementation Costs

The Company capitalizes certain personnel and other costs, such as employee salaries, benefits, associated payroll taxes and other consultation costs that relate directly to a contract that involves implementation of software solutions. The Company analyzes implementation costs that may be capitalized to assess their recoverability, and only capitalizes costs that it anticipates to be recoverable. The Company assesses the recoverability of its deferred implementation costs by comparing the greater of the amount of the non-cancellable portion of a customer's contract and the non-refundable customer prepayments received as it relates to the specific implementation costs incurred. The Company recognizes deferred implementation costs for an implementation once the revenue recognition criteria have been met. The balance of capitalized implementation costs as of September 30, 2018 was approximately $0.3 million , and the Company recognized approximately $1.4 million of

implementation costs during the nine months ended September 30, 2018. Recognized implementation costs is included in cost of revenues in the accompanying condensed consolidated statements of operations and comprehensive loss.

Deferred Commissions Costs

The Company capitalizes sales commissions when they are incurred solely in connection with obtaining a contract, and are expected to be recoverable. The Company recognizes deferred commissions expense ratably over the expected period of benefit. Under the new revenue standard, the Company capitalizes commissions for those involved in the sale, including direct employees and indirect supervisors, as these are incremental to the sale. The Company begins amortizing deferred commissions once the revenue recognition criteria are met and amortizes those deferred costs over the expected period of benefit, which has been determined to be over three years. The Company determined the period of benefit by considering factors such as initial contract length and expected renewal term.

The Company analyzes the commission costs that may be capitalized to assess their recoverability and only capitalizes costs that it anticipates being recoverable. The portion of capitalized costs expected to be amortized during the succeeding twelve-month period is recorded in current assets as deferred commissions costs, current portion, and the remainder is recorded in long-term assets as deferred commission costs, net of current portion. The balance of capitalized deferred commission costs as of September 30, 2018 was approximately $1.0 million, and the Company amortized approximately $0.3 million during the nine months ended September 30, 2018. Amortization expense is included in sales and marketing expenses in the accompanying condensed consolidated statements of operations and comprehensive loss.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over three years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or remaining lease term. The cost and related accumulated depreciation of any property or equipment disposed of are eliminated from the accounts, and any gain or loss is included in the condensed consolidated statements of operations.

Deferred Revenues

Deferred revenues primarily consist of amounts that have been billed to or received from customers in advance of revenue recognition and prepayments received from customers in advance for implementation and other services, as well as initial subscription fees. The Company recognizes deferred revenues as revenues when the corresponding revenue recognition criteria are met. Customer prepayments are generally applied against invoices issued to customers when services are performed and billed.

Derivative Put Liability

The Company evaluates all conversion and redemption features contained in a debt instrument to determine if there are any embedded derivatives that require separation from the host debt instrument. An embedded derivative that requires separation is bifurcated from its host debt instrument and a corresponding discount to the host debt instrument is recorded. The discount is amortized and recorded to interest expense over the expected term of the host debt instrument using the effective interest method. The embedded derivative is accounted for separately on a fair market value basis. The Company records the fair value changes of a separated embedded derivative at each reporting period in the consolidated statements of operations and comprehensive loss (see Note 4). The Company determined that the redemption feature under the convertible promissory notes qualified as an embedded derivative and was separated from its debt host with regard to the convertible promissory notes issued in February 2018.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The promised consideration may include fixed amounts, variable amounts or both.

Revenue-generating activities are directly related to the sale, implementation and support of the Company's solutions within a single operating segment. The Company derives the majority of its revenues from subscription fees for the use of its hosted solutions, implementation services as well as revenues for customer support related to the Company's solutions. The Company recognizes the subscription fees and customer support revenues over time on a ratable basis over the customer agreement term after the go live date. Implementation service revenue is recognized upon completion of service and customer acceptance. The Company accounts for revenue in accordance with the new revenue standard, Revenue from Contracts with Customers, which was adopted on January 1, 2018, using the modified retrospective method.

The following table disaggregates the Company's revenue by major source:

	Nine months ended September 30, 2018		
	Subscription	Services and Other	Consolidated
Total Revenues	$ 6,144	$ 5,103	$ 11,247

Subscription Revenues

The Company's software solutions are available for use as hosted application arrangements under subscription fee agreements without licensing perpetual rights to the software. Subscription also includes support and maintenance subscription purchased by customer. Subscription fees are recognized over time on a ratable basis over the customer agreement term beginning on the date the Company's solution is made available to the customer as the nature of the promises relates to stand-ready obligations. Amounts that have been invoiced are recorded in accounts receivable and deferred revenues or revenues, depending on whether the revenue recognition criteria have been met.

Services and Other Revenues

Implementation services include fees from consultation service to support the business process mapping, project management services, technical knowhow assistance and quality assurance.

The Company's revenue for implementation services are billed as services are provided and recognized upon implementation completion and customer acceptance.

Certain out-of-pocket expenses billed to customers are recorded as revenues rather than an offset to the related expense. Revenues recorded from out-of-pocket expense reimbursements totaled approximately $0.1 million for each the nine months ended September 30, 2018 and 2017. The out-of-pocket expenses are reported in cost of revenues.

Significant Judgments

Performance Obligations and Standalone Selling Price

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the new revenue standard. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. The Company has contracts with customers that often include multiple performance obligations, usually including multiple subscription and implementation services. For these contracts, the Company accounts for individual performance obligations separately if they are distinct by allocating the contract's total transaction price to each performance obligation in an amount based on the relative standalone selling price, or SSP, of each distinct good or service in the contract. In determining whether implementation services are distinct from the subscription services, the Company considered various factors including whether the Company provides significant integration, or whether there is significant interdependency between the implementation and subscription service, as well as the inability of the customer's personnel or other service providers to perform significant portions of the services.

The Company has concluded that the implementation services included in contacts with multiple performance obligations are distinct, and as a result, the Company recognizes any arrangement fees for implementation services upon customer acceptance.

Professional services that are sold on a standalone basis are recognized at the point in time in which the customer obtains the benefit of the service, which is generally upon completion of the service.

Judgment is required to determine the SSP for each distinct performance obligation. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate SSP is the adjusted market assessment approach, which considers its overall pricing objectives, market conditions and other factors, including the value of the Company's contracts, its discounting practices, the size and volume of its transactions, customer characteristics, price lists, go-to-market strategy, historical standalone sales and agreement prices, and the number and types of users within its contracts.

Variable Consideration

The Company recognizes usage revenue related to portfolio fees, and Application Programming Interface ("API") calls. Judgment is required to determine the accounting for these types of revenue. These variable considerations have not been material to date.

Other Considerations

The Company evaluates whether it is the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis) for vendor reseller agreements. Generally, the Company reports revenues from these types of contracts on a gross basis, meaning the amounts billed to customers are recorded as revenues, and expenses incurred are recorded as cost of revenues. Where the Company is the principal, it first obtains control of the inputs to the specific good or service and directs their use to create the combined output. The Company's control is evidenced by its involvement in the integration of the good or service before it is transferred to its customers, and is further supported by the Company being primarily responsible to its customers and having a level of discretion in establishing pricing. Revenues provided from agreements in which the Company is an agent are immaterial.

The Company also evaluates whether it is the principal or agent for reseller agreements with third party that resells company’s solutions to end customers. The Company has concluded that it is principal in its arrangement with resellers because it controls the hosted software application throughout the hosting period. In addition, the Company also controls the implementation, support and maintenance services before they are transferred to the customer and has the primary responsibility in fulfilling its promise to provide these goods and services to the end customer. However, the price charged by the reseller to the end customer is not known to the Company. Hence, the Company recognizes revenue as a principal based on its contract value with the reseller and not the end customer.

The Company's payment terms vary by the products or services offered, and the term between invoicing and when payment is due is not significant. For certain products or services and customer types, the Company requires payment before the products or services are delivered to the customer.

Research and Development

Research and development costs include salaries and other personnel-related costs, including employee benefits, bonuses and stock-based compensation, third-party contractor expenses, software development tools, an allocation of facilities and depreciation expenses and other related expenses incurred in developing new solutions and upgrading and enhancing existing solutions. Costs related to research and development is expensed as incurred.

Advertising and other promotional costs

Advertising and other promotional costs are charged to operations as incurred and included in sales and marketing expenses. These costs were immaterial for the nine months ended September 30, 2018.

Stock-Based Compensation

The Company applies Accounting Standards Codification ("ASC") 718, "Compensation – Stock Compensation," which requires the measurement and recognition of compensation expense for all share based payment awards made to employees and

directors, including employee stock options, based on estimated fair values recognized over the requisite service period. For options granted and valued in accordance with ASC 718, the Company uses the straight line method for expense attribution.

The fair value of options is estimated on the grant date using the Black-Scholes option-valuation model. This valuation model for stock compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation, including the expected term, the volatility of the Company's common stock, an assumed risk free interest rate, and the estimated forfeiture rate of unvested stock options. To the extent actual forfeitures differ from the estimates, the difference will be recorded as an adjustment in the period estimates are revised. No compensation cost is recorded for options that do not vest. The Company follows the guidance in Staff Accounting Board ("SAB") No. 110, "Share-Based Payment," and estimates the expected term based on an average of the vesting period and the exercise period for each option. Since the Company's stock has not been actively traded in the past, the volatility is based on an average of the historical volatilities of the common stock of several entities with characteristics similar to those of the Company. The risk free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected term of the option. The Company has never paid cash dividends and has no present intention to pay cash dividends in the future; as a result, the expected dividend is zero. The Company estimated its forfeiture rate based on an analysis of historical pre-vesting forfeitures and has reduced stock based compensation expense accordingly.

The Company recognizes fair value of stock options granted to nonemployees as a stock-based compensation expense over the period in which the related services are received. Stock-based compensation expense related to stock options granted to nonemployees is recognized on an accelerated basis as the stock options are earned. The Company believes that the estimated fair value of stock options is more readily measurable than the fair value of the services received.

Income Taxes

The Company accounts for income taxes using an asset and liability approach. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax reporting purposes, net operating loss (NOL) carryforwards, and other tax credits measured by applying currently enacted tax laws. Valuation allowances are provided when necessary to reduce deferred tax assets to
an amount that is more likely than not to be realized.

The Company follows ASC 740-10, "Accounting for Uncertainty in Income Taxes .″ ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740-10. The first step is to evaluate each uncertain tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in stockholders' equity that result from transactions and economic events other than those with stockholders. For the nine months ended September 30, 2018 and year ended December 31, 2017, the Company's comprehensive loss is composed of net loss and foreign currency translation adjustments from the India subsidiary.

Newly Adopted and Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 was modified by subsequently issued ASUs 2015-14, 2016-08, 2016-10, 2016-12 and 2016-20. Topic 606 also includes Subtopic 340-40, "Other Assets and Deferred Costs - Contracts with Customers," which requires the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Company refers to ASU 2014-09, as amended, and Subtopic 340-40 as the "new revenue standard." On January 1, 2018, the Company adopted the new revenue standard for all contracts which were not completed as of January 1, 2018, using the modified retrospective method. Adoption of the new revenue standard resulted in changes to the Company's accounting policies for revenue recognition, deferred revenues, deferred implementation costs, and other incremental costs. The

Company recognized the cumulative effect of initially applying the new revenue standard as a positive adjustment to the opening balance of accumulated deficit on the condensed consolidated balance sheet in the amount of approximately $1.9 million, which reflects the deferral of implementation cost and incremental commission costs of obtaining subscription contracts. The comparative information in prior periods presented has not been restated and continues to be reported under the accounting standards in effect for those periods.

The most significant impact of adoption of the new revenue standard relates to the accounting for direct and incremental commission costs to obtain a contract and cost to fulfil a contract. Under previous GAAP, the Company recognized expense for commission cost to obtain a contract as and when the cost was incurred. Under the new revenue standard, the Company defers commission cost to obtain a contract and amortizes those costs over the expected period of benefit. Under the previous GAAP, the Company recognized expense for direct cost incurred to fulfil a contract as those costs were incurred. Under the new revenue standard, the Company defers the fulfillment cost of contract until the time the income associated with those costs are recognized to revenue.

The cumulative effect of the changes made to the Company's condensed consolidated January 1, 2018 balance sheet for the adoption of the new revenue standard were as follows:

	Balance at December 31, 2017	Adjustments due to the new revenue standard	Balance at January 1, 2018
Balance sheet			
Assets			
Deferred solution and other costs, current portion	$ —	$ 375	$ 375
Deferred solution and other costs, net of current portion	—	1,089	1,089
Deferred implementation costs, net of current portion	—	422	422
Stockholders' equity			
Accumulated deficit	$ (27,417)	$ 1,886	$ (25,531)

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on the Company's condensed consolidated statement of operations and comprehensive loss and balance sheet was as follows:

	Nine Months Ended September 30, 2018		
	As Reported	Balances without new revenue standard	Effect of Change Higher/(Lower)
Costs and expenses			
Cost of revenues	$ 6,697	$ 5,915	$ 782
Sales and marketing	6,351	6,622	(271)
Net loss	$ (15,580)	$ (15,069)	$ 511

	As of September 30, 2018		
	As Reported	Balances without new revenue standard	Effect of Change Higher/(Lower)
Balance sheet			
Assets			
Deferred solution and other costs, current portion	$ 297	$ —	$ 297
Deferred implementation costs, current portion	452	—	452
Deferred solution and other costs, net of current portion	537	—	537
Stockholders' equity			
Accumulated deficit	$ (41,111)	$ (42,397)	$ (1,286)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to improve financial reporting and disclosures about leasing transactions. This ASU will require companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases, where lease terms exceed 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease; both types of leases will be recognized on the balance sheet. The ASU will also require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for the Company's consolidated financial statements for the year ending December 31, 2020. The Company is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance on eight specific cash flow issues. Among these issues, this standard requires, at the settlement of zero coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowings, the portion of the cash payment attributable to the accreted interest related to the debt discount to be classified as cash flows for operating activities, and the portion of the cash payments attributable to the principal to be classified as cash outflows for financing activities. The Company adopted the ASU effective January 1, 2018 and there was no impact on the condensed consolidation financial statements as a result of the adoption.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which provides guidance on the classification of restricted cash in the statement of cash flows. The Company adopted this ASU retrospectively, effective January 1, 2018 which did not result in a material impact on the condensed consolidated statements of cash flows for the nine months ended September 30, 2018.

In May 2017, the FASB issued ASU 2017-09 "Compensation - Stock Compensation (Topic 718)" to provide clarity and reduce both diversity in practice and cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The Company adopted ASU 2017-09, effective January 1, 2018, and there was no impact on the condensed consolidated financial statements as a result of the adoption.

2. Property and Equipment

Property and equipment as of September 30, 2018 and December 31, 2017, consist of the following:

	September 30, 2018	December 31, 2017
Leasehold improvements	$ 38	$ 44
Furniture, fixtures, and equipment	15	11
Computer equipment and software	177	150
Total	230	205
Less accumulated depreciation and amortization	(128)	(123)
Property and equipment - net	$ 102	$ 82

Depreciation expense for the nine months ended September 30, 2018 and 2017 was $33 and $40, respectively.

3. Accrued and Other Liabilities

Accrued and other liabilities as of September 30, 2018 and December 31, 2017, consist of the following:

	September 30, 2018	December 31, 2017
Other accrued expenses	$ 1,065	$ 456
Income taxes payable	63	106
	$ 1,128	$ 562

4. Convertible Note Payable and Short-Term Debt

In August 2017, the Company issued a convertible promissory note (the "Note") for consideration of $2.0 million. The Note bears interest at the rate of 3% per annum and principal and accrued interest shall become fully due and payable on the earlier of August 2019, or upon occurrence of an event of default. The note may not be prepaid in whole or in part at any time by the Company without the prior written consent of the holder.

Upon completion of a qualified financing, the Note automatically converts into equity securities identical (other than with respect to certain specific rights) to securities issued in such financing. Qualified financing is defined as an event whereby the Company sells Capital Stock (other than the Common Stock or a class of stock equivalent to Common Stock) primarily for financing purposes to one or more investors, in one transaction or a series of related transactions, for aggregate proceeds to the Company of at least $6.0 million. Upon completion of a non-qualified financing, the Note may also convert into equity securities issued in such financing at the option of the holder. In the event of an acquisition, the Note including unpaid interest will become due and payable immediately prior to the closing of the acquisition and the holder shall also have the right to convert outstanding principal into common stock prior to the closing of such acquisition. The Note originally allowed the Company to defer the maturity date by up to two consecutive 6-month period at an interest rate of 6% per annum until its amendment in July 2018. The accrued interest was approximately $0.1 million as of September 30, 2018 and $22 as of December 31, 2017. At each of September 30, 2018 and 2017, the outstanding amount of the Note was $2.0 million.

In February 2018, the Company issued convertible promissory notes (the "2018 Notes") with certain existing shareholders for consideration of $5.5 million. The 2018 Notes bear interest at the rate of 7% per annum and principal and accrued interest shall become fully due and payable on August 18, 2019. The accrued interest was approximately $0.3 million as of September 30, 2018.

Upon completion of a qualified financing, the 2018 Notes automatically converts into equity securities identical to securities issued in such financing. Qualified financing is defined as an event whereby the Company sells Capital Stock (other than the Common Stock or a class of stock equivalent to Common Stock) primarily for financing purposes to one or more investors, in one transaction or a series of related transactions, for aggregate proceeds to the Company of at least $6.0 million. Upon completion of a non-qualified financing, the 2018 Notes may also convert into equity securities issued in such financing at the option of the holder. Conversion price upon conversion under a qualified and non-qualified financing is at 80% of the price per share of Capital Stock sold by the Company in such financing. In the event that the Company consummates a liquidation event prior to maturity, the Company shall pay to the holders an amount equal to (a) all outstanding principal and accrued interest plus (b) an amount equal to one and one-half times the then outstanding principal amount.

In the event that any indebtedness remains outstanding on the maturity date, at the election of the holders, the then outstanding principal shall be converted into a number of shares of a newly created preferred stock (that has identical terms with Series A-1 preferred stock) by a conversion price calculated at $44.0 million divided by fully diluted capitalization immediately prior to conversion.

In conjunction with the 2018 Notes, the Company issued fully vested warrants to purchase 809 shares of common stock amounting to $0.3 million. The warrant is exercisable at any time prior to the termination date of February 7, 2023 at an exercise price of $0.68 per share. The warrant was recorded as a debt discount with a corresponding entry to equity and was

amortized to interest expense over the expected term of the Convertible Notes using the effective interest method. Amortization expense recorded for the nine months period ended September 30, 2018 amounted to approximately $0.1 million.

The Company recorded a beneficial conversion feature of approximately $0.7 million as the amount allocated to the convertible debt resulting in an effective per share conversion price which was less than the fair value of the Company's preferred stock on the commitment date. The beneficial conversion feature was recorded as a debt discount with a corresponding increase to additional paid in capital. The discount is being amortized to interest expense over the expected term of the 2018 Notes using the effective interest method. The amortization expense was approximately $0.3 million for the nine months period ended September 30, 2018.

At the time of issuance, the 2018 Notes contained a 125% redemption premium in the event that a Qualified or NonQualified Financing occurs. Further, the 2018 Notes also contained a redemption premium of 150% in the event a liquidation event, such as an acquisition, occurs. The Company determined that the redemption features qualified as embedded derivatives and were separated from its debt host as a compound derivative and accounted for as derivative put liability. The bifurcation of the compound embedded derivative from its debt host resulted in a discount to the Convertible Notes in the amount of $3.3 million during the nine months period. The discount is being amortized to interest expense over the expected term of the 2018 Notes using the effective interest method. The amortization expense was approximately $1.0 million for the nine months period ended September 30, 2018. The derivative put liability is accounted for on a fair market value basis. In August 2018, the Company entered into an Agreement and Plan of Merger in which Q2 Holdings agreed to acquire the Company. The fair value of the derivative put liability was calculated using a significant factor weighted toward acquisition at September 30 2018. The Company recorded the fair value changes of the derivative put liability associated with the 2018 Notes in the consolidated statements of operations and comprehensive income for an expense of $3.8 million for the nine months ended September 30, 2018.

As of September 30, 2018, 2018 Notes outstanding balance and unamortized discount was $5.5 million and approximately $2.8 million, respectively. The Company utilizes a binomial model to value the derivative put liability using the following inputs:

Volatility. The Company estimates stock price volatility based on the average of the historical volatilities of several entities with characteristics similar to the Company over a period of time that matches the expected remaining life of the 2018 Notes.

Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve in effect at the valuation date commensurate with the expected remaining life assumption.

Expected remaining life. The expected life of the 2018 Notes is assumed to be equivalent to their remaining contractual term.

Dividend rate. The dividend rate is based on the historical rate, which the Company anticipates will remain at zero.

Scenarios. The probability of complex features of the derivative put liability being triggered is subjective (no observable inputs or available market data) and based on internal and external information known to management at the valuation date. Such assumptions include, among other inputs, probabilities related to a change of control and when it might occur as well as probabilities of future equity financing and when it might occur.

The Company determined the fair value of the derivative put liability using the following assumptions: 0% dividend yield, 28% volatility, risk-free rate of 2% and term of 1.5 years on February 7, 2018 and 0% dividend yield, 27% volatility, risk-free rate of 2% and term of 0 - 0.9 years on September 30, 2018.

Changes to the key assumptions or to the scenarios used in the valuation model, including the probability of key events, such as a change of control transaction, could have a material impact to the overall valuation of the compound bifurcated derivative liability.

In August 2018, the Company entered into term loan agreement (the "Loan") with a financial institution for consideration of $3.0 million to fund its operations. The Loan bears interest at the bank prime rate plus 1% per annum. Accrued interest is due

and payable monthly and the principal become fully due and payable on the earlier of November 30, 2018 or the closing of the acquisition.

5. Factoring Arrangement

In October 2017, the Company entered into an account receivables financing arrangement with a lender, whereby selected acceptable accounts receivable are financed for an advance of 80% of the face value of the factored receivables. The factoring arrangement was full recourse and the Company continued to assume the credit risk and retained the title of those receivable. The maximum facility amount under the arrangement was up to $1.5 million with an interest rate at prime plus 1% per annum. There were no account receivables financed under this arrangement. The account receivables financing arrangement was terminated in August 2018 when the Company entered into the Loan discussed in Note 4.

6. Commitments and Contingencies

The Company leases office space under various noncancelable operating leases that expire at various times; U.S. facility through June 2019 and India facility through October 2020. Rent expense related to the Company's operating leases was approximately $0.4 million for each of the nine months ended September 30, 2018 and 2017. Future annual minimum lease payments under these noncancelable operating leases and operating costs as of September 30, 2018, are approximately as follows:

Year Ended December 31,		
2018 (remaining three months)	$	115
2019		362
2020		207
Future minimum lease payments	$	684

Contingencies

Certain of the Company's agreements indemnify its customers for expenses or liabilities resulting from claimed infringements of patent, trademark, or copyright by third parties related to the intellectual property content of the Company's products. Certain of these indemnification provisions are perpetual from execution of the agreement, and in some instances, the maximum amount of potential future indemnification is not limited. To date, the Company has not paid any such claims or been required to defend any lawsuits with respect to a claim. Accordingly, the Company has not recorded any amounts related to infringements.

The Company has entered into indemnification agreements with its executive officers. Under these agreements, the Company has agreed to indemnify such individuals against liabilities that arise by reason of their status as officers.

7. Stockholders' Equity

Convertible Preferred Stock

Under the Company's certificate of incorporation, as amended, the Company has authorized the issuance of 9,489 shares of convertible preferred stock, with a par value of $0.0001, at September 30, 2018, which have been designated as Series A convertible preferred stock (Series A) and Series A-1 convertible preferred stock (Series A-1).

The rights, preferences, and privileges of Series A and Series A-1 preferred stock are as follows as of September 30, 2018:

Dividends

The holders of Series A and Series A-1 shall be entitled to receive dividends at such times and in such amounts, if any, as are received by the holders of outstanding shares of common stock, pro rata based on the number of shares of common stock held by each, determined on an as-if converted basis.

Liquidation Preference

In the event of the liquidation of the Company, the holders of Series A and Series A-1 shall be entitled to receive an amount per share equal to the greater of $2.1490 and $1.9737 respectively, multiplied by the number of preferred shares held respectively, plus all declared but unpaid dividends, before any amount shall be paid to the holders of common stock, or such amount per share as would have been payable had all shares of Series A and Series A-1 been converted into common stock immediately prior to such liquidation event. If the amounts available for distribution upon a liquidation event are insufficient to make payment in full to each holders of Series A and Series A-1, such holders of Series A and Series A-1 shall share ratably in proportion to the full respective liquidation preference to which they are entitled. For purposes of this provision, any of the following events shall be considered a liquidation: (1) the sale or disposition of substantially all of the Company's assets and (2) the merger of the Company with another entity in which a transfer of control of the Company occurs.

Conversion

The holders of preferred stock may convert their shares into shares of the Company's common stock on a one-for-one basis (subject to adjustment for events of dilution), at any time, at their option. All shares of preferred stock shall automatically be converted into shares of the Company's common stock upon the closing of an initial public offering of the Company's common stock, in which the gross proceeds to the Company are at least $100.0 million, at a price per share equal to at least four times the Series A-1 original issue price (as adjusted for stock splits, stock dividends, combinations, recapitalizations, and the like).

Voting Rights

The voting rights of the preferred stockholders are equal to those of the common stockholders.

Redemption Rights

The Series A and A-1 preferred stock outstanding are subject to redemption upon the occurrence of uncertain events, such as change in control, not solely within the Company's control. Accordingly, the preferred shares are included within temporary or mezzanine equity on the consolidated Balance Sheet. The redemption price is equal to the original issue price, plus declared but unpaid dividends (dividends are non-cumulative). The Company does not consider the change in control to be probable until the change in control occurs and accordingly the Company does not adjust the Series A and A-1 preferred stock to redemption value.

Restricted Shares Previously Issued to Founders

In January 2017, in connection with the issuance of Series A-1 convertible preferred stock, certain of the Company's founders entered into stock restriction agreements, whereby 3,500 of previously unrestricted shares of common stock became subject to repurchase by the Company upon the stockholder's termination of employment or service to the Company. The Company's repurchase rights lapse in equal increments on each monthly anniversary date over a two year period. The stock restriction agreements resulted in the deemed cancellation and reissuance of restricted common shares. As such, the Company recognizes the measurement date fair value of the restricted stock over the vesting period as compensation expense. As of January 2017, the aggregate fair value of the common shares subject to repurchase was $2.1 million. For each of the nine months ended September 30, 2018 and 2017, the Company recognized stock-based compensation for these awards of $0.8 million. As of September 30, 2018, approximately 584 shares of common stock were subject to repurchase by the Company. As of September 30, 2018, the unrecognized stock compensation expense related to these awards was $0.3 million, expected to be recognized over 3.5 months.

In August 2018, the Company's Board of Directors approved the acceleration of the vesting of the restricted shares held by the founder contingent upon and immediately prior to the consummation of the acquisition discussed in Note 10.

Common Stock Warrants

In January 2015, the Company issued a fully vested warrant to purchase 36 shares of common stock in conjunction with the issuance of a convertible note. The convertible note was converted to Preferred Series A in September 2015. The warrant

has total exercise price of $0.01 and expires ten years from date of grant. The estimated fair value of the warrant using the Black-Scholes option pricing model was immaterial.

Upon the issuance of the Preferred Series A in September 2015, an additional warrant was issued to purchase 39 shares of common stock under the terms and conditions of the original warrant agreement. The estimated fair value of this additional warrant using the Black-Scholes option pricing model was immaterial. Common stock warrants are accounted for as equity.

In connection with the 2018 Notes (see Note 4), the Company issued fully vested warrants to purchase 809 shares of common stock at $0.68 per share. The warrant expires five years from the date of grant. The Company has determined the fair value of these warrants to be $0.3 million using the Black-Scholes option pricing model with the following assumptions: 0% dividend yield, 63% volatility, risk-free rate of 2.52% and contractual life of five years. As the warrants are recorded as equity, the Company recorded the relative fair value allocation of these warrants of $0.3 million as a discount on the 2018 Notes. The discount was being amortized to interest expense over the term of the 2018 Notes. During the nine months ended September 30, 2018, warrants to purchase common stock of 206 was exercised for $0.1 million.

Reserved Shares

As of September 30, 2018, the Company has reserved shares of common stock for future issuance as follows:

Number of Shares

Common Stock Reserved For Issuance:	
Preferred Series A issued and outstanding	6,389
Preferred Series A-1 issued and outstanding	3,040
Common stock warrants	677
Stock options outstanding	3,344
Stock options available for future issuance	405
	13,855

Stock Option Plan

In September 2014, the Company adopted the 2014 Stock Option Plan (the "Plan"). Under the Plan, the Company may grant either incentive stock options, nonqualified stock options to employees, nonemployees and consultants who provide services to the Company.

Employees are eligible to receive incentive stock options (ISOs), and nonemployees may be granted nonqualified stock options (NSOs). The board of directors has the authority to set the exercise prices of all options granted with the following stipulations: the exercise price of an ISO shall not be less than 100% of the fair value of the Company's common stock (as determined by the board of directors) on the date of grant; the exercise price of an ISO granted to a stockholder who holds 10% or more of the Company's stock shall not be less than 110% of the fair value of the common stock on the date of grant; the exercise price of an NSO shall not be less than 85% of the fair value of the common stock on the date of grant; and the exercise price of an NSO granted to a stockholder who holds 10% or more of the Company's stock shall not be less 110% of the fair market value of the common stock.

Generally, the Company's outstanding options vest at a rate of 25% per year. The term of the options is generally 10 years. Options granted to stockholders who hold 10% or more of the Company's stock may not have a term that exceeds five years.

The option activity for the nine months ended September 30, 2018 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
Balance - December 31, 2017	2,953	$ 0.53	9.09
Granted	905	0.68	
Exercised	(12)	0.43	
Canceled	(502)	0.57	
Balance - September 30, 2018	3,344	0.56	8.66
Exercisable - September 30, 2018	1,101	0.40	7.70
Vested and expected to vest - September 30, 2018	2,822	$ 0.55	8.55

At September 30, 2018, 405 options were available for future grant under the Plan.

The fair value of options vested was approximately $0.1 million for the nine months period ended September 30, 2018. The options granted weighted-average fair value was $0.23 per share for the nine months ended September 30, 2018. The aggregate intrinsic value of options exercised was approximately $1 thousand for the nine months ended September 30, 2018.

Stock-Based Compensation Expense

The Company estimates the fair value of stock options granted on the grant date using the Black Scholes option valuation model and applies the straight-line method of expense attribution. The following assumptions are used to value stock options granted to employees for the nine months ended September 30, 2018: volatility of 37%; average risk-free interest rate of 2.98%; expected term of 6.06 years and a dividend rate of 0%.

The Company recorded employee stock-based compensation expense as follows:

	Nine Months Ended September 30,	
	2018	2017
Cost of revenues	$ 113	$ 18
Sales and marketing	91	17
Research and development	64	14
General and administrative	24	6
Total employee stock-based compensation expense	$ 292	$ 55

As of September 30, 2018, there was approximately $0.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options, which is expected to be recognized over the weighted-average remaining period of 1.24 years.

Options Issued to Consultants

During the nine months ended September 30, 2018, the Company issued options to purchase 15 shares of common stock to nonemployees at exercise price of $0.68 per share and recorded less than $0.1 million as stock-based compensation expense. The fair value of the options granted to nonemployees was estimated using the Black-Scholes option pricing model with the following assumptions: risk free interest rate within the range of 2.83%, expected dividends of 0%, volatility within the range of 46%, and term of 10 years. The compensation expense with respect to the unvested options is subjected to adjustment as the fair value of the Company's common stock change and as they vest. The fair value of these options is expensed over the vesting period, which generally vests over two years.

8. Income Taxes

In accordance with applicable accounting guidance, the income tax provision for the nine months ended September 30, 2018 is based on the estimated annual effective tax rate for fiscal year 2018. The estimated effective tax rate may be subject to adjustment in subsequent quarterly periods as the estimates of pretax income for the year, along with other items that may affect the rate, change. The income tax provision for the nine months ended September 30, 2018 relates to the foreign subsidiaries and state minimum taxes.

The Company's provision for income taxes reflected an effective tax rate of approximately (1.8)% and (1.9)% for the nine months ended September 30, 2018 and 2017, respectively. For the nine months ended September 30, 2018 and 2017, the Company's effective tax rate was lower than the U.S. federal statutory rate primarily due to changes to its valuation allowance.

The Company has significant deferred tax assets related to its net operating loss carryforward since inception. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of deferred assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the available objective evidence, management believes it is more likely than not that substantially all of its net deferred tax assets may not be realized in the future.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("TCJA"), thereby enacting the law. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21%, effective for tax years beginning after December 31, 2017. The Company applied the guidance in SAB 118 when accounting for the enactment-date effects of the Act in 2017 and throughout 2018, recording provisional amounts related to the remeasurement of the deferred tax balances in the fourth quarter of 2017 while it continued to analyze certain aspects of the Tax Act. As of September 30, 2018, the Company has completed its 2017 income tax returns and its accounting for the enactment-date income tax effects of the Act with no adjustments to the provisional amounts recorded at December 31, 2017.

The TCJA subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company
is currently evaluating the impact of the GILTI provisions.

9. Employee Benefit Plan

The Company has a defined contribution retirement plan (the 401(k) Plan) that qualifies under Section 401(k) of the Internal Revenue Code of 1996. The 401(k) Plan covers essentially all employees. Eligible employees may make voluntary contributions to the 401(k) Plan up to statutory annual limitations, and the Company is allowed to make discretionary contributions. The Company has made no discretionary contributions to date.

10. Subsequent Events

In August 2018, Q2 Holdings and the Company entered into an Agreement and Plan of Merger pursuant to which Q2 Holdings has agreed to acquire the Company for approximately $105 million cash consideration plus potential additional consideration that may become payable at certain measurement dates in the future upon the achievement by the acquired business of certain financial metrics on such dates. The acquisition is subject to certain closing conditions including delivery of audited financial statements for fiscal years ended December 31, 2016 and December 31, 2017 and review of the Company's financial statements for the interim period beginning January 1, 2018 and ending June 30, 2018. On October 15, 2018, Q2 Holdings consummated the acquisition of the Company. As a result, the Company also paid out $0.6 million severance and cash equivalent option grants which was approved upon the acquisition being consummated.

In October 2018 as part of the acquisition of the Company, the short-term debt, a portion of the convertible notes, and derivative put liability were paid off in an aggregate amount of $17.2 million, and a portion of the convertible notes were converted into common shares. The 2018 Notes contained a redemption premium of 150% which was triggered as the liquidation event, or the acquisition, had occurred.

The Company's management has evaluated subsequent events through December 28, 2018, the date these consolidated financial statements were available for issuance.

EXHIBIT 99.3

Unaudited Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information is presented to illustrate the estimated effects of the acquisition (the "Cloud Lending Acquisition") of Cloud Lending, Inc., a Delaware corporation, ("Cloud Lending") by Q2 Holdings, Inc., a Delaware corporation, ("Q2" or the "Company"), through its wholly owned subsidiary, Q2 Software, Inc., pursuant to an Agreement and Plan of Merger dated as of August 6, 2018, by and among the Company, Cloud Lending, and the shareholders of Cloud Lending (the "Sellers"). Pursuant to the Agreement and Plan of Merger, the Company agreed to pay approximately $105.0 million in cash upon closing for all outstanding equity interests in Cloud Lending.

The unaudited pro forma combined financial information primarily gives effect to the following adjustments:

- Application of the acquisition method of accounting in connection with the business combination to reflect the fair value of the purchase consideration; and
- Stock compensation granted to Cloud Lending's management team in connection with the business combination

The unaudited pro forma combined balance sheet as of September 30, 2018, and the unaudited pro forma combined statements of operations for the nine months ended September 30, 2018 and the year ended December 31, 2017 are presented herein. The unaudited pro forma combined balance sheet combines the unaudited balance sheets of the Company and Cloud Lending as of September 30, 2018, and gives effect to the Cloud Lending Acquisition as if it occurred on September 30, 2018. The unaudited pro forma combined statements of operations combine the historical results of the Company and Cloud Lending for the nine months ended September 30, 2018 and the year ended December 31, 2017, and give effect to the business combination as if it occurred on January 1, 2017. The historical financial information has been adjusted to give effect to pro forma adjustments that are (i) directly attributable to the Cloud Lending Acquisition, (ii) factually supportable, and (iii) with respect to the unaudited pro forma combined statements of operations, expected to have a continuing impact on the combined entity's results.

The unaudited pro forma combined financial information presented is based on the assumptions and adjustments described in the accompanying notes. The unaudited pro forma combined financial information is presented for illustrative purposes and does not purport to represent what the financial position or results of operations would actually have been if the business combination occurred as of the dates indicated or what the financial position or results would be for any future periods.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X. The Cloud Lending Acquisition has been reflected in the unaudited pro forma combined financial information as a business combination using the acquisition method of accounting, in accordance with Accounting Standards Codification, or ASC, Topic 805, "Business Combinations," under accounting principles generally accepted in the United States ("GAAP"). Under these accounting standards, the total estimated purchase consideration was calculated as described in Note 2 to the unaudited pro forma combined financial information, and the assets acquired and the liabilities assumed have been presented at their preliminary estimated fair value at the date of acquisition. For the purpose of measuring the preliminary estimated fair value of the assets acquired and liabilities assumed, management has applied the accounting guidance under GAAP for fair value measurements, using established valuation techniques. This guidance establishes the framework for measuring fair value for any asset acquired or liability assumed under GAAP. Fair value measurements can be highly subjective and it is possible the application of reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances. The purchase price allocation including the identification of tangible and intangible assets acquired and liabilities assumed, and the determination of the fair value of those assets acquired and liabilities assumed, as well as the assignment of goodwill to reporting units were not finalized as of the filing date of this Current Report on Form 8-K/A and are subject to change.

The pro forma adjustments are preliminary and are based upon available information and certain assumptions which management believes are reasonable under the circumstances and which are described in the accompanying notes herein. The final determination of the fair value of Cloud Lending's assets and liabilities could result in amounts preliminarily allocated to goodwill and intangible assets changing materially from those used in the unaudited pro forma combined financial information and could also result in a material change in the amortization of acquired intangible assets.

The unaudited pro forma combined financial information is derived from the historical financial statements of the Company and Cloud Lending, and should be read in conjunction with (1) the accompanying notes to the unaudited pro forma combined financial information, (2) the unaudited financial statements and related footnotes included in the Company's

Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2018, (3) the audited financial statements and related footnotes for the fiscal year ended December 31, 2017 included in the Company's Annual Report on Form 10-K, (4) the audited financial statements for the fiscal years ended December 31, 2017 and December 31, 2016, and notes thereto of Cloud Lending, and (5) the financial statements for the nine months ended September 30, 2018 and 2017, and notes thereto of Cloud Lending, which are included as exhibits to this Current Report on Form 8-K/A.

The unaudited pro forma adjustments are not necessarily indicative of or intended to represent the results that would have been achieved had the acquisition been completed as of the dates indicated or that may be achieved in the future. The actual results reported by the combined company in periods following the acquisition may differ significantly from those that are reflected in the unaudited pro forma condensed combined financial information due to many factors, including the effects of applying final purchase accounting and the incremental costs incurred to integrate the two companies. The unaudited pro forma condensed combined financial information does not reflect any cost savings, or associated costs to achieve such savings, from operating efficiencies, synergies, or other restructuring that may result from the acquisition.

Q2 HOLDINGS, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
(in thousands, except per share data)

	Historical				
	As of September 30, 2018				
	Q2	Cloud Lending	Pro Forma Adjustments (Note 3)		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 211,779	$ 1,244	$ (104,315)	(a)	$ 108,708
Restricted cash	2,315	—	—		2,315
Investments	86,236	—	—		86,236
Accounts receivable, net	23,121	2,340	—		25,461
Contract assets, current portion	487	—	—		487
Prepaid expenses and other current assets	4,795	684	—		5,479
Deferred solution and other costs, current portion	10,456	452	—		10,908
Deferred implementation costs, current portion	3,599	297	—		3,896
Total current assets	342,788	5,017	(104,315)		243,490
Property and equipment, net	35,132	102	—		35,234
Deferred solution and other costs, net of current portion	16,273	537	—		16,810
Deferred implementation costs, net of current portion	10,215	—	—		10,215
Intangible assets, net	7,720	—	50,175	(b)	57,895
Goodwill	12,876	—	81,715	(c)	94,591
Contract assets, net of current portion	8,346	—	—		8,346
Other long-term assets	1,751	170	—		1,921
Total assets	$ 435,101	$ 5,826	$ 27,575		$ 468,502
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	$ 7,884	$ 1,112	$ —		$ 8,996
Accrued liabilities	7,614	1,128	—		8,742
Accrued compensation	10,658	1,054	—		11,712
Short-term debt	—	3,000	(3,000)	(d)	—
Convertible notes, current portion	—	5,073	(5,073)	(d)	—
Derivative put liability	—	7,079	(7,079)	(f)	—
Deferred revenues, current portion	34,799	5,495	(2,414)	(e)	37,880
Total current liabilities	60,955	23,941	(17,566)		67,330
Convertible notes, net of current portion	180,122	—	—		180,122
Deferred revenues, net of current portion	25,428	266	(117)	(e)	25,577
Deferred rent, net of current portion	8,017	—	—		8,017
Other long-term liabilities	590	—	21,138	(g)	21,728
Total liabilities	275,112	24,207	3,455		302,774
Commitments and contingencies (Note 8)					
Stockholders' equity:					
Preferred stock: $0.0001 par value; 5,000 shares authorized; no shares issued or outstanding as of September 30, 2018 and December 31, 2017	—	—	—		—
Convertible preferred stock: Series A, $0.0001 par value - authorized 6,389 shares, issued and outstanding 6,389 shares at September 30, 2018, liquidation preference $13,729	—	9,904	(9,904)	(h)	—
Convertible preferred stock: Series A-1, $0.0001 par value - authorized 3,100 shares, issued and outstanding 3,040 shares at September 30, 2018, liquidation preference $6,000	—	5,884	(5,884)	(h)	—
Common stock: $0.0001 par value; 150,000 shares authorized; 43,337 issued and outstanding as of September 30, 2018 and 41,994 shares issued and 41,967 shares outstanding as of December 31, 2017	4	—	—		4
Common stock, $0.0001 par value - authorized 23,471 shares, issued and outstanding 9,531 shares as of September 30, 2018	—	22	(22)	(h)	—
Additional paid-in capital	320,627	7,260	(7,260)	(h)	320,627
Accumulated other comprehensive loss	(83)	(340)	340	(h)	(83)
Accumulated deficit	(160,559)	(41,111)	46,850	(h)	(154,820)

Total stockholders' equity	159,989	(34,169)	39,908	165,728
Total liabilities and stockholders' equity	$ 435,101	$ 5,826	$ 27,575	$ 468,502

See accompanying Notes to unaudited pro forma combined financial information

Q2 HOLDINGS, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Historical				
	Year ended December 31,				
	2017	2017			
	Q2	Cloud Lending	Pro Forma Adjustments (Note 4)		Pro Forma Combined
Revenues	$ 193,978	$ 7,656	$ (2,414)	(a)	$ 199,220
Cost of revenues	99,485	5,460	4,607	(b), (c)	109,552
Gross profit	94,493	2,196	(7,021)		89,668
Operating expenses:					
Sales and marketing	41,170	6,634	7	(c)	47,811
Research and development	40,338	3,543	5	(c)	43,886
General and administrative	37,179	3,823	2	(c)	41,004
Acquisition related costs	1,232	—	—		1,232
Amortization of acquired intangibles	1,481	—	2,645	(b)	4,126
Total operating expenses	121,400	14,000	2,659		138,059
Loss from operations	(26,907)	(11,804)	(9,680)		(48,391)
Other income (expense):					
Interest and other income	553	7	—		560
Interest and other expense	(124)	(98)	98	(f)	(124)
Total other income (expense), net	429	(91)	98		436
Loss before income taxes	(26,478)	(11,895)	(9,582)		(47,955)
Benefit from (provision for) income taxes	314	(205)	4,737	(g)	4,846
Net loss	$ (26,164)	$ (12,100)	$ (4,845)		$ (43,109)
Other comprehensive income (loss):					
Unrealized gain (loss) on available-for-sale investments	(85)	—	—		(85)
Foreign currency translation adjustment	—	125	—		125
Comprehensive loss	$ (26,249)	$ (11,975)	$ (4,845)		$ (43,069)
Net loss per common share, basic and diluted	$ (0.63)				$ (1.05)
Weighted average common shares outstanding:					
Basic and diluted	41,218				41,218

See accompanying Notes to unaudited pro forma combined financial information

Q2 HOLDINGS, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Historical				
	Nine Months Ended September 30,				
	2018	2018			
	Q2	Cloud Lending	Pro Forma Adjustments (Note 4)		Pro Forma Combined
Revenues	$ 173,923	$ 11,247	$ (117)	(a)	$ 185,053
Cost of revenues	86,420	6,697	3,358	(b), (c)	96,475
Gross profit	87,503	4,550	(3,475)		88,578
Operating expenses:					
Sales and marketing	34,541	6,351	(73)	(c)	40,819
Research and development	35,817	3,152	(52)	(c)	38,917
General and administrative	32,331	4,714	(20)	(c)	37,025
Acquisition related costs	2,325	—	(1,722)	(d)	603
Amortization of acquired intangibles	987	—	1,983	(b)	2,970
Unoccupied lease charges	658	—	—		658
Total operating expenses	106,659	14,217	116		120,992
Loss from operations	(19,156)	(9,667)	(3,591)		(32,414)
Other income (expense):					
Change in fair value of derivative put liability	—	(3,823)	3,823	(e)	—
Interest and other income	1,979	8	—		1,987
Interest and other expense	(6,984)	(1,820)	1,183	(f)	(7,621)
Total other income (expense), net	(5,005)	(5,635)	5,006		(5,634)
Loss before income taxes	(24,161)	(15,302)	1,415		(38,048)
Benefit from (provision for) income taxes	627	(278)	—		349
Net loss	$ (23,534)	$ (15,580)	$ 1,415		$ (37,699)
Other comprehensive income (loss):					
Unrealized gain (loss) on available-for-sale investments	56	—	—		56
Foreign currency translation adjustment	—	(315)	—		(315)
Comprehensive loss	$ (23,478)	$ (15,895)	$ 1,415		$ (37,958)
Net loss per common share, basic and diluted	$ (0.55)				$ (0.89)
Weighted average common shares outstanding:					
Basic and diluted	42,597				42,597

See accompanying Notes to unaudited pro forma combined financial information

Note 1 - Basis of Pro Forma Presentation

The historical consolidated financial statements have been adjusted to give effect to pro forma events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma adjustments are preliminary and based on estimates of the fair values and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the merger. The final determination of the purchase price allocation will be based on the final valuation of the fair values of assets acquired and liabilities assumed.

The unaudited pro forma condensed combined financial information included herein was derived from the Company's and Cloud Lending's historical consolidated financial statements, which were both prepared in accordance with U.S. GAAP. In order to conform the Cloud Lending historical consolidated financial statements to our financial statement presentation, we have reclassified certain line items within the Cloud Lending historical consolidated financial statements. Reclassifications mainly relate to conforming the names of the financial statement line items from Cloud Lending's to the Company's presentation.

The unaudited pro forma condensed combined financial information has been prepared using the Company's significant accounting policies as set forth in the audited consolidated financial statements for the fiscal year ended December 31, 2017, as updated in the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2018. Based on the procedures performed to date, the accounting policies of Cloud Lending are similar in most material respects to the Company's accounting policies. Cloud Lending adopted ASC Topic 606, "Revenue from Contracts with Customers" and Subtopic 340-40, "Other Assets and Deferred Costs - Contracts with Customers," as of January 1, 2018, the same date as the Company's adoption of these standards, and accordingly no pro forma adjustments were required to conform Cloud Lending's accounting policies with the Company's. The adoption did not have a material impact on revenue recognition but did have an impact on the capitalization and amortization of sales commissions and implementation costs, which were previously expensed as incurred.

As more information becomes available, the Company will complete a more detailed review of Cloud Lending's accounting policies. As a result of that review, differences could be identified between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements.

Note 2 — Preliminary Purchase Consideration and Purchase Price Allocation

The total preliminary purchase price is as follows (in thousands):

	Preliminary Purchase Consideration
Estimated cash purchase price	$ 107,293
Estimated working capital and other adjustments	970
Fair value contingent consideration	16,862
Total preliminary purchase price	$ 125,125

At closing, the Company deposited into an escrow account $10.5 million of the initial consideration, or Escrow Amount, to compensate for any breach of a representation or warranty or any violation or default of any obligation by the sellers subsequent to the acquisition during a period of 18 months following the acquisition date. To the extent not utilized, the Escrow Amount shall be paid to the former shareholders of Cloud Lending at the end of the 18 month period unless there are any unresolved claims remaining at that time.

Certain former shareholders of Cloud Lending also have the right to receive in the aggregate up to an additional $59.5 million based upon satisfaction of certain financial milestones. The pro forma combined balance sheet includes estimated contingent consideration of $16.9 million related to the potential earnout payment based on forecasted financial milestones. The final purchase price allocation will be determined once the Company has completed its final valuations. Changes in the fair value of the contingent consideration subsequent to the purchase price finalization will be recorded through the statement of operations. Following the Cloud Lending Acquisition, the Company owns all of the outstanding equity interests of Cloud Lending.

For the purpose of preparing the accompanying unaudited pro forma combined consolidated balance sheet as of September 30, 2018, the preliminary estimate of the purchase price allocation to the acquired assets and liabilities is as follows (in thousands):

Tangible assets acquired:		
Net working capital, excluding deferred revenue	$	469
Property and equipment, net		102
Total tangible assets acquired		571
Other assets (liabilities):		
Other assets		170
Deferred revenue		(3,230)
Deferred tax liability		(4,276)
Total other assets (liabilities)		(7,336)
Intangible assets		50,175
Net assets acquired, excluding goodwill		43,410
Estimated goodwill		81,715
Total preliminary purchase consideration	$	125,125

The goodwill recognized is attributable primarily to synergies expected from the integration of the acquired product offering into the Company's integrated solutions, the expanded service capabilities that are expected to become available from planned investments in the acquired products, and the value of the assembled work force in accordance with generally accepted accounting principles.

The acquisition resulted in the identification intangible assets, including customer relationships, non-compete agreements, trademarks, and acquired technology. The fair value of the intangible assets was based on the income approach using various methods such as with and without, relief from royalty, and multi-period excess earnings. Intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from five to ten years. For the non-compete agreements, the estimated useful life is based upon the term of each individual agreement with certain former shareholders of Cloud Lending.

Note 3 — Unaudited Pro Forma Combined Consolidated Balance Sheet Adjustments

Purchase Accounting Pro Forma Adjustments:

a) Reflects the cash portion of the purchase price paid.
b) Reflects the adjustments to record the preliminary estimate of fair value of Cloud Lending's amortizable intangible assets acquired. Refer to Note 2 for the intangible assets recognized and the associated useful lives.
c) Reflects the preliminary estimate of goodwill which represents excess of purchase price consideration over the estimated fair value of the net tangible and amortizable intangible assets acquired.
d) Reflects debt repaid on behalf of Cloud Lending that includes settlement of the outstanding debt balance classified as short-term debt, of which $3.0 million related to the term loan, $4.7 million related to convertible notes, and $0.3 million was accrued interest related to each.
e) Reflects the adjustment to record the fair value of Cloud Lending's deferred revenue based upon the value the Company would offer a third party to assume the liability.
f) Reflects settlement of derivative put liability associated with the convertible notes settled in the acquisition.
g) Reflects the adjustment to record the estimated preliminary fair value of the contingent consideration of $16.9 million and to record a deferred tax liability of $4.3 million associated with the recording of intangible assets and deferred revenue at fair value associated with the acquisition of Cloud Lending.
h) Reflects adjustments to eliminate Cloud Lending's historical shareholders' equity, which represent the historical book value of Cloud Lending's net assets, as a result of the application of purchase accounting.

Note 4 — Unaudited Pro Forma Combined Consolidated Statements of Operations Adjustments

Purchase Accounting Pro Forma Adjustments:

a) Reflects a reduction in revenue of $2.4 million and $0.1 million related to the estimated fair value of the acquired deferred revenue during the fiscal year ended December 31, 2017, and the nine months ended September 30, 2018, respectively.

b) Reflects an adjustment for the year ended December 31, 2017 and the nine months ended September 30, 2018, for amortization expense related to the fair value of identified intangible assets with definite lives. Amortization of the intangible assets has been included in the historic results starting on the acquisition date. Since the pro forma results of operations require the transaction to be reflected as if it occurred on January 1, 2017, a pro forma adjustment has been recorded to account for the incremental amortization. The intangible assets are amortized on a straight-line basis over the useful lives of the assets. The preliminary amount of amortization expense included in cost of revenues in the pro forma condensed consolidated statement of comprehensive loss was $4.6 million for the year ended December 31, 2017 and $3.4 million for the nine months ended September 30, 2018. The preliminary amount of amortization expense included in operating expenses in the pro forma condensed consolidated statement of comprehensive loss was $2.6 million for the year ended December 31, 2017 and $2.0 million for the nine months ended September 30, 2018.

c) Reflects an adjustment to record total stock compensation charges, related to restricted stock units granted by the Company to Cloud Lending employees and officers, of $23 and $0.2 million, for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively, for awards granted to Cloud Lending employees subject to future service requirements subsequent to the closing. The compensation expense is expected to be recorded as follows within the respective expense lines:

	Year ended December 31, 2017			
	Cost of revenues	Sales and marketing	Research and development	General and administrative
Reversal of Cloud Lending's historical stock-based compensation expense	$ (432)	$ (347)	$ (246)	$ (93)
Post-combination stock-based compensation expense	441	354	251	95
Net stock-based compensation expense adjustment	$ 9	$ 7	$ 5	$ 2

	Nine months ended September 30, 2018			
	Cost of revenues	Sales and marketing	Research and development	General and administrative
Reversal of Cloud Lending's historical stock-based compensation expense	$ (422)	$ (339)	$ (240)	$ (91)
Post-combination stock-based compensation expense	331	266	188	71
Net stock-based compensation expense adjustment	$ (91)	$ (73)	$ (52)	$ (20)

d) Reflects an adjustment to remove the impact of transactions expenses for the nine months ended September 30, 2018, incurred related to the Cloud Lending acquisition.

e) Reflects settlement of derivative put liability associated with the convertible notes settled in the acquisition.

f) Reflects the elimination of $0.1 million and $1.2 million of historical interest expense during the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively, associated with Cloud Lending's debt repaid by the Company in connection with the acquisition.

g) Reflects an adjustment to record a reduction in the valuation allowance associated with the recording of intangible assets and deferred revenue at fair value associated with the acquisition of Cloud Lending.